

Chief Investment Office

# Weekly Market Commentary

For professional advisers only



## In Summary

- Oil prices likely to remain in focus, with energy costs at ten-month highs expected to feed into central bank interest rate deliberations this week.
- While the US Federal Reserve is expected to keep interest rates on hold, the Bank of England is expected to raise rates by 0.25% to 5.5% on Thursday.
- Both UK and US central banks likely to signal a still-cautiously hawkish message, mindful of the risks of calling victory against inflation too early.

### Oil prices likely to remain in focus for markets this week

The oil price was a big part of last week's focus for markets. On the back of the recent oil producer supply curbs from Saudi Arabia, oil prices for both Brent and West Texas Intermediate (WTI) ended up through US\$90 per barrel last week. With oil prices around ten-month highs, it is likely to feed into the debate about the outlook for inflation risks and central bank thinking. That is especially relevant, given the full calendar of economic data this week - we have lots of central bank rate decisions due, including from the US (Wednesday), UK (Thursday), and Japan (Friday), as well as CPI (consumer price index) inflation data from the UK (Wednesday), and Japan (Friday). In addition, on Friday we also have retail sales in the UK, as well as the first reading of the latest global PMIs (purchasing manager indices). Feeding into the macroeconomic picture, labour wage rates is also in focus this week, given the UAW (United Auto Workers) strike in the US which started last Friday - the auto workers union are striking against the so-called 'Detroit Three' automakers of General Motors, Ford, and Stellantis (the parent company of Chrysler) - according to Reuters, this is the first time the UAW has gone on strike against all three automakers simultaneously.

### A busy week for central banks ahead

After last week's interest rate hike from the European Central Bank, this week sees lots of central bank meetings. For the ones that markets are probably most focused on, we have the US Federal Reserve (Fed) on Wednesday, the Bank of England (BoE) on Thursday, and wrapping up with the Bank of Japan (BoJ) on Friday. We also have central banks from Norway, Sweden, Switzerland, and Turkey all deciding on policy on Thursday. Of all the meetings, the Fed is likely to be the biggest focus for markets, especially after last week's slightly stronger-than-expected core (excluding energy and food) CPI month-on-month outturn.

### Latest UK inflation date due

After last week's stronger than expected UK wage data, this week it is the turn of UK CPI for August on Wednesday, where the focus will likely be on checking the current momentum in services inflation, which much like economies elsewhere globally has proved to be relatively sticky. UK all-items annual consumer inflation is expected to rise from 6.8% to 7.2% due to energy costs, but the core is expected to dip from 6.9% to 6.8%. The UK inflation print will also be feeding into the BoE's rate decision due on Thursday, where markets at the end of last week were pricing in around a 70% chance of a 0.25% hike, which if it happens would take interest rates in the UK to 5.5% and which would be the 15th consecutive hike from the UK central bank.

### The risks of calling victory against inflation too early

Coming into the Fed meeting this week, while markets are on balance expecting a pause, instead the quarterly Fed 'Summary of Economic Projections' which will accompany the meeting will be key - in particular, it will show if there has been any change in the macroeconomic outlook from Fed members. Also feeding into Fed deliberations this week will be the outlook for wage growth, not least given the timing of the UAW strike - with core inflation in particular having hitherto proved relatively sticky, alongside resilience in the jobs market, the outlook for wages will clearly be very important, not just for workers and businesses, but also for policy makers, who are mindful of the risks of calling victory against inflation too early - that suggests that this week is likely to see a still-cautiously hawkish message from the Fed prevail, despite any pause in interest rates for now.

## Economic indicators (week beginning 11 September)

Day	Data Release	Consensus	Prior	Actual
<b>Monday</b>	Italy Industrial Production MoM Jul	-0.3%	0.5%	0.0%
	China Money Supply M2 YoY Aug	10.7%	10.7%	10.6%
<b>Tuesday</b>	Germany ZEW Survey Expectations Sep	-15	-12.3	-11.4
	Germany ZEW Survey Current Situation Sep	-75.5	-71.3	-79.4
	United Kingdom Jobless Claims Change Aug	--	29.0k	0.9k
	United Kingdom Claimant Count Rate Aug	--	4.0%	4.0%
<b>Wednesday</b>	United States CPI MoM Aug	0.6%	0.2%	0.6%
	United States CPI YoY Aug	3.6%	3.2%	3.7%
	Japan PPI YoY Aug	3.3%	3.6%	3.2%
	United States MBA Mortgage Applications	--	-2.9%	-0.8%
	United Kingdom Manufacturing Production MoM Jul	-1.0%	2.4%	-0.8%
<b>Thursday</b>	Japan Industrial Production MoM Jul	--	-2.0%	-1.8%
	United States Initial Jobless Claims 40057	227k	216k	220k
	Eurozone ECB Main Refinancing Rate	4.3%	4.3%	4.5%
	United States Retail Sales Advance MoM Aug	0.1%	0.7%	0.6%
	Japan Core Machine Orders MoM Jul	-0.8%	2.7%	-1.1%
	Eurozone ECB Deposit Facility Rate	3.8%	3.8%	4.0%
<b>Friday</b>	Italy CPI EU Harmonized YoY Aug	5.5%	5.5%	5.5%
	France CPI YoY Aug	4.8%	4.8%	4.9%
	United States U. of Mich. Sentiment Sep	69.2	69.5	67.7
	United Kingdom Industrial Production MoM Jul	-0.7%	1.8%	-0.7%
	United Kingdom ILO Unemployment Rate 3Mths Jul	4.3%	4.2%	4.3%
	Japan Tertiary Industry Index MoM Jul	0.3%	-0.4%	0.9%
	China Industrial Production YoY Aug	3.9%	3.7%	4.5%
	United States Industrial Production MoM Aug	0.1%	1.0%	0.4%
	United States PPI Final Demand MoM Aug	0.4%	0.3%	0.7%
	China Retail Sales YoY Aug	3.0%	2.5%	4.6%
United States Empire Manufacturing Sep	-10	-19	1.9	

Source: Bloomberg, data accessed 18 September 2023.



## Economic indicators (week beginning 18 September)

Day	Data Release	Consensus	Prior
<b>Tuesday</b>	Eurozone CPI YoY Aug	5.3%	5.3%
	Eurozone CPI MoM Aug	0.6%	0.6%
<b>Wednesday</b>	United States FOMC Rate Decision (Upper Bound)	5.5%	5.5%
	United Kingdom CPI YoY Aug	7.0%	6.8%
	United Kingdom CPI MoM Aug	0.7%	-0.4%
	United Kingdom CPI Core YoY Aug	6.8%	6.9%
	United States MBA Mortgage Applications	--	-0.8%
<b>Thursday</b>	United Kingdom Bank of England Bank Rate	5.5%	5.3%
	United States Initial Jobless Claims	225k	220k
	United States Leading Index Aug	-0.5%	-0.4%
<b>Friday</b>	United States Philadelphia Fed Business Outlook Sep	-1	12
	France HCOB France Manufacturing PMI Sep	46.2	46
	France HCOB France Services PMI Sep	46	46
	Japan Jibun Bank Japan PMI Mfg Sep	--	49.6
	Germany HCOB Germany Manufacturing PMI Sep	39.5	39.1
	Eurozone HCOB Eurozone Manufacturing PMI Sep	44	43.5
	United Kingdom S&P Global/CIPS UK Manufacturing PMI Sep	43.2	43
	United States S&P Global US Manufacturing PMI Sep	48.2	47.9
	Japan Natl CPI YoY Aug	3.0%	3.3%
	United States Housing Starts Aug	1437k	1452k
	United States Existing Home Sales Aug	4.10m	4.07m
	France HCOB France Composite PMI Sep	46	46
	United Kingdom Retail Sales Inc Auto Fuel MoM Aug	0.5%	-1.2%
Japan BOJ Policy Balance Rate	-0.1%	-0.1%	

Source: Bloomberg, data accessed 18 September 2023





## Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2204	3.19%	3.19%	2.80%	6.26%
MSCI USA USD	4234	-0.21%	-0.18%	16.32%	17.28%
MSCI Europe ex UK EUR	184	1.22%	1.23%	9.90%	12.19%
MSCI AC Asia Pacific ex JPN USD	509	1.23%	1.34%	0.65%	2.91%
MSCI Japan JPY	1487	3.18%	3.18%	29.23%	30.79%
MSCI Emerging Markets USD	985	1.14%	1.24%	2.99%	5.19%
Barclays Sterling Gilts GBP	217		0.32%		-3.80%
GOLD USD	1924	0.25%		5.48%	
WTI Oil USD	91	3.73%		13.09%	
MSCI PIMFA Income		1.09%	1.12%	2.58%	4.41%
MSCI PIMFA Balanced		1.21%	1.25%	3.81%	5.63%
MSCI PIMFA Growth		1.38%	1.41%	5.57%	7.38%

Source: Bloomberg, MSCI; please see important information, data accessed 18 September 2023.

**YTD denotes year to date, TR denotes total return and CR denotes capital return.**



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