

Chief Investment Office

# Weekly Market Commentary

For professional advisers only



## In Summary

- Equities and bonds struggled last week as strong economic growth pushed back against expectations for interest rate cuts in early 2024.
- The People's Bank of China delivered policy support on Sunday but disappointed investors with its size and scope.
- This week sees the Fed's annual economic symposium which has historically been an important market event.

### Equities and bonds struggled last week as strong economic growth pushed back against expectations for interest rate cuts in early 2024

Equities and bonds had a very difficult week as investors repriced asset markets for a higher for longer interest rate backdrop. Last week was the worst week for global equities since the regional banking crisis in March, putting any hope of a summer lull in volatility behind us.

### The People's Bank of China delivered policy support on Sunday but disappointed investors with its size and scope

Markets have been eagerly awaiting policy support from China to aid the lack of economic momentum in 2023. This follows the Politburo commitment earlier in the summer to do what it takes to bring the economy back to target. On Sunday the People's Bank of China (PBOC) asked banks to do more to boost growth and to aid this, cut the one-year loan prime rate by 10 basis points (bps). This was actually below market expectations as it was slightly smaller and more limited than investors had been hoping for. As a result, Chinese equities have been under pressure yet again today as markets worry that China will be slow to respond to the flagging growth outlook.

### This week sees the Fed's annual economic symposium which has historically been an important market event

This week sees the US Federal Reserve's (Fed) annual Jackson Hole Economic Symposium, with the highlight being Fed Chair Powell's speech titled the 'Economic Outlook'. Historically this meeting has been used to reflect on the prior year and guide bond markets around upcoming policy. With inflation having fallen quickly but the economy still running hot, it is too early for Powell to deviate meaningfully from the existing narrative. As well as the difficulties around the tight US labour market alongside falling inflation, Powell also needs to contend with high US interest rates contrasted with loose financial conditions. These mixed signals are likely to lead Powell to stress his commitment to fight inflation while providing little future steer.

The recent slide in equity market prices has caught investors off guard. While the Jackson Hole meeting is not expected to contain much in the way of new news, it has historically been an event that has catalysed a change in market tune. Another important event this week will be Nvidia's earnings which last quarter added fuel to the generative Artificial Intelligence (AI) boom that powered strong US technology outperformance. With expectations decidedly more buoyant coming into this set of numbers another strong market reaction is less likely, but equity investors will be looking for some news this week to arrest the drop in equity markets.



## Economic indicators (week beginning 14 August)

Day	Data Release	Consensus	Prior	Actual
Tuesday	Japan Industrial Production MoM Jun F	--	2.00%	2.40%
	Japan GDP SA QoQ 2Q P	0.80%	0.70%	1.50%
	Germany ZEW Survey Expectations Aug	-14.7	-14.7	-12.3
	Japan GDP Annualized SA QoQ 2Q P	2.90%	2.70%	6.00%
	Canada CPI YoY Jul	3.00%	2.80%	3.30%
	Germany ZEW Survey Current Situation Aug	-63	-59.5	-71.3
	United States Retail Sales Advance MoM Jul	0.40%	0.20%	0.70%
	United Kingdom Jobless Claims Change Jul	--	25.7k	29.0k
	China Industrial Production YoY Jul	4.30%	4.40%	3.70%
	Japan GDP Deflator YoY 2Q P	3.80%	2.00%	3.40%
	China Retail Sales YoY Jul	4.00%	3.10%	2.50%
	United Kingdom Claimant Count Rate Jul	--	4.00%	4.00%
Wednesday	United Kingdom CPI YoY Jul	6.70%	7.90%	6.80%
	United Kingdom CPI MoM Jul	-0.50%	0.10%	-0.40%
	United Kingdom CPI Core YoY Jul	6.80%	6.90%	6.90%
	United States MBA Mortgage Applications 40756	--	-3.10%	-0.80%
	United States Industrial Production MoM Jul	0.30%	-0.50%	1.00%
Thursday	United States Initial Jobless Claims 41122	240k	248k	239k
	Australia Unemployment Rate Jul	3.60%	3.50%	3.70%
	Australia Employment Change Jul	15.0k	32.6k	-14.6k
	Japan Core Machine Orders MoM Jun	3.50%	-7.60%	2.70%
	United States Leading Index Jul	-0.40%	-0.70%	-0.40%
	Australia Participation Rate Jul	66.80%	66.80%	66.70%
Friday	United States Housing Starts Jul	1445k	1434k	1452k
	Canada CPI NSA MoM Jul	0.30%	0.10%	0.60%
	Japan Natl CPI YoY Jul	3.30%	3.30%	3.30%
	United Kingdom ILO Unemployment Rate 3Mths Jun	4.00%	4.00%	4.20%
	Japan Tertiary Industry Index MoM Jun	-0.20%	1.20%	-0.40%
	United States Empire Manufacturing Aug	-0.7	1.1	-1.9
	United Kingdom Retail Sales Inc Auto Fuel MoM Jul	-0.60%	0.70%	-1.20%

Source: Bloomberg, data accessed 21.08.23



## Economic indicators (week beginning 21 August)

Day	Data Release	Consensus	Prior
<b>Tuesday</b>	United States Existing Home Sales Jul	4.15m	4.16m
	France HCOB France Manufacturing PMI Aug P	45.2	45.1
	France HCOB France Services PMI Aug P	47.5	47.1
	United States MBA Mortgage Applications 43313	--	-0.80%
	Japan Jibun Bank Japan PMI Mfg Aug P	--	49.6
<b>Wednesday</b>	Germany HCOB Germany Manufacturing PMI Aug P	38.5	38.8
	United Kingdom S&P Global/CIPS UK Manufacturing PMI Aug P	45	45.3
	United States S&P Global US Manufacturing PMI Aug P	49	49
	United States New Home Sales Jul	704k	697k
	France HCOB France Composite PMI Aug P	47.4	46.6
<b>Thursday</b>	United States Initial Jobless Claims 43678	240k	239k
	United States Durable Goods Orders Jul P	-4.00%	4.60%
<b>Friday</b>	Germany GDP SA QoQ 2Q F	0.00%	0.00%
	Germany IFO Business Climate Aug	86.8	87.3
	United States U. of Mich. Sentiment Aug F	71.2	71.2
	Japan Tokyo CPI Ex-Fresh Food YoY Aug	2.90%	3.00%
	Germany IFO Expectations Aug	83.5	83.5

Source: Bloomberg, data accessed 21.08.23



## Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2075	-3.45%	-3.35%	-3.23%	-0.26%
MSCI USA USD	4152	-2.14%	-2.10%	14.07%	14.91%
MSCI Europe ex UK EUR	179	-2.20%	-2.18%	7.32%	9.54%
MSCI AC Asia Pacific ex JPN USD	496	-3.83%	-3.75%	-1.86%	0.00%
MSCI Japan JPY	1368	-2.95%	-2.95%	18.93%	20.33%
MSCI Emerging Markets USD	964	-3.34%	-3.29%	0.84%	2.80%
Barclays Sterling Gilts GBP	211		-1.33%		-6.35%
GOLD USD	1889	-1.28%		3.58%	
WTI Oil USD	81	-2.33%		1.23%	
MSCI PIMFA Income		-2.07%	-2.01%	-0.79%	0.81%
MSCI PIMFA Balanced		-2.24%	-2.18%	0.00%	1.58%
MSCI PIMFA Growth		-2.53%	-2.47%	1.17%	2.74%

Source: Bloomberg, MSCI; please see important information, data accessed 21.08.23

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



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