

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- US equities surged last week, supported by a fresh adoption of the 'soft landing' narrative
- The US employment saw a surprise increase in the unemployment rate while wage growth slowed
- Chinese stimulus helped support the region's equity market as policymakers seek to boost economic growth

US equities surged last week, supported by a fresh adoption of the 'soft landing' narrative

The US equity market climbed around 2.5% last week, its strongest weekly performance since June. European equities also rose but lagged behind the US rally as US mega-cap technology stocks supercharged the US market return. US bond yields fell last week on the back of weaker-than-expected economic data however this weekly fall masks a degree of volatility last Friday.

The US employment saw a surprise increase in the unemployment rate while wage growth slowed

While the headline number of new jobs slightly beat market expectations, the last two months of data were revised lower, more than offsetting the small beat. Recent nonfarm payroll releases have been consistently downgraded in future months which casts doubt on the true strength of the August numbers. One of the significant changes for this report was a pickup in the headline unemployment rate which moved to 3.8% versus expectations, and the previous reading, of just 3.5%. The driver of this was a large increase in the number of individuals looking for work in August. In terms of the all-important wage growth numbers, average hourly earnings fell more than expected, declining to 0.2% month-on-month compared to 0.4% the previous month.

In aggregate, the employment report showed a deceleration in labour market tightness which is welcome news for the Federal Reserve. That said, whether this softening gains momentum or not will play a large role in determining whether the US economy undergoes a soft or hard landing. Adding to the mixed data that the market has to contend with, the US Institute for Supply Management (ISM) manufacturing survey was stronger than market expectations even though the sector remains in contraction. Of more concern will be the pick-up in the prices paid sub-component which could mean that goods disinflation, a central driver of the recent falls in US consumer price index (CPI), may be moderating somewhat.

Chinese stimulus helped support the region's equity market as policymakers seek to boost economic growth

This week will start slowly with the US on holiday on Monday. This week the focus will be on any hint of further Chinese stimulus with investors responding positively to the recent efforts to stimulate economic growth. We will also see the release of the US ISM services survey as well as hear from the Reserve Bank of Australia where the central bank is expected to pause its interest rate hikes.

Economic indicators (week beginning 28 August)

Day	Data Release	Consensus	Prior	Actual
Monday	Australia Retail Sales MoM Jul	0.30%	-0.80%	0.00%
Tuesday	Japan Jobless Rate Jul	2.50%	2.50%	2.70%
	United States Conf. Board Consumer Confidence Aug	116	117	106.1
	Japan Job-To-Applicant Ratio Jul	1.3	1.3	1.29
Wednesday	Italy Manufacturing Confidence Aug	98	99.3	97.8
	United States GDP Annualized QoQ 2Q S	2.40%	2.40%	2.10%
	Germany CPI YoY Aug P	6.00%	6.20%	6.10%
	United States ADP Employment Change Aug	195k	324k	177k
	Germany CPI MoM Aug P	0.30%	0.30%	0.30%
	Australia Building Approvals MoM Jul	-0.50%	-7.70%	-8.10%
	Italy Consumer Confidence Index Aug	106.6	106.7	106.5
	United Kingdom Mortgage Approvals Jul	51.0k	54.7k	49.4k
Thursday	Japan Industrial Production MoM Jul P	-1.40%	2.40%	-2.00%
	United States Initial Jobless Claims 46235	235k	230k	228k
	Italy CPI EU Harmonized YoY Aug P	5.60%	6.30%	5.50%
	France CPI YoY Aug P	4.60%	4.30%	4.80%
	China Manufacturing PMI Aug	49.2	49.3	49.7
	Italy CPI EU Harmonized MoM Aug P	0.30%	-1.50%	0.20%
	United States Personal Income Jul	0.30%	0.30%	0.20%
	United States Personal Spending Jul	0.70%	0.50%	0.80%
	Germany Unemployment Change (OOO's) Aug	10.0k	-4.0k	18.0k
	France GDP QoQ 2Q F	0.50%	0.50%	0.50%
	United States MNI Chicago PMI Aug	44.2	42.8	48.7
Friday	United States Change in Nonfarm Payrolls Aug	170k	187k	187k
	France HCOB France Manufacturing PMI Aug F	46.4	46.4	46
	United States ISM Manufacturing Aug	47	46.4	47.6
	China Caixin China PMI Mfg Aug	49	49.2	51
	Japan Jibun Bank Japan PMI Mfg Aug F	--	49.7	49.6
	Italy HCOB Italy Manufacturing PMI Aug	45.7	44.5	45.4
	Germany HCOB Germany Manufacturing PMI Aug F	39.1	39.1	39.1
	United Kingdom S&P Global/CIPS UK Manufacturing PMI Aug F	42.5	42.5	43
	Canada S&P Global Canada Manufacturing PMI Aug	--	49.6	48
	United States S&P Global US Manufacturing PMI Aug F	47	47	47.9
	United States MBA Mortgage Applications 45870	--	-4.20%	2.30%
	Canada Quarterly GDP Annualized 2Q	1.20%	3.10%	-0.20%
	United States Unemployment Rate Aug	3.50%	3.50%	3.80%
	United Kingdom Nationwide House Px MoM Aug	-0.40%	-0.20%	-0.80%
	United Kingdom Nationwide House Px NSA YoY Aug	-4.90%	-3.80%	-5.30%
	Japan Capital Spending YoY 2Q	8.30%	11.00%	4.50%
	Italy GDP WDA QoQ 2Q F	-0.30%	-0.30%	-0.40%
	Canada GDP MoM Jun	-0.20%	0.30%	-0.20%
	Italy GDP WDA YoY 2Q F	0.60%	0.60%	0.40%

Source: Bloomberg, data accessed 4 September 2023.



Economic indicators (week beginning 4 September)

Day	Data Release	Consensus	Prior
Monday	Australia Melbourne Institute Inflation MoM Aug	--	0.80%
	Australia RBA Cash Rate Target 38596	4.10%	4.10%
Tuesday	United States Durable Goods Orders Jul F	--	-5.20%
	France HCOB France Services PMI Aug F	46.7	46.7
	France HCOB France Composite PMI Aug F	46.6	46.6
	United States Factory Orders Jul	-2.50%	2.30%
Wednesday	Canada Bank of Canada Rate Decision 38961	5.00%	5.00%
	Australia GDP SA QoQ 2Q	0.30%	0.20%
	United States MBA Mortgage Applications 37135	--	2.30%
	Germany Factory Orders MoM Jul	-4.00%	7.00%
Thursday	United States Initial Jobless Claims 37500	234k	228k
	Germany Industrial Production SA MoM Jul	-0.50%	-1.50%
	China Trade Balance Aug	\$73.90b	\$80.60b
	Japan GDP SA QoQ 2Q F	1.30%	1.50%
	Japan GDP Annualized SA QoQ 2Q F	5.60%	6.00%
	Japan BoP Current Account Balance Jul	¥2245.9b	¥1508.8b
	Germany CPI YoY Aug F	6.10%	6.10%
	Canada Unemployment Rate Aug	5.60%	5.50%
	Germany CPI MoM Aug F	0.30%	0.30%
Friday	France Industrial Production MoM Jul	0.20%	-0.90%
	Australia GDP YoY 2Q	1.80%	2.30%
	Japan GDP Deflator YoY 2Q F	3.40%	3.40%
	Australia Trade Balance Jul	\$10000m	\$11321m
	Canada Net Change in Employment Aug	15.0k	-6.4k
	United States Trade Balance Jul	-\$68.0b	-\$65.5b
	China Exports YoY Aug	-9.00%	-14.50%

Source: Bloomberg, data accessed 4 September 2023



Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2128	1.64%	1.79%	-0.74%	2.58%
MSCI USA USD	4298	2.67%	2.70%	18.08%	19.00%
MSCI Europe ex UK EUR	183	1.30%	1.30%	9.58%	11.86%
MSCI AC Asia Pacific ex JPN USD	509	2.28%	2.36%	0.61%	2.63%
MSCI Japan JPY	1435	3.71%	3.74%	24.73%	26.23%
MSCI Emerging Markets USD	986	1.51%	1.52%	3.06%	5.13%
Barclays Sterling Gilts GBP	216		0.26%		-4.09%
GOLD USD	1940	1.31%		6.36%	
WTI Oil USD	86	7.17%		6.59%	
MSCI PIMFA Income		1.14%	1.20%	1.59%	3.33%
MSCI PIMFA Balanced		1.31%	1.36%	2.69%	4.41%
MSCI PIMFA Growth		1.60%	1.66%	4.26%	5.99%

Source: Bloomberg, MSCI; please see important information, data accessed 4 September 2023.

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



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