GLOBAL MARKET COMMENTARY

WEEK 43 = WEEK ENDING 27 OCTOBER 2023

EQUITY	CLOSING LEVEL VALUE	WTD % CHANGE	BONDS	CLOSING LEVEL VALUE	WTD % CHANGE	REAL ESTATE & COMMODITIES	CLOSING LEVEL VALUE	WTD % CHANGE
MSCI World Index	2,731.99 ▼	-2.12%	Bloomberg Global Agg USD	432.03 ▲	0.42%	Global Property	4,639.37 ▼	-2.02%
S&P 500	4,117.37 ▼	-2.53%	Bloomberg Global High Yi	1384.56 ▲	0.47%	Gold	2,006.37 ▲	1.26%
MSCI Eur xUK	170.54 ▼	-0.78%	Bloomberg Global Credit	255.86 ▲	0.62%	Oil	85.54 ▼	-2.88%
FTSE 100	7,291.28 ▼	-1.50%				Commodities	591.41 ▼	-1.56%

Highlights

- The MSCI World Index ended the week 2.1% lower, falling for the second consecutive week. Signs of resilience in the US economy amplified investor concerns about a prolonged period of high interest rates. Geopolitical concerns also weighed.
- Third-quarter US GDP growth was an annualised 4.9%, the fastest pace of growth since the last quarter of 2021, largely due to strong consumer spending.
- The European Central Bank (ECB) left its key deposit rate unchanged at 4.0%. The Federal Reserve (Fed) and the Bank of England are expected to maintain interest rates at their current levels this week.

Market commentary

North America: The S&P 500 was 2.5% lower, recording similar losses as the previous week. Only utilities and materials recorded gains while communication services was the worst-performing sector. Quarterly earnings releases were mixed. Among the 'Magnificent 7', Meta, Amazon and Microsoft's shares rallied on strong results while Alphabet's cloud business disappointed. In economic news, the economy grew more than expected in the third quarter, expanding at its fastest pace since the fourth quarter 2021, preliminary figures showed (see chart). Strong consumer spending propelled a 4.9% annualised increase in GDP, up from 2.1% growth in the previous quarter. Economists had expected 4.5% growth. Meanwhile, the core personal consumption expenditures (PCE) price index increased 0.3% MoM in September versus August's 0.1% rise although the YoY figure edged down to 3.7% from 3.8%. Elsewhere, provisional manufacturing purchasing manager index (PMI) data improved in October to 50.0 from 49.8 in September, above the expected 49.5. The services PMI increased to 50.9 from 50.1, versus the 49.9 forecast. The composite rose to 51.0 from 50.2, above the 50.0 estimate. Durable goods orders climbed 4.7% from a downwardly revised 0.1% contraction in August, flash figures showed, well above the 1.9% forecast. Meanwhile, personal spending rose by 0.7% in September, above expectations and up from August's 0.4% increase. Personal income was up 0.3%, just below the 0.4% expected. In Canada, interest rates were held at 5.0%, as expected. The central bank acknowledged that previous increases had the desired effect of slowing the economy, Meanwhile, retail sales edged down by 0.1% in August versus July's 0.3% rise, in line with estimates.

Continental Europe: The MSCI Europe ex UK Index fell by 0.8%. Concerns over the economy and the Middle East conflict weighed on sentiment. In economic news, the ECB maintained interest rates at 4.0%, amid rising concerns over a recession in the region. Reflecting the weakness in the economy, flash PMI figures for October declined with the manufacturing PMI falling to 43.0 from 43.4, the services down to 47.8 from 48.7 and the composite lower at 46.5 from 47.2 in September (see chart). However, Germany's manufacturing PMI rose to 40.7 from 39.6 in September, better than market expectations of 40.0. The services PMI fell to 48.0 from 50.3. France's manufacturing PMI was 40.7, up from 39.6, while the services PMI dropped to 48.0 from 50.3. Meanwhile, the Consumer Confidence indicator for the eurozone inched lower to -17.9 in October from -18.0, better than expectations of -18.3, flash figures showed. Elsewhere, the Ifo Business Climate Indicator for Germany increased by 1.1 points to a three-month-high of 86.9 in October, above the market consensus of 86.0.

UK: The FTSE 100 index ended the week 1.5% lower, following markets elsewhere. In economic news, unemployment rose 0.2% to 4.2% in the three months to the end of August, compared with the previous quarter, according to new experimental official data from the Office for National Statistics. Vacancies fell below 1 million to 988,000, the 15th consecutive quarterly fall. Elsewhere, flash figures showed the manufacturing PMI rose to 45.2 in October from September's 44.3, while the services PMI was 49.2 from 49.3. The composite PMI increased slightly to 48.6 from 48.5.

Japan: In Japan, the TOPIX was unchanged for the week. Investors were encouraged by a series of better-than-expected US earnings results and a strong Tokyo market debut for Kokusai Electric in what was the country's largest initial public offering in five years. Offsetting this was a run of mostly disappointing domestic economic data, including a decline in the latest services sector activity numbers, and fears that Middle Eastern tensions could lead to a wider conflict in the region. Meanwhile, the yen traded around 30-year lows against its US counterpart during the week. Whilst a weaker yen makes exports cheaper, it also makes imports more expensive.

Asia Pacific: Asian share markets were lower for the week, with the MSCI Asia Pacific ex Japan Index closing the period down 0.7%. Stocks were impacted by expectations US interest rates will remain higher for longer after the world's biggest economy expanded 4.9% (annualised) in the third quarter. Sentiment was also impacted by rising geopolitical risks and a poor lead from major developed markets. Partly offsetting this was Beijing's move to issue additional sovereign debt and lift the country's budget deficit ratio. Share markets fell in South Korea, Taiwan, Indonesia and Thailand but rose in China and Hong Kong. In Australia, the All Ordinaries Index returned -1.1% after stronger-than-expected inflation data raised the prospect of another rate hike when the country's central bank next meets on 7 November.

Emerging Markets (EM): The MSCI EM Index outperformed developed markets as it slipped a modest 0.6%. The health care and consumer discretionary sectors performed well whereas the information technology sector lagged. Early in the week Chinese shares fell to the lowest level since before the pandemic as the CSI 300 index of Shanghai- and Shenzhen-listed stocks fell to about 3,463, the lowest since 2019, before recovering towards week-end. Domestically, industrial profits expanded for a second-successive month after increasing 11.9% YoY in September. In South Korea, third-quarter GDP growth positively surprised in an advance reading at 0.6% QoQ (1.4% YoY). Elsewhere, inflation was broadly in-line with consensus in Brazil (0.2% MoM, 5.0% YoY) for October. Meanwhile, in Turkey, the central bank increased its benchmark interest rate for a fifth-successive month, up 500 basis points (bps) to 35% as it continued its efforts to reduce inflation.

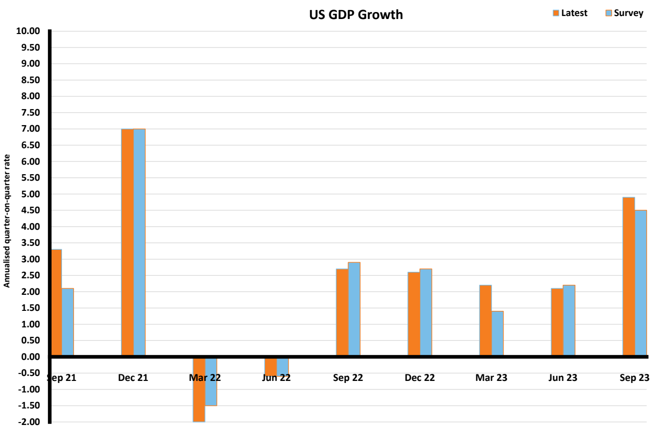
Fixed Income: The Bloomberg Global Aggregate index ended the week 0.4% higher, in contrast to the previous period. After breaking through the 5.0% threshold on Monday, the first time since July 2007, the yield on 10-year US Treasuries trended down, ending eight bps lower at 4.83%. Resilience in the economy is adding to the challenge of anticipating when interest rate hikes will end. Increased government issuance and geopolitical tensions, notably the Middle East conflict, have also clouded the outlook. Market expectations are for the Fed to hold rates at its next policy meeting on 31st October. In the investment grade corporate bond market, issuance was lower than expected. In Europe, the ECB left its benchmark deposit interest rate unchanged at 4.0% following 10 consecutive rate rises amid concerns over eurozone growth. This raised expectations that rates may have peaked in the region. Government bond yields eased with the yield on German 10-year government bunds ending six bps lower at 2.83%. In the UK, the benchmark 10-year gilt yield ended the period 11 bps lower at 4.54%. The Bloomberg Global Credit index was 0.6% higher over the week while the Bloomberg Global High Yield index was up 0.5%.

Commodities: Commodity markets were mixed. In contrast to the previous two weeks, oil prices weakened, falling by 2.9%. Gold rose for the third straight week, up 1.3% as the continuing conflict in the Middle East boosted safe-haven demand. Copper prices rose 1.9%, strengthening for the first time in a month.

Charts of the week

US Third Quarter GDP Growth Higher Than Expected

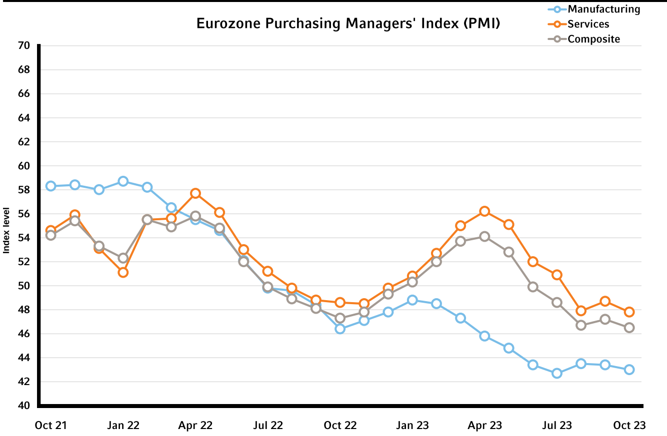
US annualised GDP growth was 4.9% in the third quarter, the fastest growth since the fourth quarter of 2021, according to preliminary figures.



Source: Bloomberg as at 27/10/23

Eurozone PMIs weaken in October

Preliminary eurozone PMI data for October weakened compared to the previous month although manufacturing PMIs for Germany and France showed an improvement.



Source: Bloomberg as at 27/10/23

Market Data – Base Currencies

EQUITY	Value Fri, 27-Oct-23	WTD % CHANGE	MTD % CHANGE	YTD % CHANGE	12M % CHANGE
MSCI World Index	2,731.99	-2.12%	-4.25%	4.97%	8.26%
S&P 500	4,117.37	-2.53%	-3.98%	7.24%	8.14%
Russell 1000	2,250.71	-2.59%	-4.28%	6.88%	7.48%
FTSE 100	7,291.28	-1.50%	-4.16%	-2.15%	3.08%
MSCI Europe xUK	170.54	-0.78%	-4.49%	2.11%	5.88%
DAX	14,687.41	-0.75%	-4.54%	5.49%	11.17%
Topix	2,254.65	-0.04%	-2.96%	19.19%	18.32%
MSCI APAC xJP	475.42	-0.67%	-3.39%	-5.98%	7.86%
Hang Seng Index	17,398.73	1.32%	-2.31%	-12.05%	12.77%
MSCI Emerging	919.78	-0.63%	-3.46%	-3.83%	7.02%
Australia All Ordinaries	7,014.16	-1.07%	-3.25%	-2.87%	-0.40%
S&P/TSX Composite Index	18,737.39	-1.98%	-4.11%	-3.34%	-3.18%
BONDS (10YR, Yield in %)	**27-Oct-23**	**20-Oct-23**	**29-Sep-23**	**31-Dec-22**	**27-Oct-22**
US	4.83	4.91	4.57	3.87	3.92
UK	4.54	4.65	4.44	3.67	3.40
Germany	2.83	2.89	2.84	2.57	1.96
Japan	0.88	0.84	0.77	0.42	0.26
FIXED INCOME	**27-Oct-23**	**WTD % CHANGE**	**MTD % CHANGE**	**YTD % CHANGE**	**12M % CHANGE**
Bloomberg Global Agg USD	432.03	0.42%	-0.93%	-3.11%	0.89%
Bloomberg Global Agg Hedged USD	526.22	0.48%	-0.61%	0.48%	1.38%
Bloomberg Global High Yield USD	1,384.56	0.47%	-1.24%	3.74%	9.50%
Bloomberg Global Agg Credit USD	255.86	0.62%	-0.81%	0.51%	3.42%
Bloomberg Global Agg Corporate USD	247.75	0.60%	-1.04%	-0.34%	4.53%
Bloomberg US Agg TR USD	1,998.02	0.68%	-1.28%	-2.48%	-0.00%
Bloomberg US Corp High Yield USD	2,280.43	0.40%	-1.46%	4.32%	6.00%
Bloomberg European Agg EUR	223.09	0.45%	0.10%	0.69%	-1.60%
Bloomberg European Agg Corp EUR	233.65	0.49%	0.10%	2.63%	3.18%
Bloomberg Pan European High Yield EUR	412.36	0.44%	-0.75%	5.97%	9.49%
COMMODITIES	**27-Oct-23**	**WTD % CHANGE**	**MTD % CHANGE**	**YTD % CHANGE**	**12M % CHANGE**
Global Property	4,639.37	-2.02%	-6.25%	-10.09%	-5.89%
Gold	2,006.37	1.26%	8.53%	10.00%	20.63%
West Texas Intermediate Oil	85.54	-2.88%	-3.67%	10.65%	9.75%
Commodities	591.41	-1.56%	-2.99%	-3.06%	-8.14%
ECONOMIC & MARKET INDICATORS	**27-Oct-23**	**20-Oct-23**	**29-Sep-23**	**31-Dec-22**	**27-Oct-22**
ICE Libor USD 3M	5.64%	5.66%	5.66%	4.77%	4.41%
ICE Libor GBP 3M	5.37%	5.40%	5.41%	3.87%	3.32%
ICE Libor EUR 3M	-0.58%	-0.58%	-0.58%	-0.58%	-0.58%
Fed Policy Rate	5.50%	5.50%	5.50%	4.50%	3.25%
BOE Policy Rate	5.25%	5.25%	5.25%	3.50%	2.25%
ECB Policy Rates	4.50%	4.50%	4.50%	2.50%	2.00%

Notes: Unless otherwise stated, data sourced from Bloomberg as of 27th October 2023. Equity Index returns in base currency, except for APAC xJP (USD) and Emg Mkt (USD), percentage change in price levels as at 27th October 2023. Generic Government Bonds, 10Y yield in % shown. Fixed Income indices in USD, Total Return, and Hedged ICE Libor and policy rates in percent. Currently data shows spot exchange rates. Global Property shows FTSE EPRA/NA REIT Dev TR USD. Gold in $/Oz. Oil WTI $. Commodities show S&P GS Commodity Index, USD.

Equity Indices Fundamentals

Index	VALUE 27.Oct.23	EARNINGS PER SHARE (EPS) TRAILING 12M	EXPECTED CURRENT YEAR	LT GROWTH RATE	PRICE-TO-EARNINGS (P/E) CURRENT	10Y AVERAGE	RETURN-ON-EQUITY (ROE) CURRENT	10Y AVERAGE
MSCI World	2,731.99	169.95	166.98	11.13%	16.08	17.03	14.40%	11.24%
S&P 500	4,117.37	219.89	221.89	9.27%	18.73	17.83	17.58%	13.91%
Russell 1000	2,250.71	119.53	121.02	9.64%	18.83	18.18	16.55%	13.16%
FTSE 100	7,291.28	756.31	706.33	-9.72%	9.64	14.57	15.23%	10.06%
MSCI Europe xUK	170.54	14.20	13.55	10.96%	12.01	15.87	12.86%	9.29%
DAX	14,687.41	1,369.85	1,415.08	6.28%	10.72	13.68	10.49%	9.39%
Topix	2,254.65	154.43	164.77	-25.76%	14.60	17.76	8.71%	7.04%
MSCI APAC xJP	475.42	33.12	33.78	22.13%	14.35	14.00	9.62%	11.76%
Hang Seng	17,398.73	1,803.90	1,969.17	13.79%	9.65	11.61	9.78%	11.94%
MSCI Emerging Markets	919.78	71.69	71.95	18.22%	12.83	12.55	11.01%	11.78%

Notes: Unless otherwise stated, data sourced from Bloomberg as of 27th October 2023. Returns in base currency, except for APAC xJP (USD) and Emg Mkt (USD). Trailing 12-month Earnings per share (EPS): Market convention index earnings calculated by summing up the equity member EPS contributions for the last 12 months multiplied by the #shares and then divided by the index divisor sum. Expected current year EPS: index general estimated earnings for the current fiscal year based on the best estimates for each member. EPS LT growth rate: The estimated index long term growth rate of EPS is a weighted average of the underlying members estimated long term growth forecasts during the next business cycle, normally 3-5 years, computed by summing all members' growth EPS forecasts multiplied by their respective index weight. and implementation. Price-to-Earnings (P/E): Index estimated P/E Current Year, calculated as Last Price divided by estimated earnings full one year. Return-on-Equity: Index estimated measure for constituents' profitability revealing how much profit a company generates with the money shareholders have invested, in percentage.

QUESTIONS?

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