

The Weekly Market View

January 22 2024

So far so good in 2024

US

- ▶ US retail sales growth in December was the strongest in three months. Retail sales grew 0.6% m-o-m (consensus: 0.4%, previous: 0.3%) while they grew 5.6% y-o-y (previous: 4.0%).
- ▶ Industrial production growth during December (1.00% y-o-y, previous: -0.39%) was the strongest since January 2023.
- ▶ The University of Michigan consumer report showed that its index of consumer sentiment jumped in January to its highest level in three years and by the most since 2005.

Europe and UK

- ▶ Eurozone industrial production for November grew -6.8% y-o-y compared to -6.6% in October and consensus expectations of -6.0%.
- ▶ German economy posted a contraction of 0.3% during Q4 2023, but an upward revision to Q3 GDP meant that the economy avoided a technical recession.
- ▶ In the UK, job market data for November showed that the unemployment rate remained unchanged from the previous month at 4.2%. Average weekly earnings for the three months to November rose 6.5% from a year earlier; consensus projections were for 6.8%, and the equivalent reported number for October was 7.2%.
- ▶ UK inflation for December was hotter than expected and saw an uptick from the previous month driven by volatile components of inflation; CPI y-o-y: 4.0% (consensus: 3.8%, previous: 3.9%).
- ▶ UK retail sales growth was much weaker than expected: -2.4% y-o-y (consensus: 1.1%, previous: 0.2%).

Asia

- ▶ In China Q4 GDP grew 5.2% y-o-y (consensus: 5.3%, previous: 4.9%) with full year 2023 growth reaching 5.2% and meeting the annual target. While the property sector remained a challenge, consumption remained a key driver of growth.
- ▶ China December activity data showed industrial production growth rising and surprising markets positively. Reported number was 6.8% (consensus: 6.6%, previous: 6.6%). Retail sales growth for December was 7.7% y-o-y below market expectations for 8.0% growth. Fixed asset investment data was slightly better than expected.
- ▶ Japan consumer price inflation for December came in 2.6% y-o-y (consensus: 2.5%, previous: 2.8%) – hotter than expected but lower than the previous reading.

Rates

- ▶ Market expectations of rate cuts were dialled down last week. Markets are now pricing in 13.1% chance of seven or more rate cuts in 2024 versus 61.5% the week before. Chances of a rate cut in March fell from 81.0% to 47.4% over the past week.
- ▶ Yields on 10Y USTs moved sharply higher for the week and to their highest intraday level since December 12. Other markets also saw the yields on their 10Y sovereign bonds move higher.
- ▶ Yields on 2Y USTs rose more than that on 10Y USTs causing the 10Y2Y curve to bear flatten. That segment of the UST curve remains in inversion.

FX

- ▶ Broad USD strengthened as recent economic data and comments from Federal Reserve officials dampened expectations of rapid cuts in interest rates.
- ▶ GBP/USD fell despite hotter-than-expected UK inflation in part due to the USD strength but also in part due to weaker-than-expected UK retail sales data.
- ▶ Easing inflationary pressures in Japan and stronger than expected data in the US meant that markets dialled back their expectations for rate hikes from BoJ and rate cuts from the US Fed causing USD/JPY to move higher.

Commodities

- ▶ Oil prices rose as Middle East tensions and disruptions to oil output offset concerns about weaker Chinese demand and stronger USD.
- ▶ Gold prices fell sharply last week and recorded their biggest weekly decline in six as USD strengthened and UST yields rose.

Equities

- ▶ The S&P 500 index closed at an all-time high driven by strength in technology companies.
- ▶ DM equities outperformed EM equities last week. Within DM, the US outperformed while the UK underperformed. Turning to EM, LatAm and Asian markets underperformed while EMEA markets, helped by GCC, outperformed.
- ▶ Except for IT and communication services, all global sectors posted losses last week. Utilities, materials, and energy underperformed the most.

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ASSET MANAGEMENT LIMITED

Global markets' performance snapshot

Index Snapshot (World Indices)*			
Index	Latest	Weekly %	YTD %
S&P 500	4,840	1.2	1.5
Dow Jones	37,864	0.7	0.5
Nasdaq	15,311	2.3	2.0
DAX	16,555	-0.9	-1.2
Nikkei 225	35,963	1.1	7.5
FTSE 100	7,462	-2.1	-3.5
Sensex	71,683	-1.2	-0.8
Hang Seng	15,309	-5.8	-10.2
Regional Markets			
ADX	9,712	-0.8	1.4
DFM	4,082	-0.6	0.5
Tadawul**	11,959	-0.8	-0.1
DSM**	10,319	-1.8	-4.7
MSM30**	4,587	-0.9	1.6
BHSE**	1,992	0.4	1.0
KWSE**	7,230	0.3	6.1
MSCI			
MSCI World	3,175	0.2	0.2
MSCI EM	971	-2.5	-5.2

Global Commodities, Currencies and Rates*

Commodity	Latest	Weekly %	YTD %
Brent USD/bbl	78.6	0.3	2.0
WTI USD/bbl	73.4	1.0	2.5
Gold USD/t oz	2,027.3	-1.2	-1.9
Silver USD/t oz	22.5	-3.1	-7.2
Platinum USD/t oz	908.0	-2.2	-9.7
Copper USD/MT	8,271.8	0.4	-2.3
Alluminium	2,123.3	-2.2	-9.5
Currencies			
EUR USD	1.09	-0.5	-1.3
GBP USD	1.27	-0.4	-0.2
USD JPY	148.16	2.2	5.0
Rates			
	Latest	Weekly (bp)	YTD (bp)
SOFR	5.31	0.0	-7.0
UAE Eibor 3m	5.06	-8.0	-27.0
UAE Eibor 12m	5.13	5.1	-1.0
US 3m Bills	5.22	0.0	2.0
US 10yr Treasury	4.14	18.6	27.2
German 10yr Bund	2.31	16.1	27.6
UK 10yr Gilt	3.93	13.3	39.0

Source: Bloomberg, and ADCB Asset Management

Notes: *Data as of January 19 2024 unless stated otherwise; **Data as of January 18 2024.

Tactical Asset Allocation with a 3-month view

Asset Class	Positioning*					Balanced**		
	SUW	UW	N	OW	SOW	SAA	TAA	Active
Equities						41.2	41.2	0.0
North America						25.8	25.8	0.0
Europe						7.0	6.0	-1.0
Japan						2.3	2.3	0.0
APac ex Japan						5.0	5.0	0.0
EM ex Asia						1.0	1.0	0.0
Japan (JPY) off BM						0.0	1.0	1.0
Fixed Income						58.8	58.8	0.0
DM Treasuries IG						32.8	30.1	-2.7
DM Corporate IG						12.5	12.5	0.0
EM USD Sov. IG						0.8	0.8	0.0
EM LCY IG						5.1	5.1	0.0
EM Corporate IG						0.6	0.3	-0.3
Global HY						5.0	5.0	0.0
Securitized debt(off BM)						0.0	3.0	3.0
Cash						2.0	2.0	0.0
Alternatives						0.0	0.0	0.0
Colour legend	Current Previous							

Source: Bloomberg, Bloomberg BGN, Bloomberg Indices, Hedge Fund Research, MSCI, Standard & Poor's, DataStream, Refinitiv, and ADCB Asset Management |

Notes: *Positioning recommendations: SUW = Significant Underweight; UW = Underweight; N = Neutral; OW = Overweight; SOW = Significant Overweight. **Based on balanced risk profile. SAA = Strategic Asset Allocation; TAA = Tactical Asset Allocation; Active weight = TAA weight – SAA weight. Weights may not sum to 100% due to rounding.

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Forthcoming important economic data/events

United States



Date & Time (GST)	Indicator	Period	Expected	Prior
01/22/24 19:00	Leading Index	Dec	-0.30%	-0.50%
01/23/24 19:00	Richmond Fed Manufact. Index	Jan	--	-11
01/24/24 16:00	MBA Mortgage Applications	19-Jan	--	10.40%
01/24/24 18:45	S&P Global US Manufacturing PMI	Jan P	48	47.9
01/24/24 18:45	S&P Global US Services PMI	Jan P	51	51.4
01/25/24 17:30	Chicago Fed Nat Activity Index	Dec	--	0.03
01/25/24 17:30	GDP Annualized QoQ	4Q A	1.90%	4.90%
01/25/24 17:30	Personal Consumption	4Q A	2.30%	3.10%
01/25/24 17:30	Core PCE Price Index QoQ	4Q A	--	2.00%
01/25/24 17:30	Wholesale Inventories MoM	Dec P	-0.20%	-0.20%
01/25/24 17:30	Durable Goods Orders	Dec P	1.00%	5.40%
01/25/24 17:30	Initial Jobless Claims	20-Jan	--	187k
01/25/24 17:30	Continuing Claims	13-Jan	--	1806k
01/25/24 19:00	New Home Sales	Dec	650k	590k
01/25/24 20:00	Kansas City Fed Manf. Activity	Jan	--	-1
01/26/24 17:30	Personal Income	Dec	0.30%	0.40%
01/26/24 17:30	Personal Spending	Dec	0.40%	0.20%
01/26/24 17:30	PCE Deflator YoY	Dec	2.60%	2.60%
01/26/24 17:30	PCE Core Deflator YoY	Dec	3.00%	3.20%
01/26/24 19:00	Pending Home Sales NSA YoY	Dec	--	-5.10%

Japan



Date & Time (GST)	Indicator	Period	Expected	Prior
01/23/24	BOJ Policy Balance Rate	23-Jan	-0.10%	-0.10%
01/23/24	BOJ 10-Yr Yield Target	23-Jan	--	0.00%
01/24/24 03:50	Trade Balance	Dec	-¥123.3b	-¥776.9b
01/24/24 03:50	Exports YoY	Dec	9.20%	-0.20%
01/24/24 03:50	Imports YoY	Dec	-5.40%	-11.90%
01/24/24 04:30	Jibun Bank Japan PMI Mfg	Jan P	--	47.9
01/24/24 04:30	Jibun Bank Japan PMI Services	Jan P	--	51.5
01/25/24 09:30	Nationwide Dept Sales YoY	Dec	--	7.40%
01/25/24 10:00	Machine Tool Orders YoY	Dec F	--	-9.90%
01/26/24 03:30	Tokyo CPI YoY	Jan	2.00%	2.40%
01/26/24 03:30	Tokyo CPI Ex-Fresh Food YoY	Jan	1.90%	2.10%
01/26/24 03:50	PPI Services YoY	Dec	2.40%	2.30%
01/26/24 09:00	Coincident Index	Nov F	--	114.5
01/26/24 09:00	Leading Index CI	Nov F	--	107.7

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Eurozone



Date & Time (GST)	Indicator	Period	Expected	Prior
01/23/24 19:00	Eurozone Consumer Confidence	Jan P	-14	-15
01/24/24 12:15	France HCOB Manufacturing PMI	Jan P	--	42.1
01/24/24 12:30	Germany HCOB Manufacturing PMI	Jan P	44	43.3
01/24/24 13:00	Eurozone HCOB Manufacturing PMI	Jan P	--	44.4
01/24/24 13:00	Eurozone HCOB Services PMI	Jan P	--	48.8
01/25/24 13:00	Germany IFO Business Climate	Jan	86.9	86.4
01/25/24 13:00	Germany IFO Expectations	Jan	--	84.3
01/25/24 17:15	Eurozone ECB Main Refinancing Rate	25-Jan	4.50%	4.50%
01/25/24 17:15	Eurozone ECB Marginal Lending Facility	25-Jan	4.75%	4.75%
01/25/24 17:15	Eurozone ECB Deposit Facility Rate	25-Jan	4.00%	4.00%
01/26/24 11:00	Germany GfK Consumer Confidence	Feb	-24	-25.1
01/26/24 11:45	France Consumer Confidence	Jan	--	89
01/26/24 13:00	Eurozone M3 Money Supply YoY	Dec	--	-0.90%
01/27/24-02/02/24	Retail Sales NSA YoY	Dec	--	-2.00%

United Kingdom



Date & Time (GST)	Indicator	Period	Expected	Prior
01/24/24 13:30	S&P Global UK Manufacturing PMI	Jan P	--	46.2
01/24/24 13:30	S&P Global UK Services PMI	Jan P	--	53.4
01/26/24 04:01	GfK Consumer Confidence	Jan	--	-22

China and India



Date & Time (GST)	Indicator	Period	Expected	Prior
01/27/24 05:30	China Industrial Profits YTD YoY	Dec	--	-4.40%

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