Wealth Management
Weekly Market Update

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Market Update

Last week, markets movements were relatively subdued, with global stocks falling -0.4%. US stocks fell marginally, down -0.3%, as Federal Reserve Chair Jerome Powell provided markets with further guidance surrounding the anticipated path for rate hikes. Whilst markets have generally interpreted the likelihood of smaller 50bps rate hikes moving forward as favourable, labour market resilience may warrant a rate hiking cycle that lasts longer than current market expectations. Emerging market stocks rose +2.0%, as the unprecedented scale of political protests in China have changed the course of the government's 'Zero-Covid' policy. The rebound in asset prices also continued in other developed economies, with UK and EU stocks rising +1.0% and +0.2% respectively. Meanwhile, Japanese stocks fell -1.4% as the Bank of Japan reaffirmed its commitment to maintaining their current ultra-loose monetary policy. Yields on US 10-year treasuries fell -19.1bps to 3.486%, whilst UK 10-year Gilt yields rose marginally to 3.154%. Gold prices rose +0.9% to $1808.8/oz, oil prices rose to $80.8 a barrel, whilst industrial metals saw the largest gains last week, up +5.2%.

UK Stocks	US Stocks	EU Stocks	Global Stocks	EM Stocks	Japan Stocks	Gilts	GBP/USD
▲ +1.0%	▼ -0.3%	▲ +0.2%	▼ -0.4%	▲ +2.0%	▼ -1.4%	▼ -1.1%	▲ +1.6%

all returns in GBP to Friday close

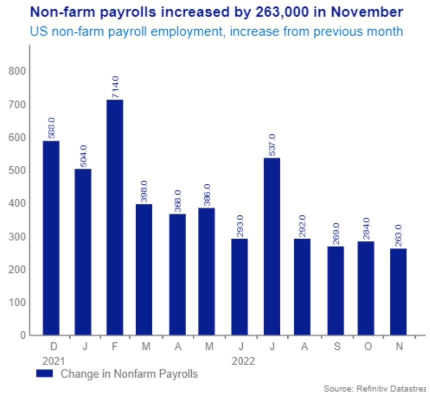
Macro News

- Non-farm payrolls employment in the US increased by a better than expected 263,000 in November, after an upwardly revised figure of 284,000 in October. Average hourly earnings of employees rose by 0.6%, the largest figure since this January. The resilience of the job market and the persistent growth in wages puts additional pressure on the Federal Reserve to raise rates into more restrictive territory. The labour force rate dropped to 62.1% from 62.2% in the previous month.
- Eurozone inflation fell to 10% in November, the first drop in the headline figure since 2021. The fall came from an easing in energy inflation, which slowed to 34.9% year on year from a rate of 41.5%. Food inflation showed no such easing however, rising 0.5 percentage points to a level of 13.6%. Core inflation, which excludes food and energy remained stable at 5%.
- Retail sales in the EU fell by 1.8%, beating consensus, as large energy bills continue to put pressure on consumers. The fall is the largest since December 2021.

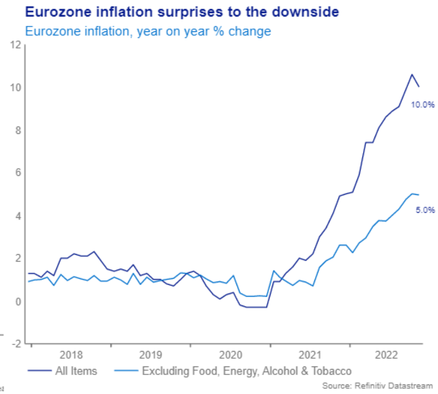
The Week Ahead

- Final PMI data is released this week for the UK, US and EU. In the US, the producer price index will also be released, along with the size of the US trade deficit.

Week in Charts



Non-farm payrolls in the US rose by 263,000 in November, slightly above economist expectations, showing that the job market remains resilient in the face of higher interest rates and a potential recession on the horizon.



Eurozone inflation slowed to 10% in November, the first slowdown in the inflation rate since 2021. Excluding food, energy, alcohol and tobacco the "core" inflation rate remained steady at 5.0%.

View From the Desk

Outlooks. The time-honoured financial industry tradition of toiling to write 30-40 pages of annual forecasts promptly binned by April- at the very latest. Yet, the industry gods demand it and deliver we must. To be fair, no asset manager has ever been held accountable for documents with a 30-day half-life. Yet, this year especially, the case is exactly that: precise predictions should be taken with buckets of salt.

We are most vulnerable to mistakes at a time when, even if we recognise that the world has profoundly changed, we try to analyse it with the eyes of the past, simply because these are the only tools available to us.

The world has been changed profoundly and unequivocally.

As for businesses? On the one hand, they are trying to navigate their needs for higher capital expenditure, especially as the equipment is ageing, and for the re-designing of their supply chains. They know they need to grow sustainably, only they are not certain what this means. And they need to deliver higher returns to suspicious investors, in an era when the 'Fed Put' is hibernating. On the other hand, they need to make sure all important hands remain on deck, as inflation is driving up their biggest costs, wages, upping key person risks to the highest in decades. When business leaders look to central governments for guidance, they get precious little back.

A globalised world was barely manageable. A post-pandemic globalised economy has fallen in disarray. There's little room for central planning and a new Bretton Woods, as allies view each other with suspicion. It thus stands to reason that whatever order emerges will be the bottom-up result of individual, uncoordinated business and political decisions. Order born as a necessity out of chaos.

This renders the present status quo, enhanced by fourteen years of monetary accommodation which only helped incumbents, out of date. There will be new winners and losers. Technology will play a determining role.

David Baker, CIO

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