



Global Market Focus Monthly

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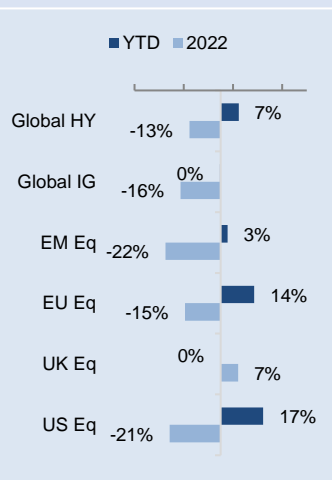
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Headlines

- ❑ Corporate America continues to impress, the US government less so.
- ❑ The Eurozone slips into a technical recession, pushing unemployment even higher.
- ❑ The Bank of England's tightening policy may have finally broken the back of inflation.
- ❑ China's slowing growth rate may prove to be a blessing as it seeks to thaw relations with the US.

Asset Class Return



Market Watch

	Level	YTD	1 month	5 days	Div. Yield	Volatility	P/E	
S&P 500	4,503	17.28%	2.96%	2.74%	1.54%	15.37	21.59	
Nasdaq 100	15,817	44.58%	4.25%	3.29%	0.82%	19.66	30.48	
Dow Jones	34,991	5.56%	2.96%	2.58%	2.07%	12.44	20.53	
FTSE 100	7,450	-0.02%	-2.36%	-0.07%	4.02%	12.33	11.04	
Eurostoxx 50	4,311	13.64%	3.88%	1.93%	3.48%	14.77	12.20	
DAX	15,808	13.54%	3.74%	2.97%	3.69%	14.02	13.30	
CAC 40	7,185	10.98%	2.31%	1.00%	3.26%	14.72	12.49	
SMI	10,677	-0.49%	-1.95%	0.30%	3.26%	12.41	17.82	
Nikkei 225	33,424	28.09%	5.58%	2.38%	1.83%	21.77	27.53	
Hang Seng	17,833	-9.85%	1.09%	1.84%	3.93%	24.54	10.03	
CSI 300	3,572	-7.73%	-1.50%	-1.12%	2.73%	12.92	13.11	
WTI Crude Oil	76.49	-4.70%	-11.74%	0.99%				
Gold	1,966	7.81%	2.41%					
Bitcoin	37,529	126.91%	32.12%					
GBP / EUR	1.14	-1.16%	1.23%					
GBP / USD	1.24	2.69%	1.56%					
GBP / CHF	1.10	1.49%	-0.23%					
					Base Rate	1 mth	12 mth	
					GBP	5.25%	5.20%	5.20%
					EUR	4.50%	3.79%	4.03%
					USD	5.50%	5.33%	5.24%
					CHF	1.75%	1.69%	1.70%

As at 16/11/23

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United States



US Inflation: US year-on-year (YoY) inflation in October, as measured by the Consumer Price Index (CPI), came in lower than expected, falling from 3.7% in September to 3.2%.

FED: In its latest meeting, held on November 1st, the Federal Open Market Committee (FOMC) kept its lower bound/upper bound benchmark rates unchanged at 5.25%/5.50%, reassuring the equity markets.

US Data: US Gross Domestic Product (GDP) growth for the third quarter was even better than expected at 4.9% annualised, an outstanding performance given the backdrop of higher financing costs. However, we mustn't lose sight of the fact that part of this growth resulted from the ever-increasing indebtedness of the US government, prompting some politicians, bankers and economists to comment on its (un)sustainability. Moody's Investor Service signalled that it may change the US Sovereign Credit Rating's outlook from neutral to negative, following in the footsteps of the other two main credit rating agencies, Fitch and Standard and Poor's (S&P).

Earnings: As of 10th November, 92% of S&P 500 companies had reported Q3 earnings. The cumulative corporate results, as reported by FactSet, are impressive: "For Q3 2023, the blended (year-over-year) earnings growth rate for the S&P 500 is 4.1%. If 4.1% is the actual growth rate for the quarter, it will mark the first quarter of year-over-year earnings growth reported by the index since Q3 2022."

Europe



Eurozone Inflation: Core YoY CPI in the Eurozone dropped to 4.2% in October, a welcome reduction from the prior monthly rate of 4.5% and a step closer to the ECB's 2.0% target.

ECB: The European Central Bank kept the main refinancing rate and the deposit facility rate at 4.50% and 4.00% respectively, keeping in step with the FED's holding stance.

Eurozone Data: Q3 GDP for the EU came in at -0.1%, putting it technically in recession. This pushed the unemployment rate up another 10 basis points to 6.5%.

United Kingdom



UK Inflation: UK annualised inflation fell to 4.6% in October, a significant fall from the 6.7% level as of September. Savers now make a real return on their deposits in GBP, a first in years.

BOE: The Bank of England also maintained its base rate at 5.25%, moving in lockstep with the US and EU central banks.

UK Data: UK growth ground to a halt in Q3, leaving YoY GDP growth static at 0.6%. The unemployment rate remained steady at 4.0% on the back of flat industrial and manufacturing production. House prices resumed their decline according to Rightmove's statistics, pushing the YoY decline to 1.3%.

Japan: The Japanese economy seems fragile as it contracts 2.1% annualised in the third quarter resulting from the weak Yen, inflation and global headwinds.

China: Presidents Joe Biden and Xi Jinping met to stabilize US-China relations. Climate change, semiconductor chips, Taiwan independence, crude oil from Iran & Russia were some of the topics on the agenda. Meanwhile, the International Monetary Fund (IMF) revised its expectations of China's economy growth from 5% to 5.4% this year.

Emerging Markets



India: India is expected to become the 3rd largest economy by 2027 according to the Finance Minister, Nirmala Sitharaman. Analysts expect 6.5% growth in 2024 & 2025 following record online sales during this Diwali season and continued strong momentum in the manufacturing sector.

Oil: Crude prices decline as non-OPEC producers increase production and European demand falls.

Crypto: The cryptocurrency rally is fuelled by Exchange Traded Funds (ETF) momentum, notably as asset manager ARK Invest partners with the largest crypto Exchange Traded Product (ETP) provider, 21Shares, to launch 5 new ETFs, increasing analysts' expectations of Bitcoin spot ETF approval.



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United States



View

Equities

View

Fixed Income

We remain neutral on US equities; the S&P 500's average 12-month forward P/E multiple is currently 18.0, below the 5-year average (18.7) but above the 10-year average (17.5).

Given current equity valuations and slowdown in economic growth, we believe fixed income remains the most attractive asset class. Now that longer-term yields have increased to higher levels, the duration play to go short is slowly shifting towards higher duration to lock in higher rate for longer. We prefer investment-grade credit over high yield.

Europe



Despite the poor macro-economic data, the Euro Stoxx 50 gained over the month as investors gained some comfort from the ECB's stance on interest rates. We remain slightly underweight.

Conditions in Europe remain favourable in the fixed income space. After raising rates for ten consecutive meetings, the ECB left its rate at a record high of 4.00%. It is expected that the ECB will hold interest rates steady well into next year. We remain overweight.

United Kingdom



The UK equity market is flat over the year, having posted a small drop over the past month. This is consistent with the UK economy flatlining this year, prompting us to remain slightly underweight.

Recession fears remain despite UK economy returning to weak growth. GDP growth will likely be sluggish for the rest of the year. The weak data means the central bank is probably done hiking. We remain overweight.

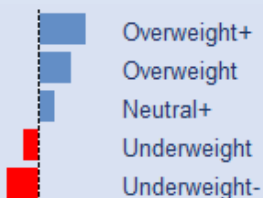
Emerging Markets



China's growth has recovered on the back of strong domestic retail sales and industrial output in October. Several important issues, particularly in real estate, continue to hang over the Chinese economy. We remain underweight.

Geopolitical issues pose a significant downside risk on investments in China and other emerging markets. We remain underweight and avoid emerging market debt.

Other Markets



Gold: The gold price's rise was eclipsed by Bitcoin's, also referred to as digital gold.

Oil: Oil prices slipped as production increases coincided with falling demand.

GBP/EUR: GBP continues to hover around 1.14 to 1.15 against EUR.

EUR/USD: The USD reversed its gains against the EUR over the past month.