TURICUM PRIVATE BANK

September 2023

Global Market Focus Monthly

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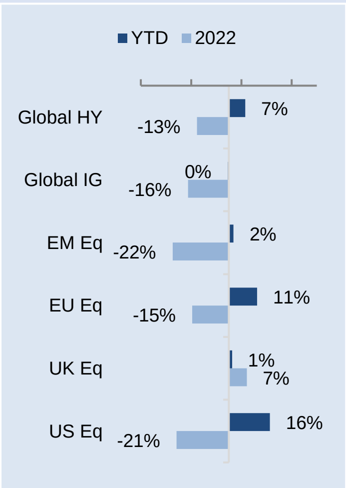
Headlines

- US Q2 reporting season ends with a bang with Nvidia's blowout results.
- Eurozone Q2 GDP growth of 0.1% allows it to avoid a recession by the skin of its teeth.
- The UK is not OK but stays faithful to its "Keep Calm and Carry On" motto.
- The Chinese dragon takes a breather.

Asset Class Return



Market Watch

	Level	YTD	1 month	5 days	Div. Yield	Volatility	P/E
S&P 500	4,467	16.35%	-0.50%	0.04%	1.55%	10.97	21.87
Nasdaq 100	15,349	40.30%	0.94%	-0.15%	0.84%	16.40	32.58
Dow Jones	34,576	4.31%	-2.07%	0.38%	2.09%	8.94	20.78
FTSE 100	7,575	1.65%	0.90%	1.79%	4.01%	10.15	10.96
Eurostoxx 50	4,220	11.24%	-2.55%	-0.03%	3.54%	11.54	11.99
DAX	15,615	12.15%	-1.82%	-0.66%	3.72%	9.32	12.29
CAC 40	7,210	11.37%	-1.89%	0.19%	3.24%	10.75	12.46
SMI	10,976	2.30%	-1.21%	-0.16%	3.12%	8.14	13.65
Nikkei 225	33,168	27.11%	2.88%	0.54%	1.86%	14.17	26.40
Hang Seng	18,048	-8.76%	-2.87%	-2.18%	3.94%	19.47	10.13
CSI 300	3,734	-3.57%	-2.94%	-0.66%	2.61%	14.45	13.45
WTI Crude Oil	89.90	12.01%	8.96%	3.49%			
Gold	1,909	4.66%	0.10%				
Bitcoin	26,472	60.05%	-9.86%				
GBP / EUR	1.17	-3.06%	-0.19%				
GBP / USD	1.25	3.14%	-1.74%				
GBP / CHF	1.11	0.45%	0.04%				

	Base Rate	1 mth	12 mth
GBP	5.25%	5.33%	5.63%
EUR	4.50%	3.68%	4.11%
USD	5.50%	5.33%	5.44%
CHF	1.75%	1.71%	2.00%

As at 14/09/23

"Interest rates aren't too high, stocks are still going up... ultimately, we'll end up with a recession, caused by either Quantitative Tightening, the FED, or the price of oil and dollar." Billionaire Hedge Fund manager Leon Cooperman, ahead of US data release (11th September 2023).

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United States

Europe

United Kingdom

Emerging Markets

US Inflation: The US year-on-year (YoY) Consumer Price Index (CPI) rose from 3.0% in June to 3.2% in July to 3.7% in August, demonstrating that upward price pressures still remain.

FED: The US lower bound/upper bound benchmark rates remain unchanged at 5.25%/5.50% as the Federal Open Market Committee (FOMC) did not meet in August. The market currently expects the FED to keep rates on hold when it next meets on September 20th.

US Data: The US annualized quarter-on-quarter Gross Domestic Product (GDP) growth for the second quarter was revised downwards from 2.4% to 2.1%. It may be that the tide has turned: the final August S&P US Composite Purchasing Managers Index (PMI) figures came in at 50.2, way below expectations of 51.5. Third quarter macro-economic data may be less positive than that released in the first half.

Earnings: Q2 S&P 500 company results were stronger than expected. As per FactSet, 79% of S&P 500 companies reported a positive earnings per share (EPS) surprise (versus analyst forecasts) despite the fact that the blended YoY earnings decline for the S&P 500 was -4.1%. Among the best performers was Nvidia, reporting record Q2 revenue of $13.51 billion, up a staggering 101% year-over-year, as it benefited from the increased demand for Artificial Intelligence software. Overall, the forward 12-month P/E ratio for the S&P 500 is 18.8, above the 5-year average (18.7) and above the 10-year average (17.5).

Eurozone Inflation: In June and July, the annualised inflation rate in the Eurozone seemed persistently stuck at 5.5%, but preliminary CPI figures for August came in slightly lower at 5.3%.

ECB: The European Central Bank increased its main refinancing rate and its deposit facility rate by 25 basis points to 4.50% and 4.00% respectively. Given the high inflation rate, and its mandate to keep it below 2%, it could be argued that the ECB should have raised rates by a greater amount, but it is clearly influenced by the poor state of the EU's economy and particularly its largest contributor, Germany.

Eurozone Data: Second quarter GDP growth was revised downwards from 0.3% to 0.1%. Furthermore, clouds are starting to gather on the horizon: the final August PMI fell to 47.0, adding to the risk of a recession next quarter.

UK Inflation: Core annualised inflation in the UK continues its downward trend: it fell from 8.7% in May to 7.9% in June and stood at 6.9% in July. However, this is still far too high.

BOE: The Bank of England base rate of 5.25% has not changed since our last newsletter. The next rate-setting meeting is scheduled for the 21st of September and the market expects a 25 bps increase.

UK Data: Despite doing better than most EU countries, the UK also posted PMI figures in August below 50, a precursor to economic contraction. Furthermore, unemployment ticked up 0.1% to 4.3% in August and house prices fell 0.8% month-on-month bringing the YoY fall to 5.3%, according to Nationwide.

Japan: The Japanese economy is bucking the trend: composite PMI of 52.6, Q2 annualised GDP growth of 4.8% and August CPI falling below expectations at 2.9%.

China: China's property developers Evergrande and Country Garden are both suffering from the consequences of having taken on too much debt, the former having filed for US bankruptcy protection as it grapples with over $300bn of debt. The fall in Chinese GDP growth is spreading to several sectors.

Oil: Oil prices continued their upward trajectory, a direct consequence of Saudi Arabia & Russia having cut production. OPEC estimates that global oil markets will face a supply shortfall of more than 3 million barrels per day in the next quarter.

Crypto: In late August, Bitcoin registered its biggest weekly decline in more than three months due to several reasons including SpaceX's sale of Bitcoin and the SEC's approval of spot Crypto currency ETF being pushed back to 2024. However, the price bounced back over the past week.

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United States

View	Equities	View	Fixed Income
	We remain neutral on US equities; however, the S&P 500's average forward P/E multiple is currently higher than the 5- and 10-year average, prompting us to be cautious going forward.		Given current equity valuations and slowdown in economic growth, we believe fixed income is the most attractive asset class. Duration remains an attractive play as shorter-term yields are relatively high. We prefer investment-grade credit over high yield as recessionary risks make them more vulnerable. We remain overweight.

Europe

The European equity markets, as measured by the Euro Stoxx 50, dropped slightly over the past month. Given the rise in interest rates, poor data and negative lead indicators, we turn to slightly underweight.

Conditions in Europe remain favourable in the fixed income space. Recent inflation data boosts European bond yields. ECB will arguably stop hiking interest rates after the hike rise on Thursday. We remain overweight.

United Kingdom

The UK equity market performed better than its European peers in the past month, a move consistent with its relatively better data. However, rising unemployment and negative PMIs are likely to be reflected in future company results. We therefore reduce our exposure to slightly underweight.

Recession fears remain despite UK economy returning to weak growth. The weak data means the central bank could forego another rate rise next week. Duration is a strong play here. We remain overweight.

Emerging Markets

We remain underweight in Emerging markets. China's growth has slowed of late and the consequences are being felt across the economy, particularly in real estate. 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: Gold price remains flat, posting a minor gain over the month.

Oil: Oil prices continue to rise as Saudi Arabia and Russia stem output.

GBP/EUR: GBP was flat against EUR over the past month.

EUR/USD: On the back of US interest rates expected to remain high for longer, EUR/USD edged lower towards 1.07.

Overweight+
Overweight
Neutral+
Underweight
Underweight-