

## OCTOBER 2023 – MONTHLY MARKET REVIEW

Market Performance%	Oct 23	YTD*
S&P500	-2.20%	+11.14%
NASDAQ	-2.78%	+27.84%
DAX	-3.75%	+7.67%
Nikkei	-3.14%	+22.22%
Hang Seng	-3.91%	-15.92%
MSCI EM	-3.94%	-5.13%

\*Local Returns-to-date calculated as of month end

### Macro Developments

#### United States: Disinflation, robust growth

The third quarter witnessed the highest level of quarter-over-quarter growth in the economy since late 2021, with a remarkable increase of 1.2%. This growth can be primarily attributed to robust consumer spending. Survey data, however, was still shaky: in October, the ISM Manufacturing PMI (46.7) and new orders (45.5) both declined further into contraction zone. In September, the U.S. labor market continued to exhibit stability, with the unemployment rate holding steady at 3.8% and job opportunities experiencing a slight, consecutive-month increase. This reaffirms the ongoing strength of the U.S. labour market. However initial claims for unemployment benefits dropped to a level not observed since January.

#### Europe: The ECB applies the brakes, production declines, and inflation drops.

Although the previous quarter's GDP was upwardly revised to 0.2%, the Eurozone's GDP shrank by 0.1% in the third quarter. October saw sluggish manufacturing activity and continued shrinkage in the PMI confidence indices for the UK (48.6) and the Eurozone (46.5). October saw a substantial dip in general inflation in the Eurozone, falling to 2.9% YoY while core inflation fell to 4.2%. September saw a decline in core inflation to 6.1% in the UK, but overall inflation remained stable at 6.7%. Even though Lagarde did not rule out more tightening, the ECB maintained interest rates at 4% following 10 straight hikes. In the

end, the Swiss federal elections saw the Swiss People's Party consolidate its lead with the highest percentage of votes (about 28%).

The rest of the world: China's growth remains unchanged, Beijing provides fiscal support, and the BoJ modifies yield curve control.

In the third quarter, the Chinese economy grew by 4.9% YoY, exceeding forecasts; in September, retail sales and industrial production both surpassed expectations. The manufacturing PMI fell into contraction territory in October, with the People's Bank of China's PMI indices slightly underperforming expectations at 49.5. September saw a 0% YoY decrease in general inflation, mostly because of declining food prices. Beijing increased its fiscal deficit ratio for 2023 to offer additional economic support due to the ongoing tensions in the real estate market. Japan's core and overall inflation rates dropped to 4.2% and 3%, respectively. The yen faced fresh pressure when the Bank of Japan "increased flexibility" in its yield curve control program by easing up on the previously enforced 1% yield cap for ten-year JGBs.

### Market Impact

For the third month in a row, stock markets experienced a decline, with pervasive weaknesses persisting. October saw a 3% decline in worldwide and a 0.6% decline in global government. Government debt rates on fixed-income instruments kept rising, and the yield on the 10-year U.S. Treasury even crossed the 5% threshold.

After the events in the Middle East, geopolitical risk gained prominence, but market volatility stayed modest. However, these global tensions impacted oil prices, which rose above \$90 per barrel. US earnings exceeded expectations, with a blended earnings growth rate of +2.7% YoY.

### Our Expectations

We expect continued economic growth, lower inflation, and a stable but cooling labour market. Consumer spending is set to moderate, supply chain concerns have eased, and the housing market is stabilizing. There's optimism about avoiding a recession, despite challenges from higher interest rates and economic policy decisions.

**This Economic Outlook report was prepared by the Aris PrimePartners Asset Management Investment team.**

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