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SEPTEMBER 2023 – MONTHLY MARKET REVIEW

Market Performance%	Sep 23	YTD*
S&P500	-4.87%	+13.06%
NASDAQ	-5.77%	+27.11%
DAX	-3.51%	+10.51%
Nikkei	-1.74%	+24.34%
Hang Seng	-2.58%	-6.83%
MSCI EM	-2.61%	+2.07%

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

Macro Developments

United States: Fed's tight pause; resilient activity.

Over the last month, the US economy has continued to dominate the world; 3Q GDP estimates tracked at a robust 1.2% QoQ, and August saw increases in core durable goods orders, industrial output, and retail sales. The ISM Manufacturing PMI increased to 49, and the new orders subindex also increased to 49.2. Core inflation dropped to 4.3% in August, while total inflation increased YoY to 3.7% due to higher oil costs. Although the most recent projections point to a second rate rise later this year and more stringent policies into next year, the FED maintained its interest rate range at 5.25 to 5.50%.

Europe: ECB interest rate rise; falling inflation; adjustment of the British GDP.

September business surveys continued to be mild. The composite PMIs for the eurozone (47.1) and the UK (46.8) were still in contraction territory. In addition, dismal eurozone statistics for July coincided with a 0.5% contraction in the UK economy. The post-pandemic recovery in the UK was revised upward, with the economy increasing by around 0.2% through the 2Q of 2023. September saw a greater than anticipated slowdown in eurozone inflation, with core inflation falling to 4.5% and the total rate falling to 4.3%. In August, the UK's total inflation rate dropped to 6.7%. The ECB raised the deposit rate to 4% by 25 basis points. The BoE and the Swiss National Bank both chose to keep interest rates at 1.75% and 5.25%, respectively.

The rest of the world: China has a mixed environment; the yield curve is still dominated by the Bank of Japan.

The growth of industrial output and retail sales both surged in August, surpassing forecasts, and China's deflation turned out to be a transient phenomenon, with the country's overall inflation rate rising to 0.1% YoY. Non-manufacturing activity rose at a quicker rate of 51.7 and the manufacturing industry's PMI index to 50.2 returned expansion in September. Beijing shown support by lowering the minimum reserve ratios demanded of banks. The Bank of Japan expanded its grip over the yield curve while keeping its monetary policy unaltered in Japan.

Market Impact

September's overall equities market decline continued, with the exception of the oil sector, which reversed the summer's gains. Most of the S&P 500's 13% year-to-date gains was again accounted for by the top seven technology companies in the US. Energy continued to be the major focus of the commodities markets, as Brent crude increased 10% to $95 per barrel after Saudi Arabia decided to prolong its production restrictions. Amidst rising real bond rates and a surging US currency, gold fell 5% to $1,849 in value.

Our Expectations

We expect a prolonged period of stringent monetary policy, although we do not anticipate significant additional rate hikes in the foreseeable future. We do not expect financial instability to act as a catalyst for a global downturn, as banks are now better capitalized and more effectively regulated than in previous economic cycles.

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

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