

# Global market commentary

Week 3 – Week ending  
20<sup>th</sup> January 2023



EQUITY	LEVEL VALUE	WTD % CHANGE	BONDS	LEVEL VALUE	WTD REAL ESTATE & % CHANGE	COMMODITIES	LEVEL VALUE	WTD % CHANGE			
MSCI World Index	2,725.40	▼	-0.38%	Bloomberg Global Agg USD	460.78	▲	0.00%	Global Property	5,461.51	▲	0.02%
S&P 500	3,972.61	▼	-0.66%	Bloomberg Global High Yield USD	1386.43	▲	0.20%	Gold	1,926.08	▲	0.30%
MSCI Eur xUK	178.45	▼	-0.13%	Bloomberg Global Credit USD	262.08	▲	0.23%	Oil	81.64	▲	1.91%
FTSE 100	7,770.59	▼	-0.94%					Commodities	616.16	▲	1.71%

## Highlights

- The MSCI World Index edged 0.4% lower after negative midweek performance.
- The latest economic data showed signs of a weakening US economy.
- Investors noted key speeches at the World Economic Forum in Davos which took place during the week. European Central Bank (ECB) President Christine Lagarde reiterated the central bank's plans to "stay the course" on monetary policy tightening.
- The Bank of Japan (BoJ) defied investor expectations and maintained its ultra-easy monetary policy stance.



## Market summary

**U.S.:** The S&P 500 ended the shortened trading week 0.7% lower, led by industrials and utilities. The market was closed on Monday for Martin Luther King Day. Most companies beat sales and earnings expectations in quarterly updates released this week. However, both Microsoft and Google parent Alphabet revealed job cuts in further evidence of a downturn in the technology sector. A string of economic data showed signs of a weakening US economy as retail sales fell 1.1% MoM in December (see chart) and industrial production decreased by 0.7% MoM. The Empire State manufacturing survey for December also disappointed after it unexpectedly dropped to its worst level since April 2020.

**Continental Europe:** The MSCI Europe ex UK Index posted a modest 0.1% fall. In contrast to the previous week, real estate was the biggest detractor. In economic news, eurozone inflation for December was confirmed at 9.2% YoY, compared to 10.1% in November. Meanwhile, Germany's inflation was confirmed at 8.6% YoY from 10.0% in November. German growth expectations improved more than expected in January (see chart). However, the ZEW current situations measure missed expectations at -58.6 despite a slight improvement. In other news, ECB President Lagarde said at the Davos

Economic Forum that the central bank planned to "stay the course" on monetary policy tightening, and that "inflation remains far too elevated". Her comments signalled further aggressive rate hikes are to come.

**UK:** In line with other key indices, the FTSE 100 closed the week down, with a fall of 0.9%. In economic news the inflation rate eased to 10.5% in December from 10.7% in November. Bank of England Governor Andrew Bailey said inflation could fall rapidly amid the recent fall in energy prices but warned that a shortage of workers remains a major issue for the economy. Data also showed that average worker pay in the three months to November was up 6.4% on a year earlier, ahead of 6.2% expectations. Elsewhere, there was a surprise fall in retail spending in December as sales fell 1.0% MoM (-5.8% YoY). This was well below economists' forecasts of a 0.5% MoM rise.

**Japan:** Japan's share market rose over the week, with the TOPIX closing the period up 1.3%. Much of the gains were driven by the BoJ's decision to maintain its ultra-easy monetary policy stance; the Bank leaving its benchmark interest rate unchanged at -0.1% and sticking to its 0.5% cap for the 10-year government bond yield. Rising inflation (4.0% YoY in December) and the BoJ's surprise move last month to widen its yield curve control band had prompted speculation the Bank was on the cusp of phasing out its massive stimulus program.

**Asia Pacific:** Asian share markets made good gains over the week, with the MSCI Asia Pacific ex Japan Index closing the period up 1.1%. Stocks benefitted in part from better-than-expected Chinese growth, with gross domestic product for the 12 months to 31 December 2022 coming in at 2.9%. This was up on the 1.6% expansion the market had anticipated. Sentiment was further buoyed by easing US producer inflation. Share markets rose in Indonesia, China, Hong Kong, Taiwan and South Korea but fell in Thailand. In Australia, the All Ordinaries Index climbed 1.7% on the back of some encouraging earnings updates and economic data, including the latest jobs and consumer confidence figures.

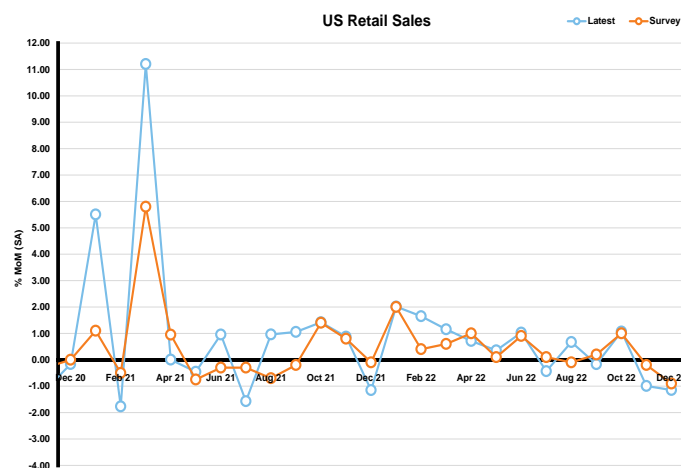
**Emerging Markets (EM):** The MSCI Emerging Markets index extended its positive start to 2023 with a 0.6% increase. China equities performed well amid positive economic updates. This included fourth quarter GDP growth (0.0% QoQ, 2.9% YoY) and both retail sales (-1.8% YoY) and industrial production (1.3% YoY) figures for December. In South Africa, both core inflation (4.9% YoY) and consumer price inflation (7.2% YoY) eased more than anticipated in December. Producer prices also eased in South Korea (6.0% YoY). Elsewhere, trade data disappointed in India.



## Charts of the week

### US Retail Sales Weaken

US retail sales missed analyst forecasts and declined for the second-successive month after decreasing 1.1% MoM in December. November's figure was also revised lower to -1.0% MoM.



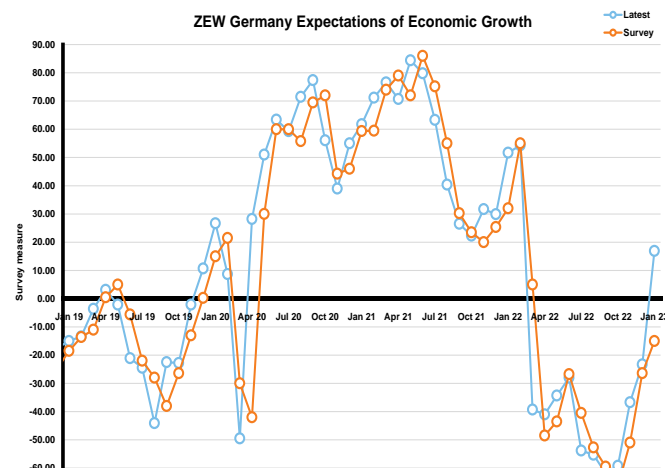
Data source: Bloomberg as at 20/01/23

**Fixed Income:** The Bloomberg Global Aggregate index ended the week flat. Government bonds were in demand in mid-week before a late-week selloff. In the US, the benchmark 10-year US Treasury touched its lowest yield since September on Wednesday after disappointing domestic economic data updates. However, the yield ended only two basis points (bps) lower for the week at 3.48%. In the UK, both domestic inflation and wage growth remained elevated. The benchmark 10-year gilt yield edged only one bp higher to 3.38% for the week. In the eurozone, ECB President Lagarde's latest comments disappointed investors hoping for an easing of monetary policy. This impacted peripheral debt, with the Italian 10-year bond climbing 22 bps on Friday. The German 10-year bond yield edged one bp higher for the week to 2.18%. Elsewhere, both the Bloomberg Global Credit index and the Bloomberg Global High Yield index increased 0.2%.

**Commodities:** Hopes of an improved outlook for China boosted commodity prices. Oil prices climbed 1.9%. Meanwhile, both gold and copper rallied for a fifth-successive week, up 0.3% and 1.5% respectively.

### German Economic Growth Expectations Improve

The ZEW Indicator of Economic Sentiment for Germany jumped to +16.9 in January from -23.3 in December. This was the first positive reading since February 2022 and was well ahead of market expectations of -15.0.



Data source: Bloomberg as at 20/01/23

## Market Data – Base Currencies

EQUITY	Value	WTD	MTD	YTD	12M
	Fri, 20-Jan-23	% CHANGE	% CHANGE	% CHANGE	% CHANGE
MSCI World Index	2,725.40	-0.38%	4.71%	4.71%	-11.58%
S&P 500	3,972.61	-0.66%	3.47%	3.47%	-11.38%
Russell 1000	2,184.83	-0.59%	3.75%	3.75%	-11.75%
FTSE 100	7,770.59	-0.94%	4.28%	4.28%	2.45%
MSCI Europe xUK	178.45	-0.13%	6.85%	6.85%	-6.98%
DAX	15,033.56	-0.35%	7.97%	7.97%	-5.52%
Topix	1,926.87	1.25%	1.86%	1.86%	-0.60%
MSCI APAC xJP	550.16	1.08%	8.80%	8.80%	-13.68%
Hang Seng Index	22,044.65	1.41%	11.44%	11.44%	-11.65%
MSCI Emerging	1,036.24	0.62%	8.35%	8.35%	-17.48%
Australia All Ordinaries	7,666.28	1.67%	6.16%	6.16%	-0.03%
S&P/TSX Composite Index	20,503.21	0.70%	5.77%	5.77%	-2.64%
BONDS (10YR, Yield in %)	20-Jan-23	13-Jan-23	31-Dec-22	31-Dec-22	20-Jan-22
US	3.48	3.50	3.87	3.87	1.80
UK	3.38	3.37	3.67	3.67	1.23
Germany	2.18	2.17	2.57	2.57	-0.02
Japan	0.39	0.51	0.42	0.42	0.15
FIXED INCOME	20-Jan-23	WTD % CHANGE	MTD % CHANGE	YTD % CHANGE	12M % CHANGE
Bloomberg Global Agg USD	460.78	0.00%	3.33%	3.33%	-12.45%
Bloomberg Global Agg Hedged USD	536.33	0.28%	2.41%	2.41%	-7.84%
Bloomberg Global High Yield USD	1,386.43	0.20%	3.88%	3.88%	-8.00%
Bloomberg Global Agg Credit USD	262.08	0.23%	2.95%	2.95%	-9.92%
Bloomberg Global Agg Corporate USD	257.62	0.23%	3.63%	3.63%	-11.90%
Bloomberg US Agg TR USD	2,107.98	0.15%	2.89%	2.89%	-8.60%
Bloomberg US Corp High Yield USD	2,262.87	-0.31%	3.52%	3.52%	-6.91%
Bloomberg European Agg EUR	228.05	0.11%	2.93%	2.93%	-14.17%
Bloomberg European Agg Corp EUR	233.09	0.24%	2.39%	2.39%	-10.97%
Bloomberg Pan European High Yield EUR	400.60	0.39%	2.94%	2.94%	-8.38%
COMMODITIES	20-Jan-23	WTD % CHANGE	MTD % CHANGE	YTD % CHANGE	12M % CHANGE
Global Property	5,461.51	0.02%	5.85%	5.85%	-15.19%
Gold	1,926.08	0.30%	5.60%	5.60%	4.72%
West Texas Intermediate Oil	81.64	1.91%	1.48%	1.48%	7.49%
Commodities	616.16	1.71%	1.00%	1.00%	0.77%
ECONOMIC & MARKET INDICATORS	20-Jan-23	13-Jan-23	31-Dec-22	31-Dec-22	20-Jan-22
ICE Libor USD 3M	4.82%	4.79%	4.77%	4.77%	0.26%
ICE Libor GBP 3M	4.06%	3.98%	3.87%	3.87%	0.56%
ICE Libor EUR 3M	-0.58%	-0.58%	-0.58%	-0.58%	-0.58%
Fed Policy Rate	4.50%	4.50%	4.50%	4.50%	0.25%
BOE Policy Rate	3.50%	3.50%	3.50%	3.50%	0.25%
ECB Policy Rates	2.50%	2.50%	2.50%	2.50%	0.00%

Notes: Unless otherwise stated, data sourced from Bloomberg as of 20<sup>th</sup> January 2023. Equity Index returns in base currency, except for APAC xJP (USD) and Emg Mkt (USD), percentage change in price levels as at 20<sup>th</sup> January 2023. Generic Government Bonds, 10Y yield in % shown. Fixed Income indices in USD, Total Return, and Hedged ICE Libor and policy rates in percent. Currently data shows spot exchange rates. Global Property shows FTSE EPRA/NA REIT Dev TR USD. Gold in \$/Oz. Oil WTI \$. Commodities show S&P GS Commodity Index, USD.

## Equity Indices Fundamentals

Index	VALUE		EARNINGS PER SHARE (EPS)		PRICE-TO-EARNINGS (P/E)		RETURN-ON-EQUITY (ROE)	
	20.Jan.23	TRAILING 12M	EXPECTED CURRENT YEAR	LT GROWTH RATE	CURRENT	10Y AVERAGE	CURRENT	10Y AVERAGE
MSCI World	2,725.40	155.45	171.30	8.08%	17.53	19.09	15.99%	11.24%
S&P 500	3,972.61	206.21	223.71	9.00%	19.26	19.31	19.06%	13.91%
Russell 1000	2,184.83	109.90	121.97	9.67%	19.88	19.66	17.73%	13.16%
FTSE 100	7,770.59	534.34	749.36	6.09%	14.54	22.40	15.04%	10.06%
MSCI Europe xUK	178.45	10.99	13.07	5.15%	16.24	19.66	13.17%	9.29%
DAX	15,033.56	1,081.42	1,248.18	1.82%	13.90	17.56	12.44%	9.39%
Topix	1,926.87	142.77	156.11	9.88%	13.50	17.44	8.42%	7.04%
MSCI APAC xJP	550.16	41.18	39.31	12.55%	13.36	14.47	12.35%	11.76%
Hang Seng	22,044.65	2,782.51	2,108.16	62.05%	7.92	11.04	7.32%	11.94%
MSCI Emerging Markets	1,036.24	90.12	83.49	15.48%	11.50	13.38	13.71%	11.78%

**Notes:** Unless otherwise stated, data sourced from Bloomberg as of 20<sup>th</sup> January 2023. Returns in base currency, except for APAC xJP (USD) and Emg Mkt (USD). Trailing 12-month Earnings per share (EPS): Market convention index earnings calculated by summing up the equity member EPS contributions for the last 12 months multiplied by the #shares and then divided by the index divisor sum. Expected current year EPS: index general estimated earnings for the current fiscal year based on the best estimates for each member. EPS LT growth rate: The estimated index long term growth rate of EPS is a weighted average of the underlying members estimated long term growth forecasts during the next business cycle, normally 3-5 years, computed by summing all members' growth EPS forecasts multiplied by their respective index weight. and implementation. Price-to-Earnings (P/E): Index estimated P/E Current Year, calculated as Last Price divided by estimated earnings full one year. Return-on-Equity: Index estimated measure for constituents' profitability revealing how much profit a company generates with the money shareholders have invested, in percentage.

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