

Global market commentary

Week 47 – Week ending 25th November 2022



EQUITY	LEVEL VALUE	WTD % CHANGE	BONDS	LEVEL VALUE	WTD REAL ESTATE & % CHANGE	COMMODITIES	LEVEL VALUE	WTD % CHANGE			
MSCI World Index	2,703.67	▲	1.68%	Bloomberg Global Agg USD	444.76	▲	0.89%	Global Property	5,289.23	▲	1.55%
S&P 500	4,026.12	▲	1.53%	Bloomberg Global High Yield USD	1324.45	▲	1.34%	Gold	1,754.93	▲	0.24%
MSCI Eur xUK	173.27	▲	1.43%	Bloomberg Global Credit USD	255.94	▲	1.13%	Oil	76.28	▼	-4.78%
FTSE 100	7,486.67	▲	1.37%				Commodities	604.91	▼	-2.25%	

Highlights

- The MSCI World Index recovered last week's decline with a 1.7% increase, touching its highest level since mid-September.
- The latest US Federal Reserve Open Market Committee (FOMC) meeting minutes revealed "a substantial majority of participants judged that a slowing in the pace of [rate] increase would likely soon be appropriate".
- However, rate setters confirmed "ongoing monetary policy tightening would be essential for ensuring that these [inflation] expectations remained well anchored".
- In the eurozone, the latest European Central Bank (ECB) meeting minutes showed policymakers planned to "continue normalising and tightening monetary policy" in the event of a "shallow recession".
- US markets were closed late in the week for Thanksgiving celebrations.



Market summary

U.S.: The S&P 500 climbed back above 4,000 with a 1.5% return. Markets were closed on Thursday and trading subdued on Friday due to the Thanksgiving national holiday. All sectors recorded a positive return, with consumer discretionary (Best Buy, Tesla) and materials leading the way. The US dollar weakened against other G10 currencies this week. In economic data, preliminary PMI figures for November disappointed (see chart). Elsewhere, durable goods orders (1.0% MoM) and new home sales (632,000) positively surprised, while the University of Michigan consumer sentiment figure was upwardly revised in the final November reading (56.8).

Continental Europe: The MSCI Europe ex UK Index increased 1.4%. Eurozone PMI data broadly improved in the preliminary November readings. In Germany, IFO surveys showed an improvement in future expectations although current business sentiment continued to weaken.

UK: The FTSE 100 gained 1.4%. Preliminary PMI data for November was ahead of expectations but remained in

contractionary territory. The composite measure showed an unexpected improvement to 48.3 from its nine-month low.

Japan: Japan's share market enjoyed a healthy 2.6% increase. Tokyo inflation increased ahead of forecasts to 3.8% YoY, with core inflation up to 3.6% - the fastest in 40 years. Meanwhile, PMI data weakened in the preliminary November readings, with both the composite (48.9) and manufacturing (49.4) measures entering contractionary territory.

Asia Pacific: Asian share markets edged slightly higher over the week. Most markets improved, including mainland China, although shares ended lower in Hong Kong, South Korea and Indonesia. Investors noted new record Covid cases in China despite the pursuit of the government's zero-Covid policy. In Malaysia, Anwar Ibrahim of the Pakatan Harapan party was elected as Prime Minister after he eventually negotiated an agreement to form a new "unity" government following the hung parliament election result. In Australia, the All Ordinaries Index advanced 1.3%, although the country's latest PMI data showed a decrease for November.

Emerging Markets (EM): The MSCI Emerging Index ended its positive three-week run with a 0.2% decline in a period where numerous central banks made policy decisions. In China, the central bank cut its reserve requirement ratio by 25

basis points (bps) and maintained its 1-year (3.65%) and 5-year (4.30%) loan rates. In South Korea, the central bank increased interest rates by 25 bps to 3.25% as expected, which helped boost the Korean won. However, the central bank's revised outlook projected the economy would now grow at 1.7% next year, down from earlier projections of 2.1%. South Africa's central bank also increased rates, by 75 bps to 7.0% as expected. This came after data showed inflation unexpectedly increased to 7.6% YoY in October (core 5.0% YoY). However, inflation remained below July's 7.8% peak. Elsewhere, stocks in Turkey continued to climb higher. Despite rampant inflation, the central bank cut interest rates by 150 bps to 9.0%. The central bank noted this was the "end of the rate cut cycle". Meanwhile, Mexico enjoyed an upward revision to third-quarter GDP growth (4.3% YoY).

Fixed Income: The Bloomberg Global Aggregate index increased 0.9% in a week where government bond yields declined. Investors analysed the latest FOMC meeting minutes. The benchmark 10-year US Treasury yield declined 15 bps to 3.68% while the 2-10 year Treasury yield curve inversion deepened over the week. In the eurozone, the latest

ECB meeting minutes highlighted policymakers' acknowledgement that "euro area economic activity had deteriorated" and their expectation of a "mild recession". However, the minutes noted that inflation's momentum could be difficult to reverse in this scenario, suggesting rate increases would still be required. The German 10-year bund yield declined back below 2.0% with a four bps fall for the week. The 2-10 year bund yield curve inversion deepened over the week. In the UK, government bonds continued to reclaim some of their significant September/October sell-off. The benchmark 10-year gilt yield declined 12 bps to 3.12%. Meanwhile, the UK 2-10 year gilt yield spread turned negative for the first time since September. In credit markets, the Bloomberg Global Credit index increased 1.1% while the Bloomberg Global High Yield index increased 1.3%.

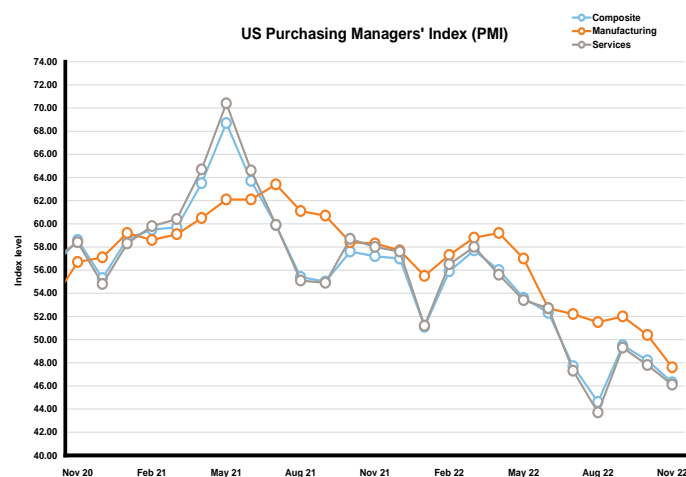
Commodities: Oil slipped a further 4.8% to finish at \$76.28 per barrel – the lowest level since January. Demand concerns, heightened by recessionary forecasts and Covid outbreaks in China, continued to weigh on the price. Copper decreased 0.8% but remained above \$8,000 per metric tonne. Gold edged 0.2% higher.



Charts of the week

US PMI Data Disappoints

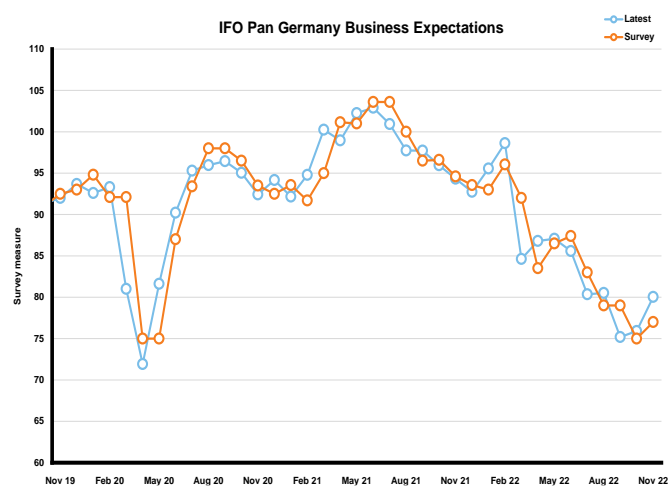
The latest US PMI data missed estimates in the preliminary November readings. All three measures declined within contractionary territory, with the composite measure slipping to 46.3.



Data source: Bloomberg as at 25/11/22

German Business Expectations Improve

The latest IFO data revealed German business expectations improved more than expected in November but remained within historically low levels. The increase raised hopes that the predicted recession may not be as deep as feared.



Data source: Bloomberg as at 25/11/22

Market Data – Base Currencies

EQUITY	Value Fri, 25-Nov-22	WTD % CHANGE	MTD % CHANGE	YTD % CHANGE	12M % CHANGE
MSCI World Index	2,703.67	1.68%	6.12%	-16.34%	-15.57%
S&P 500	4,026.12	1.53%	3.98%	-15.53%	-14.36%
Russell 1000	2,209.23	1.54%	3.80%	-16.50%	-15.83%
FTSE 100	7,486.67	1.37%	5.53%	1.38%	2.41%
MSCI Europe xUK	173.27	1.43%	7.18%	-11.31%	-10.18%
DAX	14,541.38	0.76%	9.72%	-8.46%	-8.65%
Topix	2,018.00	2.59%	4.59%	1.29%	-0.38%
MSCI APAC xJP	494.23	0.07%	13.99%	-21.53%	-23.14%
Hang Seng Index	17,573.58	-2.33%	19.65%	-24.89%	-28.97%
MSCI Emerging	941.01	-0.21%	10.95%	-23.62%	-25.00%
Australia All Ordinaries	7,447.65	1.26%	5.57%	-4.26%	-3.74%
S&P/TSX Composite Index	20,383.77	2.02%	4.93%	-3.95%	-5.69%
BONDS (10YR, Yield in %)	25-Nov-22	18-Nov-22	31-Oct-22	31-Dec-21	25-Nov-21
US	3.68	3.83	4.05	1.51	1.63
UK	3.12	3.24	3.52	0.97	0.97
Germany	1.97	2.01	2.14	-0.18	-0.25
Japan	0.25	0.25	0.25	0.07	0.09
FIXED INCOME	25-Nov-22	WTD % CHANGE	MTD % CHANGE	YTD % CHANGE	12M % CHANGE
Bloomberg Global Agg USD	444.76	0.89%	5.00%	-16.47%	-15.78%
Bloomberg Global Agg Hedged USD	529.57	0.71%	2.47%	-10.23%	-9.95%
Bloomberg Global High Yield USD	1,324.45	1.34%	4.89%	-13.37%	-12.24%
Bloomberg Global Agg Credit USD	255.94	1.13%	3.94%	-13.76%	-13.27%
Bloomberg Global Agg Corporate USD	248.62	1.35%	5.74%	-16.71%	-15.84%
Bloomberg US Agg TR USD	2,054.04	1.05%	3.48%	-12.78%	-12.19%
Bloomberg US Corp High Yield USD	2,199.33	1.05%	2.15%	-10.65%	-9.25%
Bloomberg European Agg EUR	229.41	0.46%	2.18%	-14.24%	-14.74%
Bloomberg European Agg Corp EUR	231.14	0.55%	2.53%	-12.33%	-12.41%
Bloomberg Pan European High Yield EUR	393.09	1.33%	3.65%	-10.23%	-9.93%
COMMODITIES	25-Nov-22	WTD % CHANGE	MTD % CHANGE	YTD % CHANGE	12M % CHANGE
Global Property	5,289.23	1.55%	6.57%	-22.51%	-20.85%
Gold	1,754.93	0.24%	7.43%	-4.06%	-1.90%
West Texas Intermediate Oil	76.28	-4.78%	-10.68%	10.10%	6.92%
Commodities	604.91	-2.25%	-5.01%	7.79%	4.11%
ECONOMIC & MARKET INDICATORS	25-Nov-22	18-Nov-22	31-Oct-22	31-Dec-21	25-Nov-21
ICE Libor USD 3M	4.73%	4.66%	4.46%	0.21%	0.18%
ICE Libor GBP 3M	3.64%	3.57%	3.36%	0.26%	0.12%
ICE Libor EUR 3M	-0.58%	-0.58%	-0.58%	-0.58%	-0.59%
Fed Policy Rate	4.00%	4.00%	3.25%	0.25%	0.25%
BOE Policy Rate	3.00%	3.00%	2.25%	0.25%	0.10%
ECB Policy Rates	2.00%	2.00%	2.00%	0.00%	0.00%

Notes: Unless otherwise stated, data sourced from Bloomberg as of 25th November 2022. Equity Index returns in base currency, except for APAC xJP (USD) and Emg Mkt (USD), percentage change in price levels as at 25^h November 2022. 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)	
	25.Nov.22	TRAILING 12M	EXPECTED CURRENT YEAR	LT GROWTH RATE	CURRENT	10Y AVERAGE	CURRENT	10Y AVERAGE
MSCI World	2,703.67	155.54	167.42	4.14%	17.38	19.71	16.00%	11.24%
S&P 500	4,026.12	206.80	220.59	15.24%	19.47	19.42	19.25%	13.91%
Russell 1000	2,209.23	110.41	119.65	15.03%	20.01	20.13	17.96%	13.16%
FTSE 100	7,486.67	540.29	777.89	11.40%	13.86	37.58	15.25%	10.06%
MSCI Europe xUK	173.27	10.90	13.03	0.79%	15.89	21.35	13.27%	9.29%
DAX	14,541.38	1,096.62	1,256.25	0.19%	13.26	22.28	12.75%	9.39%
Topix	2,018.00	142.39	157.99	4.40%	14.17	19.30	8.41%	7.04%
MSCI APAC xJP	494.23	40.76	37.57	6.93%	12.13	15.06	12.19%	11.76%
Hang Seng	17,573.58	2,709.00	1,797.84	6.93%	6.49	11.22	7.47%	11.94%
MSCI Emerging Markets	941.01	89.04	83.00	11.33%	10.57	14.07	13.51%	11.78%

Notes: Unless otherwise stated, data sourced from Bloomberg as of 25th November 2022. 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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Contact us on [+44 020 7024 600](tel:+4420207024600) or visit russellinvestments.com

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