

# Weekly Market Review

The latest news from financial markets

Week of October 30, 2023

By Amundi Institute

## € Eurozone

The Eurozone composite flash Purchasing Managers' Index (PMI) moved lower to 46.5 (47.2 prior), driven down by the services sector (from 48.7 to 47.8) while manufacturing output remained weak at 43 (down from 43.4). The more forward-looking components, such as new orders and new export orders, weakened; the employment indicator moved into contractionary territory for the first time; input and output price components edged down.

## 🇺🇸 United States

The United States composite Purchasing Managers' Index (PMI) moved up from 50.2 to 51, supported by an increase in both its manufacturing and services components, which rose from 49.8 to 50 and from 50.1 to 50.9 respectively, yet remained close enough to the thin line between contraction and expansion.

## 🌐 Emerging Market

China has approved a supplementary Central Government budget of an additional RMB1tn (0.8% of GDP) for 2023, increasing the central government deficit from 3% to 3.8%. RMB500bn will be expended in fourth quarter, while the remaining amount will be dedicated to first half-year 2024. The funds will primarily be allocated for post-disaster recovery, focusing on water management facilities.

## 🏠 Equity

The global equity market extended sell-off as earnings disappointed and bond yields surged. The European market outperformed its U.S. counterpart. MSCI emerging markets posted negative performances this week, despite the good performance of the Chinese equity market.

## 📊 Fixed Income

Rates rallied, with U.S. 10Y pulling back from the 5% level. In the Eurozone, peripheral spreads tightened slightly on the back of dovish European Central Bank (ECB).

### 📎 KEY FIGURE

# 4.9%

Growth of annual U.S. GDP in the third quarter



#### Key Dates



#### 31<sup>st</sup> October

Bank of Japan  
monetary policy  
meeting

#### 1<sup>st</sup> November

US Federal Reserve  
monetary policy meeting

#### 2<sup>nd</sup> November

European Central  
Bank (ECB) monetary  
policy meeting

Source: Amundi Institute

## Our weekly analysis

Markets's focus this week was U.S. GDP, the U.S. core Personal Consumption Expenditure (PCE) index that excludes food and energy prices and the European Central Bank (ECB) meeting. Rates rallied, with U.S. 10Y pulling back from the 5% level. Mixed picture on equity markets.

The European Central Bank (ECB) was on the dovish side for two reasons: (1) more emphasis on growth downside than inflation risks and (2) no discussion on Pandemic emergency purchase program (PEPP). Eurozone economy remains weak. Christine Lagarde reiterated that rates are at restrictive territory and will need to held at these levels for some time, which was in line with expectations. Christine Lagarde recognized the recent deterioration of the macroeconomic environment (fewer new jobs are being created) and the further tightening of financing conditions. Monetary policy tightening is affecting the economy more than expected. More is to come. The important point of the meeting was the absence of discussion on the guidance regarding the reinvestment of PEPP securities. Christine Lagarde also highlighted that energy prices were becoming less and less predictable due to geopolitics.

U.S. GDP was strong and core PCE was weaker. Upward pressure on U.S. long term yields remain in this context of resilient growth and huge supply. In the U.S., treasury supply has risen sharply, and will keep doing so. Huge fiscal deficits require huge bond issuance. The change in the composition of the market adds pressure. The US Federal Reserve is reducing its bond holdings via quantitative tightening, while the holdings of foreign investors are waning. In their place, hedge funds, mutual funds, insurers and pensions have stepped in. These domestic buyers are more interest rate-sensitive.

Index	Returns			
Equity markets	10/27/23	1 W	1 M	YTD
S&P 500	4137	-2.1%	-3.2%	7.8%
Eurostoxx 50	4046	0.5%	-2.1%	6.7%
CAC 40	6850	0.5%	-3.1%	5.8%
Dax	14781	-0.1%	-2.9%	6.2%
Nikkei 225	30992	-0.9%	-4.3%	18.8%
SMI	10367	0.2%	-4.7%	-3.4%
SPI	13560	-0.1%	-4.9%	-1.3%
MSCI Emerging Markets (close -1D)	911	-1.6%	-3.9%	-4.8%
Commodities - Volatility	10/27/23	1 W	1 M	YTD
Crude Oil (Brent, \$/barrel)	89	-3.6%	-8.0%	3.4%
Gold (\$/ounce)	1982	0.0%	5.7%	8.7%
VIX	20	-1.6	1.9	-1.6
FX markets	10/27/23	1 W	1 M	YTD
EUR/USD	1.058	-0.1%	0.7%	-1.2%
USD/JPY	150	-0.1%	0.1%	14.2%
EUR/GBP	0.87	0.0%	0.6%	-1.6%
EUR/CHF	0.90	1.0%	-2.2%	-2.5%
USD/CHF	0.95	0.9%	-1.5%	-3.7%

Index	Returns			
Credit markets	10/27/23	1 W	1 M	YTD
Itraxx Main	+88 bp	-1 bp	+7 bp	-2 bp
Itraxx Crossover	+465 bp	-4 bp	+29 bp	-9 bp
Itraxx Financials Senior	+102 bp	-1 bp	+9 bp	+2 bp
Fixed Income markets	10/27/23	1 W	1 M	YTD
ESTER OIS	101.27	+8 bp	+33 bp	+253 bp
EONIA	3.90	--	--	+201 bp
Euribor 3M	3.95	-2 bp	-2 bp	+182 bp
Libor USD 3M	5.65	-1 bp	--	+88 bp
2Y yield (Germany)	3.04	-8 bp	-20 bp	+28 bp
10Y yield (Germany)	2.83	-6 bp	-1 bp	+26 bp
2Y yield (US)	5.03	-5 bp	-11 bp	+60 bp
10Y yield (US)	4.86	-6 bp	+25 bp	+98 bp
Eurozone Sovereigns 10Y spreads vs Germany	10/27/23	1 W	1 M	YTD
France	+62 bp	-1 bp	+5 bp	+7 bp
Austria	+63 bp	-2 bp	+2 bp	--
Netherlands	+36 bp	-1 bp	+1 bp	+2 bp
Finland	+62 bp	--	+4 bp	+4 bp
Belgium	+66 bp	--	-	-
Ireland	+43 bp	-1 bp	+1 bp	-13 bp
Portugal	+70 bp	-2 bp	-8 bp	-32 bp
Spain	+109 bp	-2 bp	-1 bp	--
Italy	+196 bp	-8 bp	+1 bp	-19 bp

Source: Bloomberg, Amundi Institute – October 27, 2023 – 15:00 pm  
 Past performance is not guarantee of future results.



Find all definitions of financial terms used in this document on our site: [Glossary](#)

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