

Private Banking

Market Update

Q3 2023



Global Equity Index		Var. % Q3 2023
S&P500 (US)		-3.65%
Nasdaq (US)		-4.12%
EuroStoxx50 (EU)		-5.10%
FTSE 100 (UK)		+1.02%
MSCI Emerging Markets		-3.71%
MSCI ACWI Net Return EUR		-0.46%
Commodities		Var. % Q3 2023
Crude Oil WTI		+28.52%
Gold		-3.28%
World Government Bonds		Var. in YTM % Q3 2023
USD 2-Year Bond Yield		+0.11%
US 10-Year Bond Yield		+0.72%
Germany 2-Year Bond Yield		-0.11%
UK 2-Year Bond Yield		-0.36%

The above calculations have been done based on data sourced from Reuters. Prospective customers should not base their decision on investing solely on the indicated rate of return.

Important information

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In the third quarter of 2023, the global economy and financial markets encountered significant challenges. High inflation, rising interest rates, and the ongoing conflict in Ukraine applied downward pressure on economic growth and investor confidence. The global economic outlook remains uncertain. Central banks are expected to persist in raising interest rates and maintaining them at elevated levels to combat inflation. It is now widely accepted that central banks will not swiftly ease their policies in a world shaped by supply constraints and high inflation. The International Monetary Fund (IMF) has issued a warning, indicating a "serious risk of recession" for the global economy.

In the United States, equities experienced a decline during the third quarter of 2023, with the S&P 500 and Nasdaq both posting negative returns of 3.65% and 4.12%, respectively. September marked the worst month for equity of 2023 so far. The US unemployment rate increased to 3.8% in August 2023, the highest level since February 2022. The Federal Reserve maintained the federal funds rate at a 22-year high of 5.25%-5.5% in its September 2023 meeting, in line with market expectations, while suggesting the possibility of another rate hike this year. Projections indicate the likelihood of one more increase in the current year, followed by two cuts in 2024. Additionally, annual inflation in the US accelerated for the second consecutive month to 3.7% in August, up from 3.2% in July.

In Europe, equities also registered a decline in the third quarter of 2023, with the EuroStoxx50 index registering a negative 5.1%. The euro area's seasonally-adjusted unemployment rate dropped to a record low of 6.4% in August 2023, down from an upwards-revised 6.5% in July. The European Central Bank (ECB) raised interest rates for the 10th consecutive time on September 14th, signaling a potential end to policy tightening as inflation starts to decline, though remaining elevated. Inflation in the Euro Area decreased to 4.3% year-on-year in September 2023, the lowest level since October 2021 and below the market consensus of 4.5%.

Conversely, UK equities bucked the global trend by performing positively in the third quarter of 2023. However, the United Kingdom witnessed a rise in the unemployment rate to 4.3% from May to July 2023, the highest since the third quarter of 2021, suggesting a potential cooling of the labor market due to the Bank of England's sustained monetary policy tightening. The Bank of England opted to keep its policy interest rate at 5.25% on September 21st, maintaining borrowing costs at their highest level since 2008 as policymakers adopted a wait-and-see approach in light of recent inflation and labor market data. Consumer price inflation in the UK eased slightly to 6.7% in August 2023 from 6.8% in the prior month, falling below the market consensus of 7.0%.

Emerging market economies encountered considerable challenges caused by the conflict in Ukraine, rising interest rates, and a strengthening US dollar. The MSCI Emerging Markets Index declined by 3.71% during the third quarter of 2023.

Global bond yields witnessed a sharp increase in the third quarter of 2023, driven by central banks' efforts to combat inflation. Bond yields surged to their highest levels in 16 years.

Following crude oil production cuts by the Organization of the Petroleum Exporting Countries (OPEC) and its allies, including Russia, the price of WTI crude oil rose significantly by 28.52% to \$90.79 per barrel in the third quarter of 2023. Conversely, gold's performance mirrored that of equities, trending negatively, as investors showed a preference for short-term government bonds.

