

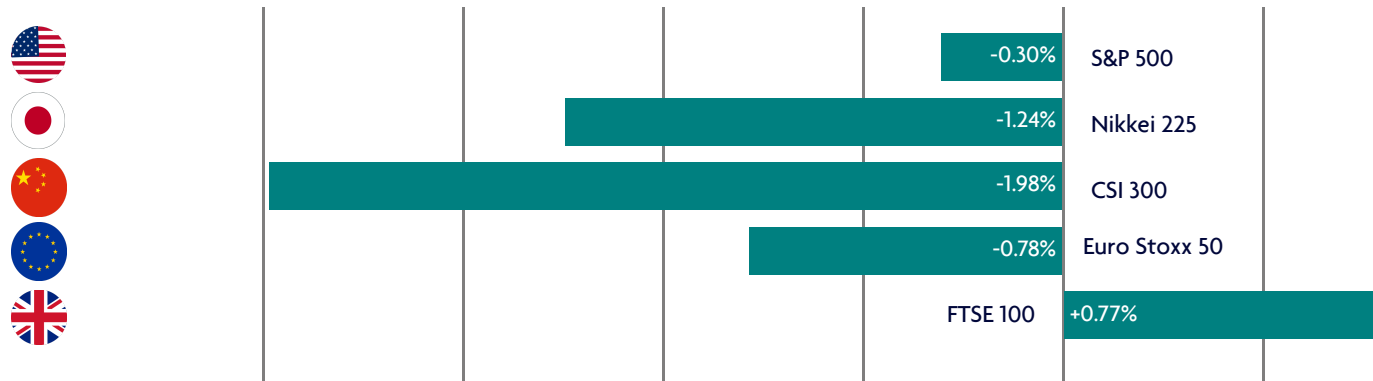
Weekly Market Update

17 January 2022

Inflation remains at the forefront of news and investor sentiment. Meanwhile, Japan and China continue to tackle fresh waves of the coronavirus, whilst in Europe and the UK restrictions begin to ease. The UK economy grew to above its pre-pandemic level for the first time, but this was before news of Omicron weighed on economic activity.



Market Monitor (%): How did major stock markets perform last week?



Market Update:



Covid-19 hospital admissions among adults in England have begun to fall, raising hopes that the health service has weathered the wave of Omicron variant infections. This comes as self-isolation periods are cut. Meanwhile, businesses are grappling with staff absences of about double their usual level as the Omicron coronavirus variant sweeps across the UK. The UK economy grew 0.9% in November 2021 and the economy was 0.7% bigger than it was in February 2020.



The large-cap indexes recorded their second consecutive weekly loss as a result of worries around inflation and interest rates as well as some companies reporting lower profits than expected in the final three months of 2021. The Labor Department reported that overall consumer prices had risen 7% over the past year, the largest gain since 1982. Retail sales dropped almost 2% in December and consumer sentiment has also fallen with many consumers saying they remain worried about inflation.



Europe

Shares in Europe fell on signals that the U.S. Federal Reserve would remove support for the economy at a faster rate than previously expected. Some European countries are beginning to reduce restrictions and/or self-isolation periods as Covid begins move from pandemic to endemic. On the economic front, the German economy expanded 2.7% in 2021 after contracting 4.5% in 2020. The growth rate remained below pre-pandemic levels, partly due to coronavirus restrictions and supply bottlenecks.



Japan

Concerns about the U.S. Federal Reserve removing support from the economy more aggressively continued to weigh on investor sentiment. Confidence was also dented by the government extending the ban on non-resident foreigners entering Japan until the end of February, as well as an apparent sixth wave of the coronavirus hitting the country's capital, Tokyo.



China

China's largest banks have grown more selective about funding real estate projects. Several developers are scrambling to obtain extensions to their debt payments and other developers have intensified fundraising campaigns. Consumer and producer price inflation slowed more than expected in December. The moderating inflation signs raised expectations that China's policymakers would lower interest rates. On the pandemic front, China suspended dozens of international flights and issued more restrictions in response to the global surge in omicron cases.



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