

# Weekly Market Update

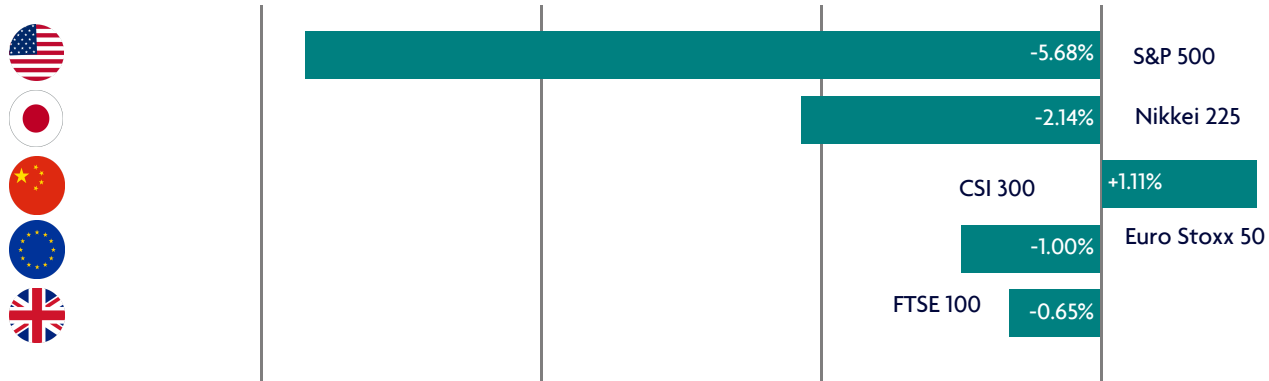
24 January 2022

Inflation remains at the forefront of news, putting additional pressure on central banks to take action, which in turn has impacted investor sentiment. The US stock market suffered a big fall, whilst record inflation numbers in the UK and Europe heavily weighed on markets.

Covid-19, supply-chain challenges, labour markets, policymakers and private spending – these are the five themes we believe will influence markets this year. Read our 2022 Investment Outlook [here](#).



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



## Market Update:



UK

Inflation jumped to 5.4% in December, deepening a cost-of-living crisis that is squeezing household incomes. Consumer confidence has dropped to its lowest level in 11 months as people worry about surging inflation and fuel bills, suggesting that rising living costs will slow consumer-led economic recovery. The UK has also scrapped most covid related restrictions, a move welcomed by businesses as they see this giving a boost to city centres and consumer confidence.



US

US stock markets suffered another negative week, with a sharp drop of over 5 and a half per cent for the S&P 500 – the biggest weekly fall in over 14 months - fuelled by worries about rising interest rate and slowing economic growth. Most sectors suffered with growth companies, particularly those in the technology sector, hit the hardest. We saw mixed data on economic activity and the housing market but we did see more weekly jobless claims than expected – attributed to the spread of Omicron.



## Europe

Shares in Europe ended lower as expectations grew that the European Central Bank would raise interest rates this year. Surging energy and food costs drove eurozone inflation to a record 5% in December, but the European Central bank reiterated that inflation would stabilise and “gradually fall” by the end of the year. Geopolitical tensions over Ukraine intensified and despite increasing numbers of COVID-19 cases, a decline or stabilisation in the number of hospitalizations prompted some countries to ease restrictions.



## Japan

Amid record new coronavirus infections nationwide, the government placed Tokyo and 12 other prefectures under a quasi-state of emergency, which impacted on investor sentiment. The Bank of Japan said the economy is likely to grow more in 2022 that it previously expected, but it also anticipates that inflation will rise more too.



## China

Chinese markets posted a weekly gain as the government stepped up monetary easing measures and signalled additional support for the troubled property sector. The People's Bank of China unexpectedly reduced some of their interest rates this week and said that China will roll out additional measures to stabilise the economy. China's gross domestic product expanded 4% in the fourth quarter of 2021, more than expected, but slowing from the third quarter's 4.9% expansion pace.



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