

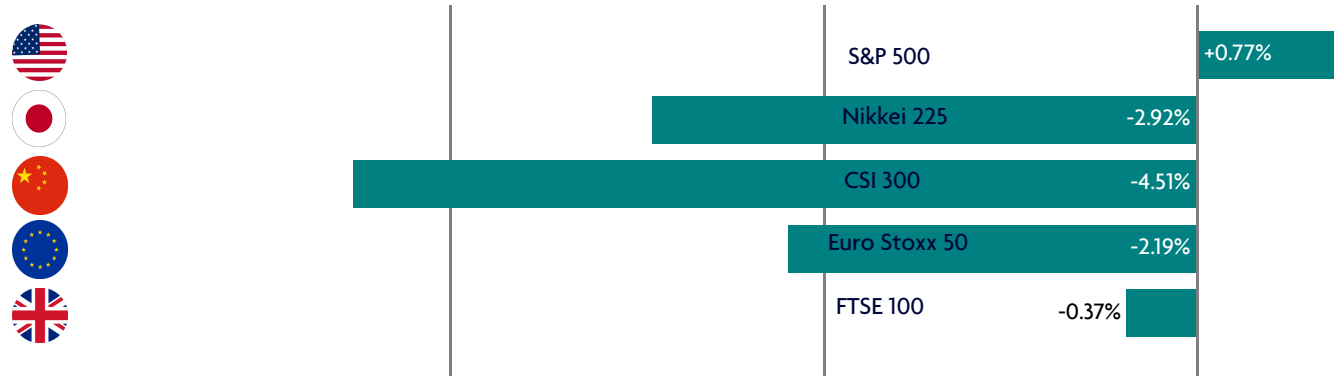
Weekly Market Update

31 January 2022

Markets continue to be volatile this year, dominated in the short term by the prospect of rising interest rates. Beyond interest rate expectations, many companies are reporting challenges to their businesses, escalating geopolitical tensions around the Ukraine/Russia border, weak economic data from China and rising Covid-19 cases in some parts of the world have also caused markets to jitter. Read more about what is going on in markets [here](#).



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



Market Update:



This week saw further easing of Covid restrictions in England. This should come as good news to services sectors. According to some preliminary data, UK economic activity growth slowed to an 11-month low in January, as high numbers of coronavirus infections weighed down on consumer services. Boris Johnson and Rishi Sunak confirmed that the national insurance payments would rise in April despite pressure from MPs to ditch the national insurance rise.



Fears that the US central bank, the Federal Reserve, will be forced to raise interest rates quickly to tame inflation weighed heavily on investor sentiment. The Fed said that it was possible they would raise rates this year more than the three times they had previously signalled. The Fed also stressed that the economic conditions are much stronger now than in prior economic cycles, particularly given the record number of open jobs.



Europe

Shares in Europe fell again this week on rising concerns about interest rate increases and escalating tensions between Russia and the West. Despite Covid infections across the continent remaining at or near record highs, many countries continue to ease restrictions. Despite Covid-19 putting pressure on the services sector, the Eurozone economy continues to grow, though at a slower pace.



Japan

Markets slumped after the Federal Reserve signalled that it plans to tighten monetary policy more rapidly. Sentiment was also dampened by Japanese authorities' decision to extend quasi-states of emergency to more prefectures as the country's daily COVID-19 cases reached a record high and the omicron variant continued to spread rapidly in Tokyo and elsewhere. Activity in service sectors fell sharply in January due to the spread of Omicron. However, manufacturers are seeing improving conditions.



China

Chinese stocks slumped ahead of a weeklong Lunar New Year holiday on news that the US central bank may raise interest rates faster than expected. The CSI 300 index has now fallen more than 20% from its peak in February 2021 – and has now entered a bear market. Investor sentiment was poor during the week - with the troubled property sector still in the spotlight as profit warnings continue.



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