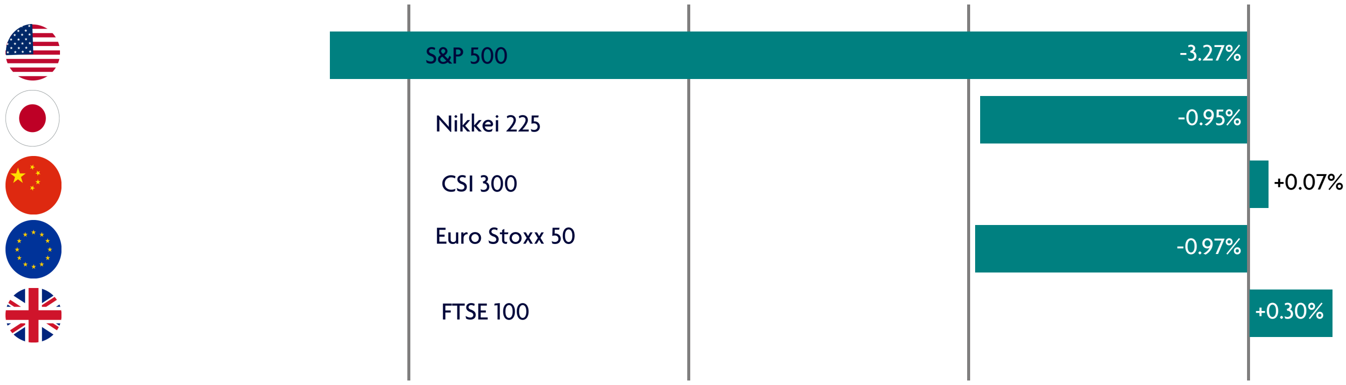
Weekly Market Update

3 May 2022

The geopolitical and macroeconomic concerns that have loomed large over sentiment in recent weeks remained in place. Japan's central bank diverges from other central banks, with the Federal Reserve and Bank of England expected to raise interest rates this week. Corporate earnings impacted markets, with Amazon weighing on US markets, whereas European corporate results helped soften the losses amidst a challenging macroeconomic backdrop.

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



Market Update:

UK

UK government borrowing more than halved in the 2021-22 financial year ending in March as the economy bounced back from the pandemic, giving Chancellor Sunak more scope to address the cost-of-living crisis. About four in ten British households are finding it difficult to pay for gas and electricity and a similar proportion are buying less food. Meanwhile, the Bank of England is widely expected to raise interest rates this week to try and combat rising inflation.

US

Markets endured another week of losses, as growth fears were compounded by some disappointing earnings results from Amazon. Energy stocks outperformed after Russia announced that it was cutting off natural gas exports to Poland and Bulgaria. Preliminary data suggests the US economy contracted in the first three months of 2022, but solid consumer spending and business investment data meant it was too early to conclude this was the start of a recession.

Europe

Shares in Europe fell on concerns about slowing economic growth and high inflation, but encouraging corporate earnings reports may have helped moderate these losses. Whilst the EU mulls a further set of sanctions, Russian state energy company Gazprom stopped gas supplies to Bulgaria and Poland for failing to pay in roubles. The eurozone economy expanded only 0.2% in the first quarter, as surging commodity prices and disruptions related to Russia's invasion weighed on the pace of growth. Inflation in the euro area accelerated to 7.5% in April.

Japan

The Bank of Japan (BoJ) remained dovish (supportive), leaving interest rates unchanged and strengthening its support for the economy even further. The BoJ's decision signalled a continued divergence from the policy pursued by other major central banks (who are beginning to raise interest rate) and sent the yen sharply lower. The BoJ raised its outlook for inflation due the impact of a significant rise in energy prices, whilst the government announced a new aid package to mitigate the impact of rising prices.

China

Chinese markets ended on a mixed note amid reports that the country's government pledged to boost economic stimulus. There remains few new details about how China will support the economy. Concerns about the cost of China's zero-tolerance policy regarding coronavirus continued as the government stepped up containment measures in Beijing and Hangzhou. Shanghai's monthlong lockdown continued to echo as many foreign residents have fled and factories struggled to reopen, though officials have started to allow people to leave their homes in some residential areas.

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