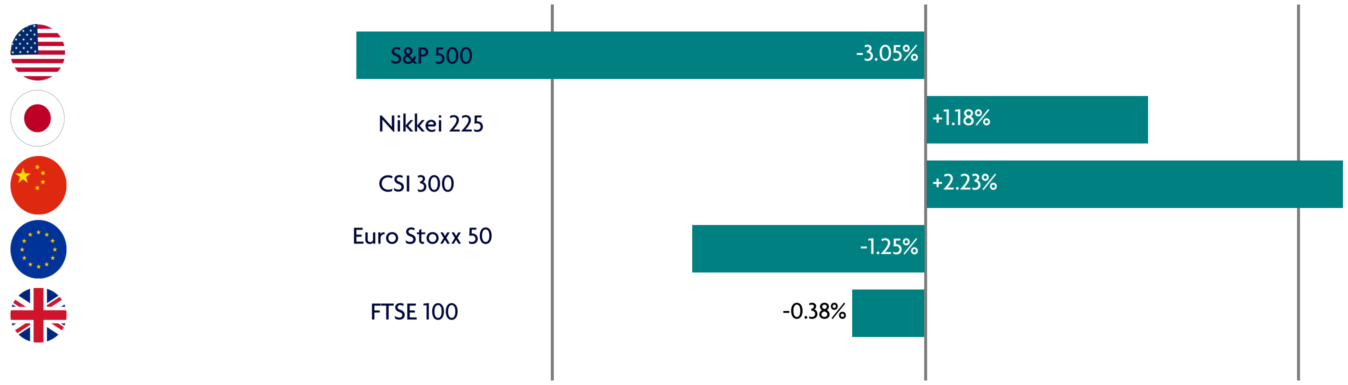
Weekly Market Update

23 May 2022

In another volatile week in markets, the focus remains on how central banks plan on taming inflation and the impact this could have as economic growth around the world continues to slow down. Inflation appears to be having an impact on consumer confidence and therefore consumer spending. Central banks remain focussed on taming inflation, with the European Central Bank set to raise interest rates for this first time since the pandemic in the coming months. Meanwhile in China, the central bank takes action to support its weakening property market.

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



Market Update:

UK

Inflation accelerated in April to the highest level since 1982, hitting 9% on surging electricity and gas prices. Unemployment has fallen to the lowest level since 1974, with job vacancies exceeding the number of jobless for the first time on record. Whilst retail sales rose unexpectedly in April, consumer confidence in the UK has dropped to its lowest level in nearly 50 years.

US

Stocks recorded another week of losses, as investors appeared to grow increasingly sceptical that the US central bank, the Federal Reserve will be able raise rates without causing a recession. During the week, it was reported that inflation in April had fallen compared to March, but it fell by less than investors had hoped. A preliminary survey of consumer sentiment in May indicated the steep toll that inflation was taking on Americans' confidence in their finances.

Europe

Shares in Europe pulled back amid fears of slowing economic growth and faster interest rate increases, with increasing signs that the European Central Bank could start raising interest rates as early as July and that it could do so fairly aggressively. The European Commission said they expect the European economy to grow 2.7% in 2022 – having previously said it would grow at 4% – and that inflation would go beyond 6% as a result of higher energy prices.

Japan

Investor sentiment was boosted by China's action to support its property sector and an announcement by Japan's government that the strict border control measures would be eased further. Japan's economy contracted in the first three months of 2022. This is likely a result of deteriorating trade as import prices soared and reduced consumer spending due to covid restrictions. This weak economic data is likely to mean that the Bank of Japan will continue its support for the economy.

China

Markets rose as the central bank cut interest rates to support the country's weakening property sector, as data shows home sales had fallen. In other news, economic data released last week pointed to slowing growth. Retail sales and industrial output were weaker than expected amid continued pandemic lockdowns reflecting China's zero-COVID approach.

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