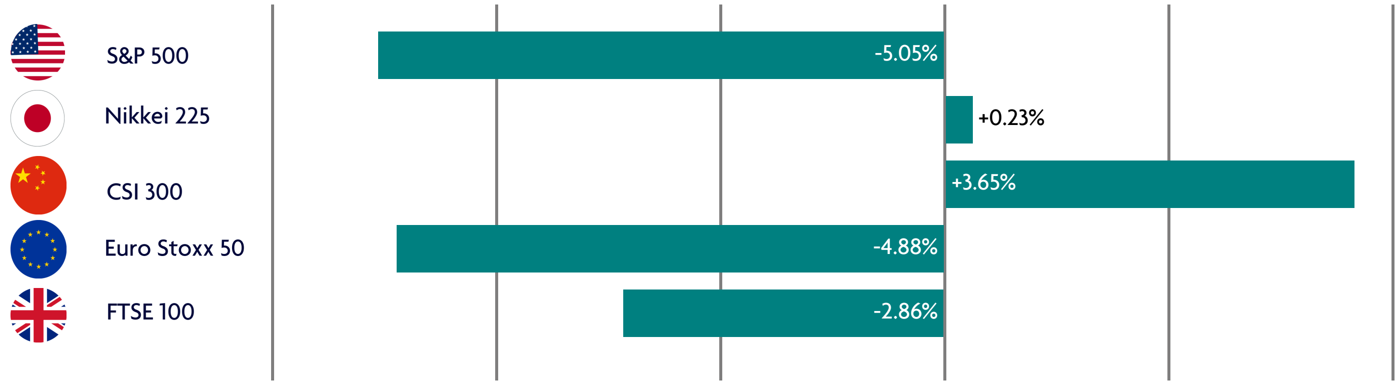
Weekly Market Update

13 June 2022

High inflation, and interest rate expectations, remains very much at the forefront of investors around the world. In Asia we saw some promising news – in Japan, the economy appears to be in slightly better shape than many expected, and in China, there are signs that the government is looking to be more supportive of its economy. Meanwhile central banks in the West continue to face the pressures of high inflation.

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



Market Update:

UK

Markets fell in the UK amidst the ongoing cost-of-living crisis. Retail sales fell 1.1% over the year to May. British consumers cut back sharply on spending last month in almost all areas as the rising cost of living hit budgets hard. Following a victory to a challenge in his leadership, Boris Johnson said the government will unveil a series of reforms to help people with the cost of living in the coming weeks.

US

Stocks lost ground, finishing the week with steep losses. One of the key drivers in markets was the higher-than-expected inflation number, which came in at 8.6% in the month of May, higher than what it had been a month earlier. Despite some improvement in the labour markets, the high inflation numbers keep the pressure on the US central bank to raise interest rates by half a percent when they meet later this week.

Europe

Shares fell sharply after the European Central Bank (ECB) suggested that it may increase interest rates at a faster-than-expected pace if the medium-term inflation outlook persists or deteriorates. The ECB also lowered its outlook for economic growth and raised its projection for inflation. In Germany, factory orders have fallen for the third consecutive month, due to the uncertainty caused by the Ukraine conflict and weaker demand.

Japan

Stocks registered moderate gains for the week. In the first three months of the year, the Japanese economy shrunk less than had been expected. This, together with Japan's reopening to tourism provided a boost for investors. Meanwhile, the government has approved plans for a fiscal and economic policy programme aimed at raising economic growth.

China

Stocks rallied amid hopes for more supportive monetary policy and signs that Beijing was easing its year's long crackdown on the technology sector. Exports grew at a double-digit pace and imports expanded for the first time in three months in May, as factories reopened, and supply chain issues improved. However, further restrictions were implemented in areas in Shanghai and Beijing following a handful of coronavirus cases, reflecting the Chinese government's determination to eradicate the virus through a zero-tolerance approach.

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