

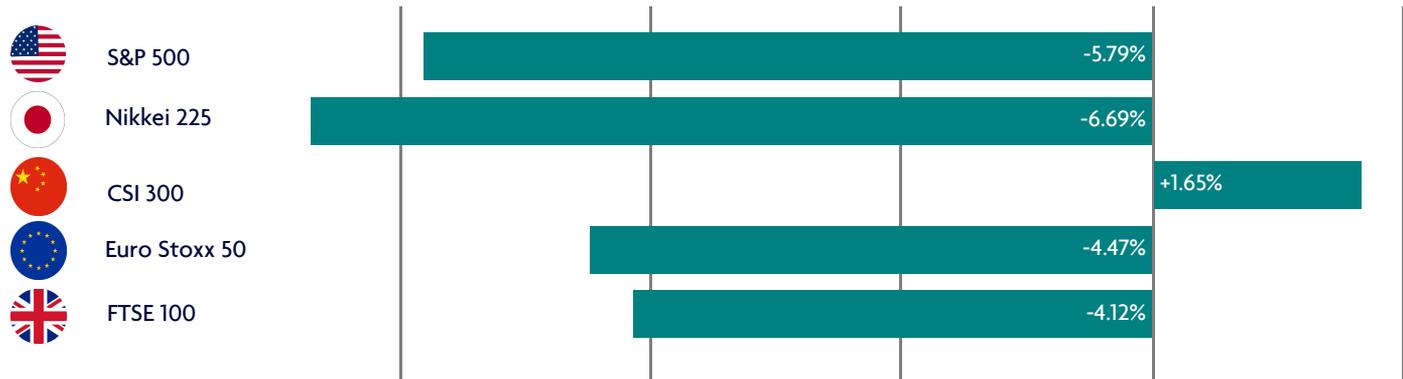
Weekly Market Update

20 June 2022

A week driven by interest rates. Interest rate rises are the way central banks try to control inflation, not just by taking the foot off the pedal of the economy, but by indeed applying the brakes. Investors are worried about how forcefully these brakes are applied and the impact this could have on its economies.



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



Market Update:



The Bank of England raised interest rates to 1.25% and revised its inflation outlook higher, projecting inflation would rise to above 11% in the autumn, in part reflecting expectations for higher household energy costs. It also expects the economy will contract this quarter. Official data showed that the UK economy shrank in April, after already contracting in March. The unemployment rate rose to in the three months to April, the first increase since 2020.



The Federal Reserve (The Fed) raised interest rates by 0.75%, increasing recession fears and sending stocks sharply lower for another week. These fears were exacerbated by signs that the housing market is slowing, retail sales are falling, and factor activity was dropping. The S&P 500 Index recorded its worst weekly decline since March 2020 and entered a bear market, ending the week nearly 24% below its January peak.



Europe

Shares fell sharply on concerns that economic growth may stall after several central banks announced rate increases. The European Central Bank held an unscheduled meeting after a jump in borrowing costs for some heavily indebted states stoked fears of another eurozone debt crisis. The Swiss National Bank unexpectedly raised interest rates for the first time in 15 years in an effort to subdue inflation.



Japan

Stock markets registered sharp losses for the week. Recession fears were sparked by the Fed's announcement of its steep interest rate rise, alongside other central banks' moves to curb surging inflation. Continuing its divergence from other central banks, the Bank of Japan (BoJ) maintained its ultralow interest rates. On the economic side of things, confidence among Japanese manufacturers rose in June.



China

Stock markets advanced on hopes that a pickup in fixed asset investments would put the country's economy back on track. Investor sentiment was further boosted after data showed surprising growth in industrial activity in May and by the relaxation of Covid rules in Beijing, where they are returning to regular testing and targeted lockdowns rather than mass testing and lockdowns in entire districts.



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