

Weekly Market Update

03 October 2022

Last week was all about the UK. Markets did not react kindly to the announcements made by the Chancellor on Friday 23rd September, and we saw instability in UK financial markets, particularly in UK government bonds and the British Pound. On Friday 30th September, we hosted a webinar with 4 experts on what exactly had happened during the week in the UK, which you can view [here](#).



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



Market Update:



Markets fell driven by challenges in UK financial markets, as well as global recession fears. However more movement was felt in bond markets, where the yield on gilts, which are the bonds issued by the UK government, ended higher after experiencing swings in the wake of the new UK Fiscal Plan proposing large tax cuts, energy subsidies and sizable borrowing. When yields go up, prices of bonds go down. In a chaotic week, which saw the Sterling plummet and the Bank of England intervene, questions were posed about the sustainability of the government's plans. For more details on our thoughts from an investment perspective, please watch this discussion, recorded on Friday 30th September 2022.



Investor sentiment was rocked by the turmoil in UK markets and signs that inflation remains elevated, paving the way for the Federal Reserve to continue raising interest rates aggressively to tackle inflation. The S&P 500 slipped back to November 2020 levels and closed a third consecutive quarter of falls for the index for the first time since 2009.



Shares in Europe fell amid disappointing corporate earnings and fears of recession. The President of the European Central Bank Christine Lagarde said that the economic outlook "is darkening" and that she expects business activity to "slow substantially" in the coming months as high energy and food prices curb spending power and that the central bank will continue hiking interest rates in the next several meetings in a bid to return inflation to 2% in the medium term. Inflation in the eurozone accelerated to a record 10.1% in September from 9.1% the previous month, with another large increase expected in October.



Japan

Markets fell despite some encouraging economic data. Concerns about the outlook for the global economy continued to weigh on the markets amid worries that the increases in interest rates around the world will lead to a global recession. Worries around the UK's fiscal policy, the Ukraine/Russia conflict, and Europe's energy crisis also dampened investor sentiment, as did the strengthening of the U.S. dollar against Asian currencies.



China

Stock markets fell as weakness in its currency and signs of a flagging economy fuelled concerns about the outlook.



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