

Weekly Market Update

10 October 2022

Markets broke a string of losses with most major stock markets reporting positive returns for the week. All eyes were on economic data in the US and what this could mean for future interest rate hikes. Despite a very strong start in markets, some of the gains were given back towards the end of the week.



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



Market Update:



Similarly, to global markets, the UK stock market started the week strongly but lost ground towards the end of the week, off the back of the strong labour market data in the US. Politically, the week began with the government's U-turn on plans to scrap the top rate of income tax. Sterling rose as a result and the yields on government bonds also fell – when yield falls, bond prices go up. However, two separate ratings agencies have now said they see a negative outlook in the UK's credit rating in light of the tax cuts announced at the mini budget.



The S&P 500 rose for the first time in 4 weeks. Markets started the week strongly on Monday & Tuesday, with the S&P 500 rising over 5% across the two days. Data showed the economy appeared to be slowing more quickly, potentially paving the way for The Federal Reserve to slow down on interest rate hikes. Inflation worries picked up again as the OPEC+ group of oil exporters announced a cut in daily production on Wednesday. The price of oil rose as a result. Towards the end of the week there were also signs that the labour market remained strong, which would give the Fed more ammunition to continue raising interest rates.



Shares in Europe gained ground, following other global markets, on hopes that central banks might start scaling back interest rate increases. The European Central bank remains worried about high inflation, and another large rate hike is expected later this month. A higher-than-forecast jump in the producer prices in August highlighted the risk of elevated inflation. The biggest driver in the increase in prices was energy costs.



Japan

The week started positively on the sentiment that the Federal Reserve could potentially slow down the pace of interest rates. Similarly, to the US, markets fell towards the end of the week on the acceptance that it would be unlikely for the Fed to slow down meaningfully on interest rate hikes. Inflation in Japan remains above the central bank's targets and data shows that Japanese households had cut back on spending in August, as rising living costs weighed on consumers' budgets. In other economic news, Japan's services sector climbed into expansion territory in September.



China

Stock markets were shut for the National Day holiday from October 1 to October 7, otherwise known as Golden Week.



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