

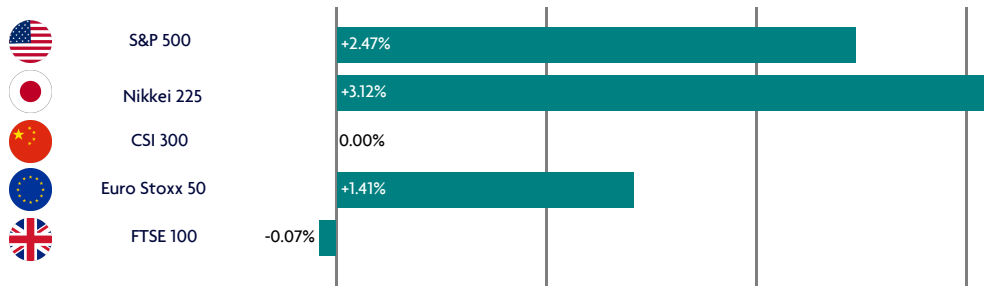
Weekly Market Update

30 January 2023



Investor sentiment is boosted globally as data suggests that the global economic picture may not be as bad as previously anticipated. All eyes will be on the Federal Reserve (US Central Bank), European Central Bank and Bank of England this week as they meet to decide on interest rate increases.

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



Market Update:



UK

Business activity in the UK fell to its lowest levels in two years. The rising cost of living, lower consumer confidence and higher interest rates meant that the rate of economic decline gathered pace at the start of the year. However, looking forwards, expectations for the year ahead improved this month – with hopes of a better global economic picture and falling inflation could support businesses throughout 2023. Inflation in the UK remains high, and the Bank of England meet this week to decide on interest rate hikes to combat inflation.



US

Data showed that the US economy expanded more than expected in the final three months of 2022 and the manufacturing and services sectors appear to be contracting less than originally anticipated. However, the costs of producing goods and services increased in January, breaking a seven-month streak of falls. Other inflation data suggest that whilst still above the central banks target, inflation appears to be falling. The Federal Reserve is due to raise interest rates again this week.



Europe

The European Central Bank meet late this week to decide on interest rate hikes. An improving outlook could give them a chance to slow down their pace of interest rate increases. Business activity appears to have stabilised in the first month of 2023, after shrinking for six months. Consumer confidence has also strengthened to its highest point since February 2022. But inflation, remains high in Europe.



Japan

Sentiment was boosted by the relatively strong growth rate registered in the US in the final few months of 2022. Domestically, all eyes were on inflation – with Tokyo core consumer prices rising over 4% - above the central bank's 2% target. Inflation in Tokyo is usually a forward-looking indicator of nationwide trends. In terms of economic data, Japan's private sector activity returned to growth in January. Activity in the services sector expanded, supported by the government's travel subsidy program and relaxation of COVID restrictions. On the flip side, the manufacturing sector deteriorated due to lower demand.



China

Financial markets in mainland China were closed for the Lunar New Year.



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