

Weekly Market Update

3 April 2023

Markets rallied across the world as disruption in the banking sector begins to settle as regulators intervene to protect the financial system. Inflation remains problematically high around the world. China's economic rebound gains pace whilst in the UK, the economy proves to be more resilient than expected.



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



Market Update:



UK

Official data now shows that the UK avoided a recession in 2022, helped by government subsidies for energy bills. Data shows that consumer sentiment and retail sales were up in February, with business activity expanding further, showing a more resilient economy to start 2023. On the flipside, House prices fell by an annual rate of 3.1% in March, marking the largest year-on-year drop since July 2009.



US

After some challenging weeks, bank stocks in the US performed well. On Thursday, the Biden administration released a set of proposed new regulations for mid-size banks that would impose more stringent capital and liquidity requirements and more frequent stress tests under a wider range of market scenarios. The proposed changes would bring regulation of mid-size banks more in line with the rules faced by the country's largest banks.



Europe

Fears of financial instability diminished, because of easing concerns about the global banking sector. In economic news, inflation in Europe slowed to just 6.9% from 8.5% as energy costs continue to stabilise. However, if we exclude food and energy, which tend to be volatile components of inflation, then it would have ticked up marginally. Policymakers at the European Central Bank continue to suggest that further interest rate hikes are likely.



Japan

Investor sentiment was boosted by the calming down of the recent turmoil in the global banking sector and some expectations that interest rates in the west may be approaching their peaks. On the domestic front, core consumer price inflation in the Tokyo area slowed for the second straight month in March, but was higher than expected – leading some to believe that the Bank of Japan's policy of ultra-loose interest rates may be under pressure – will the new incoming governor of the Bank of Japan consider changing their interest rate policies due to stickier inflation?



China

Economic data is showing a stronger economic rebound. The International Monetary Fund forecast that China's rebound would account for approximately one-third of global growth this year. Chinese officials have reinforced China's commitment to open its economy and deliver reforms that can stimulate consumption and international business. In corporate news, Chinese e-commerce giant Alibaba Group announced a plan to break itself up into six units that can independently raise capital or even seek initial public offerings. Many analysts believe that the company's overhaul may appease regulators and could mark the end of China's year's long crackdown on private enterprise.



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