

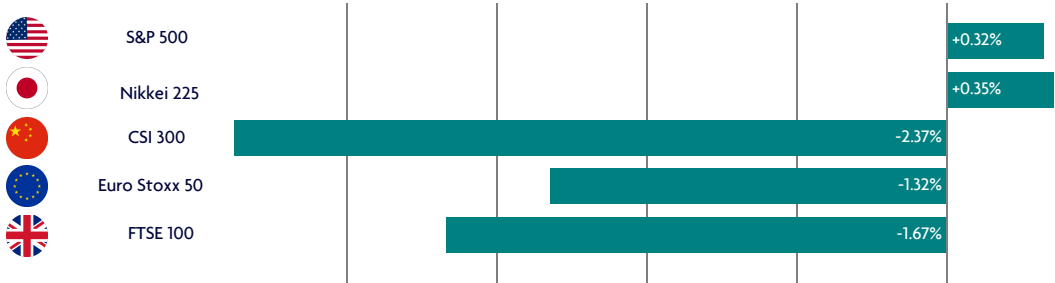
Weekly Market Update

30 May 2023

All eyes were on the US this week, focussing on the US Debt Ceiling negotiations, with a deal being struck over the weekend. Other things that investors kept an eye out for included signs of a stronger Japanese economy, a sluggish Chinese economic recovery, a deteriorating economic outlook in Europe and stickier inflation in the UK.



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



Market Update:



Inflation slowed in April to an annual rate of 8.7% from 10.1% in March, as the surge in energy prices that occurred last year fell out of the annual comparison. However, core inflation, which excludes volatile energy, food, alcohol, and tobacco prices, rose to a 21-year high of 6.8% from 6.2%. The result fuelled expectations for a 13th consecutive interest rate hike by the Bank of England in June. The International Monetary Fund revised its forecast for the UK economy, predicting that resilient demand and falling energy costs would help it to grow 0.4% this year.



Debt ceiling negotiations resumed after President Joe Biden returned from Japan at the start of the week, but markets headed downward as signs emerged that little progress was being made. Over the weekend, Biden struck a deal with Kevin McCarthy, the Republican House Speaker, that would avert a debt default looming in early June and should bring relief to the global economy and financial markets. In other news, shares in chipmaker NVIDIA jumped after the company beat consensus first-quarter earnings expectations by a wide margin and raised its profit outlook. NVIDIA became the sixth most valued public company in the world.



Shares in Europe fell on signs that the economic outlook may be worsening and continued uncertainty over U.S. debt ceiling talks. The German economy lapsed into recession in the first quarter, according to official figures. Meanwhile, German companies became more uncertain about the year ahead, with the Ifo Institute's business confidence index falling in May for the first time in seven months. Policymakers at the European Central Bank continue to highlight that interest rates would need to rise further and stay high to curb inflation in the medium term.



Japan

Upbeat economic data and encouraging signals regarding the U.S. debt ceiling helped propel the Nikkei 225 to its highest close since July 1990, though retreated somewhat from this high. Manufacturing activity expanded for the first time in seven months in May. The services sector also reported robust growth, as the return of domestic and international tourism fuelled a record rise in business activity.



China

Chinese stocks fell after a batch of disappointing indicators in recent weeks pointed to a flagging economic recovery. No major indicators or policy measures were released in China during the week., but mounting evidence that the country's post-pandemic recovery is losing momentum has raised concerns about the economic outlook. Most recently, industrial output, retail sales, and fixed asset investment all grew at a weaker-than-expected pace in April, while weak credit growth indicators also pointed to sluggish domestic demand.



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