

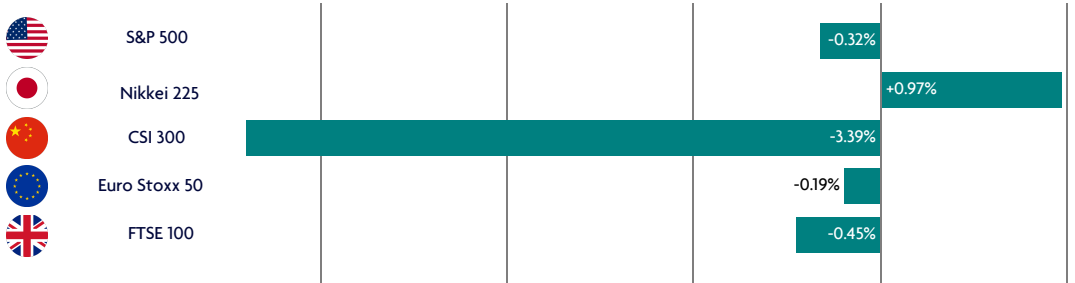
# Weekly Market Update

14 August 2023



Performance was mainly negative for the major stock markets last week. US interest rate expectations appear to be mixed, Japanese inflation appears to continually ease whilst China's latest economic data release paints a gloomy picture. The near-term outlook for the Eurozone economy has weakened, whilst the UK economy has experienced better than expected growth.

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



## Market Update:



Positive news from the UK this week as data released revealed that the economy grew by 0.5% in June, exceeding expectations. Growth was mainly driven strong increases in manufacturing and construction activity. Second quarter growth also exceeded expectations as the economy expanded by 0.2%, thanks to strong levels of private consumption. Forecasts for business investment were negative, but this too rose strongly. UK house prices also appeared to sequentially weaken, for the fourth month running in July.



## Japan

Japanese stocks closed higher in the holiday shortened week, boosted by optimistic growth forecasts for some of Japan's leading companies. Economic data showed that there are signs of easing inflation and slowing wage growth, the Bank of Japan's monthly meeting indicated that there is still some way to go to achieve inflation driven by wage growth.



## US

Stocks ended mixed for the week, as investors weighed inflation data against worries over the recent rise in long-term interest rates. Inflation in the region rose by 0.2% in July, bringing its year over year increase to 3.2%, below expectations. Outlook for inflation appears to be mixed, which members of the Federal Reserve expressing their differing opinions on where interest rates will go next – some warning that further hikes are necessary whilst others are suggesting that rate will be cut by 2024.



## China

Stocks contracted in the week as the latest inflation data revealed that consumer and producer prices fell simultaneously for the first time in almost 3 years, illustrating the weakening demand throughout the economy. The data release reaffirms concerns that the region has entered a deflationary period, which diminishes confidence given by the Chinese government's efforts to boost consumption. Deflation is a general decline in prices, often caused by low economic growth and can discourage consumption, further slowing growth.



## Europe

Since the June interest rate hike, which bought interest rates to 3.5% at that point in time, expectations have developed suggesting that inflation should moderate in 2023 but stay above the desired target of 2%. The near term economic outlook for the Eurozone has weakened, mainly due to slowing domestic demand. The European Central Bank believes the outlook for economic growth and inflation remains uncertain, there are also growing expectations that the central bank will pause on hiking interest rates in September.



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