

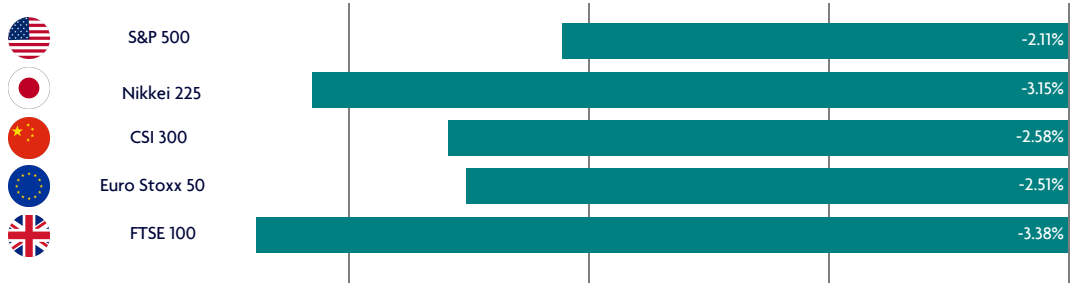
Weekly Market Update

21 August 2023



Performance was negative for the major stock markets last week. The US experienced improved growth forecasts, whilst inflation in the UK and Eurozone eased. Data from China continues to paint a gloomy picture for its economy and Japanese growth was better than expected.

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



Market Update:



UK

UK stocks declined in the week despite another week of somewhat positive economic news from the region. Wage growth accelerated, putting further pressure on the Bank of England to raise interest rates further. Annual inflation slowed to 6.8% from 7.9% in June, driven primarily by falling food and energy prices. Core inflation, which excludes food and energy, remained strong at 6.9%. We also saw signs of cooling in the labour market as the unemployment rate rose by more than expected.



US

Stocks retreated in the week, despite a week of positive data coming from the region. Retail sales, being flat for most of the year, jumped over the last month, double the expectations. Prospects of a "no landing" scenario have increased – the possibility that the economy could continue to grow without experiencing a major slowdown or recession. Growth forecasts from some economists have improved, with futures markets predicting that interest rates could stay at their current level through to the end of the year.



Europe

Stocks fell back in the week driven partially by the prospect of a prolonged period of higher interest rates. The pull back in stock prices were also impacted by the growing concerns surrounding China's post pandemic recovery. Inflation in the Eurozone eased to 5.3%, lower than the previous month's figures but still above the central bank's target of 2%.



Japan

Japanese stocks closed lower in the week given concerns about the wider impact of China's macroeconomic weakness, given its trade ties with Japan. The Yen weakened against the dollar, bringing it near levels which previously prompted Japanese authorities to intervene in the foreign exchange market to prevent the Yen from weakening further. Second quarter economic growth exceeded expectations, driven mainly by external demand. Inflation slowed from the previous month but remains elevated relative to last year.



China

Pessimism continues to plague the region due to concerns about post pandemic recovery, stocks declined last week as a result. Similarly to last week, data released paints a gloomy picture – with sales and industrial output growing slower than expected, urban employment also appears to be on the rise. The government also chose to not release youth unemployment data, which has increased every month this year. The property sector showed signs of stabilising earlier this year, but recent developments have renewed worries about the strength of the recovery due to fall in home prices last month, the first time they have fallen this year.



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