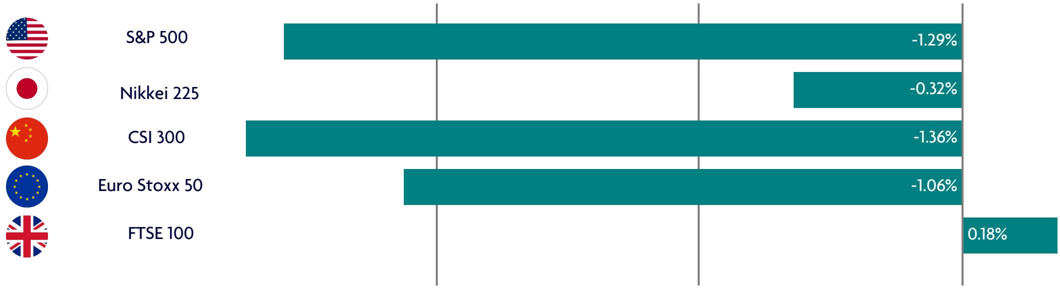
Weekly Market Update

11 September 2023

Economic signals drove markets this week – in the US a stronger economy has led investors to worry about interest rates remaining elevated for longer. Meanwhile, Japan's economy is proving to be less resilient than anticipated and China continues to show signs of a waning recovery. Signs of economic weakness in Europe also weighed on markets.

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



Market Update:

UK

The Governor of the Bank of England, Andrew Bailey, cast doubt on a possible hike in UK interest rates at the upcoming September 21 policy meeting. He said, "I think we are much nearer now to the top of the [interest rate] cycle." Data suggests that underlying price pressures may be waning. Companies polled in the three months through August expected to raise prices by 4.9% over the coming year, down from 5.2% in the three months to July.

US

A decline in Apple, the largest constituent of the S&P 500 drove the declines after news that Chinese government employees would no longer be able to use iPhones. Declines in NVIDIA and other chipmakers also fell during the week. On the economic side of things, a new report suggested that the services sector continues to strengthen and this positive news for the economy may have also been negative markets as a stronger economy could mean that we see higher interest rates for longer. Furthermore, continued strength in labour demand also supported this message.

Europe

A string of economic data provided more signals that the eurozone economy continues to stumble. Gross domestic product (GDP) in the bloc grew 0.1% in the second quarter, with a drop in exports and Retail sales volumes falling. Investor morale in the eurozone fell more than expected at the start of September. a deepening slowdown in Germany was weighing heavily on sentiment.

Japan

Concerns about China's economic slowdown and the impact on global demand impacted investor sentiment. Furthermore, some weak economic data releases suggested that Japan's economy was not doing as well as previously thought. The yen continue to weaken prompting Japan's ministry of finance to suggest that they may intervene to stabilise its currency if necessary.

China

Markets were impacted by the latest economic indicators reinforcing concerns about the country's weakening outlook. Specifically, forward looking indicators on economic activity continue to suggest a softening of the economy. On the trade front, China's exports continue to fall year-on-year but is showing signs of bottoming out. Against the backdrop of low interest rates in China whilst interest rates in the US have been rising in the last year, has led China's renminbi currency to fall to a record low.

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