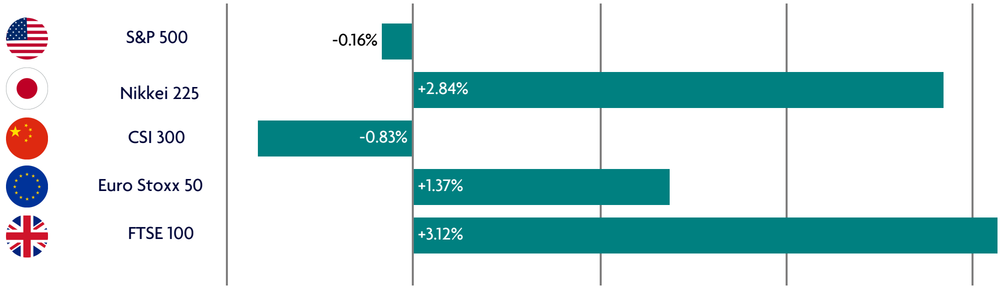
Weekly Market Update

18 September 2023

It was a mixed week for global markets, with many different factors impacting markets. The US saw indications that inflation is coming down. Japan was boosted by China's economic data, though the impact on Chinese markets was more muted due to the downturn in its property sector. Interest rates go up once again in Europe, and in the UK, economic data points to a stronger-than-expected slowdown.

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



Market Update:

UK

Markets were boosted by a weakening sterling. A decline in the British Pound helps to support the FTSE 100, which includes many multinational companies that generate meaningful overseas revenue. The UK economy shrank faster than expected in July due to worker strikes, wet weather, and rising borrowing costs. GDP fell 0.5%, after rising in June. UK unemployment unexpectedly increased to 4.3% in the three months through July. This jobless rate exceeded the 4.1% that the Bank of England had forecast for the third quarter. But total wage growth over the three months through July accelerated year over year to a greater-than-expected 8.5%. The Bank of England will meet later this week to make a decision on whether they raise interest rates once again.

US

Whilst technology broadly speaking held markets down, rising oil prices helped other stocks rise bringing markets to a lukewarm finish for the week. The biggest data point was inflation. Consumer prices showed the largest increase since over a year ago but was largely expected due to higher gasoline prices. If we exclude food and energy prices, which are more volatile, inflation did still go up, which is disappointing, but there are clear signs that inflation is on a downward trajectory. As such, investors do not expect the federal reserve to raise interest rates this month. The next interest rate decision comes later this week.

Europe

The European Central Bank raised interest rates again to a record high of 4% but suggested that we may be at the peak of interest rates. Better economic data out of China also appeared to lift investor sentiment. Data from the European Union's statistics office indicated that industrial production in the eurozone weakened by more than expected in July, The European Commission (EC) cut its forecast for gross domestic product growth in the eurozone in 2023to 0.8% from 1.1% and projected that the German economy, the largest in the area, would shrink by 0.4%.

Japan

Positive Chinese economic data, and investor anticipation that the country's stimulus efforts are having the intended effect on growth and markets, supported sentiment. Strength in U.S. stocks and a weak Japanese yen, which benefits Japan's exporters, added to the favourable investment backdrop. Separately, investors are keeping a watchful eye on the Japanese central bank for any signs that they may begin raising interest rates or that they may intervene to control the weakening currency.

China

Official data for August provided evidence of economic stabilisation in the country. Industrial production and retail sales grew more than forecast last month from a year earlier, while unemployment unexpectedly fell from July. However, fixed asset investment growth missed forecasts due to a steeper decline in real estate investment. Inflation data also points to the downturn bottoming out. The People's Bank of China continues to provide support in an effort to boost the country's post-pandemic recovery.

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