

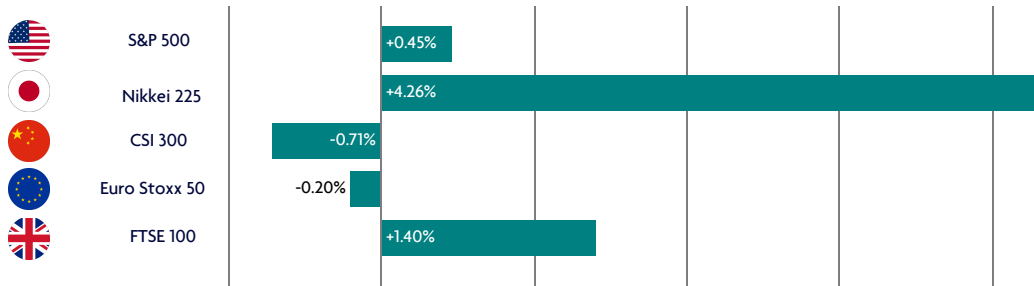
# Weekly Market Update

16 October 2023

A mixed week for global markets– who continue to keep a watchful eye on data to get any clues of what may or may not happen with interest rates moving forwards. Central banks are beginning to signal a potential pause in their hiking cycles as interest rate rises feed their way through to the economy. Striking a balance between relying on data and less tangible indicators on the health of the economy will be a major task for central banks in the weeks ahead.



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



## Market Update:



UK

The UK economy bounced back in August thanks to growth in professional services and education. Gross domestic product (GDP) expanded 0.2% sequentially after contracting 0.6% in July. But the data also showed that construction and production fell. UK regulators finally approved Microsoft's \$75bn Activision Blizzard deal, paving the way for its imminent closure after 21 months of legal wrangling.



US

The major indexes ended mixed as investors weighed inflation data against signals from Federal Reserve officials that suggested an unwinding of rate hikes was ahead. Large-cap value stocks outperformed, helped by earnings beats from Citigroup, Wells Fargo, and JPMorgan Chase. The banking giants kicked off the unofficial start to third-quarter earnings reporting season on a positive note, as their profits got a boost from higher interest rates. The prospect of a widening war in the Middle East following last weekend's Hamas attacks against Israel boosted energy shares and defence stocks while weighing on airlines and cruise operators.



Europe

European stocks were broadly down last week adding to a few weeks of weakness after dovish comments from Fed policymakers and reports that China was considering more economic stimulus measures. The minutes of the European Central Bank's (ECB) September meeting revealed that "a solid majority" of policymakers voted to raise the key deposit rate to a record high of 4.0%. The decision appeared to be a close call, given the "considerable uncertainty." Pausing the rate increases "risked being interpreted as a weakening of the ECB's determination, especially at a time when headline and core inflation was still above 5%," the minutes said.



Japan

Japan's stock markets gained over the week, continuing their strong year-to-date gains as historic weakness in the yen lent ongoing support. The yen weakened despite seeing some support from investor demand for safe-haven currencies amid the violent developments in the Middle East. While Japanese authorities have repeatedly stressed that they would act against excess currency volatility, without ruling out any options, there has been no evidence that they have recently intervened to stem the yen's slide.



China

Financial markets in China declined in the first full week of trading after the Golden Week holiday, as softer inflation and trade data renewed concerns that the economy may slip back into deflation. China's CPI remained unchanged in September from a year earlier, following August's 0.1% rise, largely due to weaker food prices.



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