Weekly Market Update

23 October 2023

A difficult week for global markets – with rising geopolitical tensions spooking investors, amid fears that the ongoing conflict in the Middle East may escalate further. Central banks remain wary of inflation concerns, despite the pause in interest rate rises, with rising oil prices adding further pressure to inflation in the world's major markets.

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

Market Update:

UK

The FTSE 100 closed 2.6% down from the previous week, dragged down by financials and mining stocks, along with rising geopolitical tensions in the Middle East. Rising oil prices also contributed to an increase in worry amongst investors. UK inflation held steady at 6.7% year-on-year in September. Services inflation actually accelerated, and wage growth remains elevated. The chief economist of the Bank of England acknowledged that the bank still has work to do to ensure inflation falls to the 2% target.

US

Geopolitical tensions weighed on markets, which fell sharply this week. Whilst initially, markets started the week in a positive territory, they fell sharply towards the end of the week following reports that a U.S. Navy destroyer – deployed to the east Mediterranean following the escalating Israel-Hamas conflict – shot down a cruise missile targeting Israel. Beyond geopolitics, signs that the economy was remaining resilient gave policymakers at the Federal Reserve the opportunity to reiterate that interest rates would likely have to stay at these higher levels for longer. These also impacted bond markets this week. Whilst the economic data appears positive, some of the forward-looking indicators are beginning to point to a weakening in economic activity.

Europe

European stocks were down last week amid uncertainty about the outlook for interest rates and fears that the conflict in the Middle East could escalate further. A series of disappointing earnings reports further dampened the mood, with all the major European markets finishing the week in the red. European government bonds also faced troubles at the prospect of the European Central Bank keeping interest rates higher for longer. Meanwhile, German investor morale improved more than expected in October, driven by expectations of further declines in inflation. In France, however, business confidence fell across most sectors of the economy in October.

Japan

Japan's stock markets fell over the week, in line with global markets. Japan's rate of inflation slowed in September. However, price increases remained above the Bank of Japan's 2% target for the 18th straight month, and the central bank is widely expected to revise up its inflation forecasts at its October meeting. The Japanese yen remains at weak levels against the U.S. Dollar (due to the difference in interest rates between Japan and other economies) and many continue to expect that Japanese authorities may intervene to stabilise its currency.

China

Chinese markets fell again as woes in the property sector completely mitigated any optimism about better-than-expected economic figures and stronger retail sales data. Country Garden, China's largest property developer, announced that it was unable to meet its offshore debt payments following a 30-day grace period in August – really highlighting the troubles China's real estate market faces. Meanwhile, new home prices in China's largest cities fell again in September. Elsewhere, news was more positive, with a surprisingly strong GDP release showing the Chinese economy expanded 4.9% in Q3 year-on-year. Retail sales also rose 5.5% in September, exceeding expectations.

The Omnis Investment Club

To hear more about these topics, please search for "The Omnis Investment Club Podcast" on your podcast player.

Omnisinvestments.com

Omnis INVESTMENTS