Weekly Market Update

30 October 2023

Another difficult week for global markets as Middle East tensions, higher interest rates for longer and mixed economic data releases keep investors on their toes. Corporate earnings from major US companies were a big focus of the week alongside much anticipated US economic growth data and the latest interest rate decision from the European Central Bank.

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

Market Update:

UK

The UK's unemployment rate rose to 4.2% in the three months through August from 4.0% in March-to-May period, according to a new data series from the Office for National Statistics that uses an updated methodology. Separately, a purchasing managers' survey showed that business activity in the private sector remained in contractionary territory for a third month running in October. Stocks and bonds were both lower on the week.

US

Market sentiment was dented by mixed corporate earnings reports and concerns about higher interest rates for longer, the latter impacting bond markets in particular. It was a busy week for earnings reports and investors seemed particularly focused on results from many of the mega-cap technology-focused group of stocks known as the Magnificent Seven that have helped drive positive market results in the US earlier in the year. Although most metrics reported by the companies showed good growth and exceeded expectations, markets seemed to focus on indications of rising expenses, which weighed on share prices. On the economic side of things, data showed that the U.S. economy grew at an annualized pace of 4.9% in the third quarter of this year, highlighting how resilient the US economy continues to be.

Europe

Uncertainty about interest rates, the economy, and conflicts in the Middle East weighed on markets. The European Central Bank (ECB) kept interest rates on hold, raising expectations that rates have finally peaked in the eurozone. After increasing interest rates 10 consecutive times, the ECB left its key deposit rate unchanged at 4.0% and reiterated that maintaining this level for a long enough period would help to bring inflation down to its medium-term target of 2%. The Governing Council said previous rate increases was already dampening demand. In economic news, business activity in the eurozone appears to be worsening as we entered the final three months of the year.

Japan

Challenges in global bond markets across the world, due to concerns of higher interest rates staying around for longer, and geopolitical tensions weighed on market sentiment at the start of the week, but investor demand after a few challenging weeks, a rebound in technology stocks, and a fresh dose of Chinese economic stimulus helped Japanese stock markets recoup some o losses. Moves in the foreign exchange and bond markets and a pickup in inflation fuelled speculation of potential intervention by the Bank of Japan at its upcoming meeting.

China

Markets were boosted by reports that profits at industrial firms in China increased by 11.9% in September from the prior-year period, marking the second consecutive monthly increase. Demand improved during the month, boosting hopes that parts of China's economy may have bottomed.

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