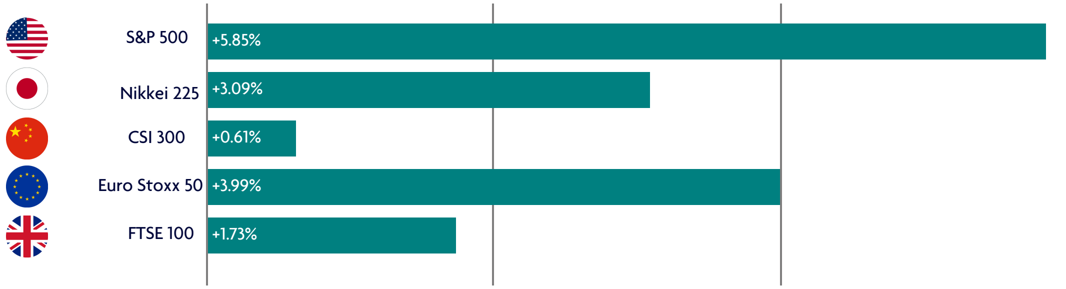
Weekly Market Update

6 November 2023

A strong upswing for markets. News of major central banks pausing on interest rate rises buoyed investors, seeing global equity and bond markets rally. Despite interest rates being held, central banks remain cautious about inflation concerns. Furthermore, concerns about slowing economic activity in the world's major economies remains prevalent.

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



Market Update:

UK

The FTSE 100 closed 1.7% up from the previous week after the Bank of England (BoE) held interest rates at 5.25% for the second consecutive Monetary Policy Committee meeting. The bank also warned that rates would have to stay at a higher level for an extended period of time. The central bank's latest projections also showed inflation halving by year-end and dropping below the 2% target by the end of 2025, later than previously forecast. Elsewhere, the UK housing market remained weak. The BoE reported that September saw the lowest level of mortgages approved since January this year.

US

Markets rallied last week, seeing its strongest weekly gain in nearly a year. It was a busy week for company earnings and central bank decisions. News that the US Federal Reserve held interest rates steady and their improved economic outlook for the U.S. economy encouraged investor sentiment. This was further backed up by better-than-expected estimates of U.S. productivity growth in the last quarter, which is at the highest level since businesses began to re-open in the early stages of the pandemic back in 2020. Data is also suggesting that the labour market is beginning to cool. This week was also good for bond markets, as bond yields fell, meaning that prices rose.

Europe

European stocks rose as inflation fell faster than expected, falling to an annual rate of 2.9%, the lowest since July 2021. The European Union statistics agency cited declining energy and food prices as the main drivers of falling inflation. It is likely that falling inflation reflected the weaker growth environment in the EU. Germany, the largest EU economy, saw its economy contract by 0.1% in the third quarter. Despite this, the major European markets of Germany, France and Italy all saw strong gains, driven by rising investor expectations that the European Central Bank (ECB) had completed its interest rate hikes.

Japan

Japan's stock markets gained over the week, following the announcement of a new fiscal stimulus package from the government, aimed at boosting growth and assisting households with the rising cost of living. Elsewhere, the Bank of Japan remained committed to its ultra-low interest rates by leaving interest rates unchanged at -0.1%. However, it intervened in managing the Japanese bond markets. The central bank's stance strengthened the Yen somewhat, which has been under significant pressure given the divergence in interest rates between Japan and the U.S.

China

Chinese markets gained as speculation that U.S. interest rates may have peaked offset broader concerns about the nation's slowing economic growth. China's industrial activity contracted last month, with the official Purchasing Managers' Index (PMI) falling below 50 (readings above 50 indicate expansion and below 50 indicate a contraction). Further evidence of China's property market slump appeared, as new home sales by the 100 largest Chinese developers fell 27.5% year-on-year in October. Real estate loan figures also saw a steep decline year-on-year, with housing market woes remaining a serious drag on the growth outlook of the Chinese economy.

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