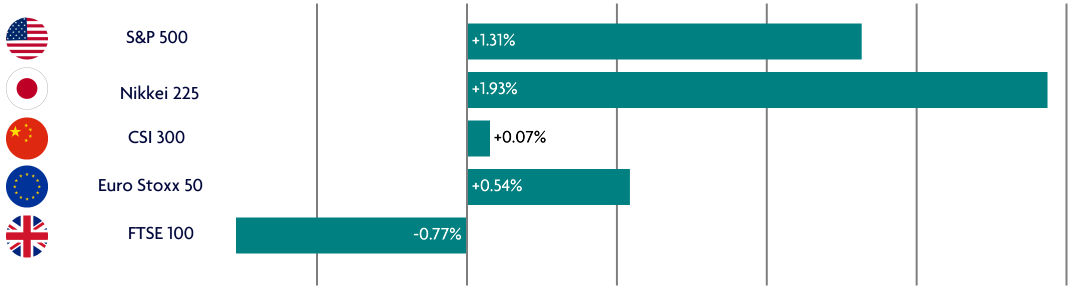
Weekly Market Update

13 November 2023

A mixed week for markets, with four of the five major indexes seeing positive returns. Despite this, governments and central banks remain vigilant as weak economic activity persists in the world's largest economies. The UK's FTSE 100 was the only major index to see a decline, as the British economy stagnated in the third quarter of 2023.

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



Market Update:

UK

The FTSE 100 fell during the week following news that the economy saw zero growth in the third quarter of 2023, matching the Bank of England's (BoE) forecast. On a monthly basis, GDP data was slightly better, with the economy expanding a better-than-expected 0.2% in September. UK bond yields declined this past week following comments from the BoE Chief Economist that reducing interest rates in August 2024 "does not seem totally unreasonable". A fall in bond yields means prices of UK bonds rose over the past week. This was, however, quickly squashed by BoE Governor Andrew Bailey, who said it was "really too early" to talk about cutting interest rates.

US

U.S. markets came close to matching their longest winning streak in nearly two decades, seeing an eighth consecutive weekly gain. It was one of the final weeks for company earnings and a number of positive surprises, particularly in tech-oriented firms, drove growth in American markets. Elsewhere, investors kept a close eye on the U.S. Treasury, particularly on whether the borrowing needs of the government could be met following the passing of the debt-ceiling bill in the House of Representatives. Weaker-than-expected demand for U.S. government bonds saw an upswing in yields last week, meaning that bond prices fell.

Europe

European stocks rose despite markets wrestling with the prospect of interest rates in the eurozone remaining 'higher for longer'. The commentary from the European Central Bank led to an increase in European government bond yields – and therefore a reduction in prices, putting pressure on markets. Elsewhere, the latest economic data points to a weak economy in the European Union. Retail sales in the eurozone fell 0.3% in September, following a 0.7% decline in August. Furthermore, industrial activity across the largest EU economies continued to be weak. Germany, the largest EU economy, saw industrial production decline by 1.4% in September and in France and Italy, industrial output was flat over the same period.

Japan

Japan's stock markets rose over the week, driven by a combination of strong corporate earnings, financial support from the government and a weakening currency. Last week saw the Japanese Yen decline against the US Dollar to its lowest level in 33 years. A weakening currency helps boost a nation's exports as prices are lower for overseas buyers, but it makes imports more expensive, putting inflationary pressures on the economy. The Bank of Japan has held firm on its ultra-low interest rate of -0.1%, despite the divergence in interest rates between Japan and the U.S., which has been the primary driver of a weak Yen. Markets welcomed the government's latest stimulus package, worth around $110 billion, which included measures to cut taxes and increase handouts to the lower income earners, against a backdrop of higher inflation.

China

Chinese stocks rose last week, as investors remained positive despite news that consumer prices had fallen 0.2% in October, bringing the economy into deflation yet again. Trade data offered a mixed bag for the Chinese economy. Overseas exports saw a decline of 6.4% in October compared with one year ago. However, imports unexpectedly rose by 3%, marking the first year-on-year growth in imports since September 2022. These latest readings show the fragility of the Chinese economy and may prompt further intervention from the government.

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