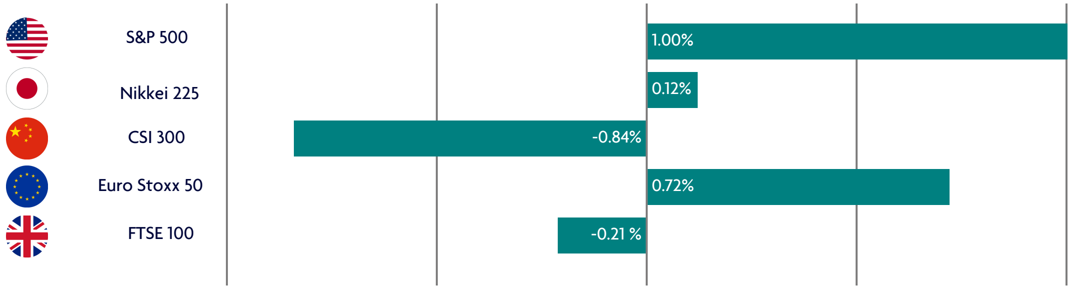
Weekly Market Update

27 November 2023

Markets returns were mixed in a quiet week of stock market trading. Economic growth continued to deteriorate and investors remain focused on the next moves from central banks in light of falling inflation and declining economic activity. US stocks lead the way in returns, building on a strong November rally.

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



Market Update:

UK

The UK government unveiled a series of tax cuts for workers and incentives aimed at boosting business investment and supporting the housing market in its closely-watched autumn budget statement. UK business activity grew marginally in November, easing fears of the economy contracting in the final months of the year. The Office for Budget Responsibility (OBR) forecast that the UK economy would expand 0.6% this year but slashed its growth forecasts for 2024 and 2025 to 0.7% and 1.4%, respectively. Meanwhile, investors are speculating on when the Bank of England will begin cutting interest rates, with officials from the central bank stressing that they would keep interest rates high for an extended period of time.

US

Stocks closed higher over the quiet Thanksgiving holiday week, although shares in NVIDIA, a leading artificial intelligence chipmaker, fell after the company beat earnings estimates but provided cautious guidance on slowing exports to China due to new restrictions. Economic data showed durable goods orders dropped sharply in October, largely driven by a decline in civilian aircraft orders. Business activity surveys indicated growth in the services sector, which partly offset a larger-than-expected slowdown in manufacturing for November. However, firms cut jobs for the first time since 2020 amid signs of cooling demand. The week also saw strong investor demand for a new 20-year Treasury bond (Bond issued by the US government), which reassured bond markets after weaker demand at previous sales of new bonds.

Europe

Major European stock indexes had mixed results, with France's and Germany's markets rising while Italy's fell. Hopes grew that central banks may start cutting interest rates in the first half of 2024. However, policymakers at the European Central Bank (ECB) signalled that they plan to maintain interest rates at their current levels for some time, with ECB President Christine Lagarde saying that interest rates could remain steady for "the next couple of quarters", reiterating that the objective of lowering inflation is not over. Business activity in the eurozone shrank for the sixth straight month in November according to a private sector survey, pointing to an upcoming recession.

Japan

Expectations that U.S. interest rates were at peak levels boosted investor sentiment while strong corporate earnings continued. However, inflation hitting 2.9% in October sparked talk of more Bank of Japan (BoJ) interest rate hikes. November data also showed stalled private sector activity amid weak manufacturing. Against this backdrop, yields on 10-year government bonds rose (and therefore prices fell) as the BoJ cut bond buying for a second straight week. The yen, which has been under pressure for much of this year, finished unchanged after briefly strengthening. Speculation grows about interest rates with inflation over 2%, but the Japanese central bank says it will wait for clear wage growth before changing its conservative path.

China

Chinese stocks fell as news that the government may introduce fresh stimulus measures for the property sector was not enough to offset broader economic worries. Regulators created a funding plan to help 50 public and private developers strengthen their balance sheets amid an ongoing property slump. The central bank kept its policy rate steady as it continues to focus on shoring up a slowing economy. Government advisers are expected to propose an economic growth target around 5% for 2024 at December's meeting, aimed at supporting jobs and long-term development goals.

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