Weekly Market Update

11 December 2023

A mixed week for markets, with three of the five major indexes seeing positive returns. Fresh enthusiasm from investors around AI technology had a positive affect on U.S. tech stocks over the week. In addition, positive economic news coming out of the U.S. has helped the S&P500 yet again. In contrast, China's economic woes continue, a reduction in their credit rating being the latest challenge.

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

Market Update:

UK

In the UK, the FTSE 100 closed the week in positive territory, as did the more domestic-oriented FTSE 250, which gained half a percent over the week, driven by investor expectations that the Bank of England may cut interest rates in mid-2024. Despite oil prices dropping to $70 a barrel this past week, news of Russia and Saudi Arabia calling for other OPEC+ members to cut oil production had a positive affect on energy stocks which make up a sizeable chunk of the FTSE 100. Elsewhere, the UK housing market suffered yet another setback, with the latest construction data showing a continued slump in homebuilding in November.

US

U.S. stocks closed the week up particularly for tech stocks as continuing enthusiasm around artificial intelligence provided a boost for many companies in the sector. Shares of Alphabet, the parent company of Google, rose five percent on Thursday after the company revealed a brand-new AI model. Moreover, Apple once again eclipsed the $3tn market capitalization, moving close to the all-time highs it experienced during the summer. Markets were also buoyed by the latest figures on consumer confidence, which jumped to its highest level since August. The main driver of this being news of falling inflation across the United States.

Europe

European stocks rose for the fourth consecutive week as further speculation that the European Central Bank (ECB) may cut interest rates in 2024 was welcomed by investors. Falling inflation and weak economic activity across the eurozone have been key drivers of this interest rate speculation. In addition, key executive members of the ECB hinted that that bank would be unlikely to raise rates any further and may consider cutting soon. The latest being Isabel Schnabel, a member of the ECB's executive board, who said that 'the latest inflation data has made further rate increases rather unlikely'.

Japan

Japanese market fell again over the week as news of the economy contracting by more than initial estimates fed through to investors. In addition, speculation has grown that the Bank of Japan (BoJ) may be prepared to end its negative interest rate policy sooner than expected. This followed comments by BoJ officials, in which they suggested that the Japanese economy could benefit from ending negative interest rates. As a result, the Japanese Yen strengthened against the US Dollar to its strongest in nearly four months. As a reminder, the Yen has been struggling versus the Dollar due, in large part, to the interest rate differential between the two nations.

China

Chinese equities fell yet again, with the CSI 300 falling to its lowest level in nearly five years, as a credit downgrade of China's sovereign debt underpinned investor concerns about its economic outlook. The credit rating agency Moody's cut its outlook on Chinese government bonds to 'negative' from 'stable', stating that the country's debt-ridden state firms & local governments pose an economic risk. This is the latest blow to Chinese economy, as the country has been struggling with a devastating property market downturn and weak consumer & business confidence.

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