

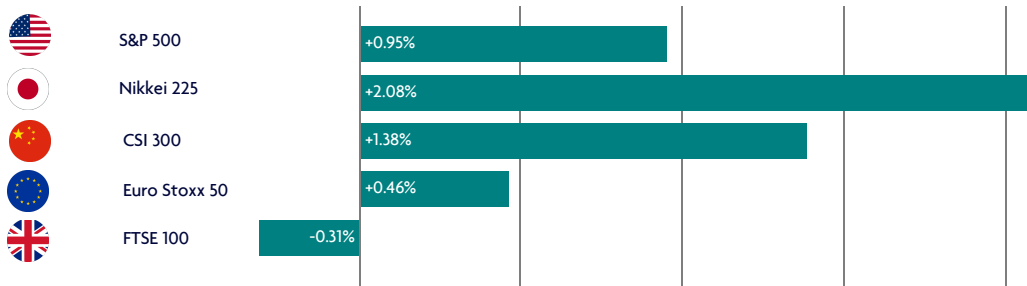
Weekly Market Update

4 March 2024



Another decent week for equity markets with most major stock indices finishing higher. Highlights included reassuring inflation data out of the US and continued strength from Japanese equities after comments from the Bank of Japan's governor. Stickier inflation data in Europe disappointed investors with mixed returns across stock indices in the region.

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



Market Update:

UK equities fell slightly over the week. The Bank of England's top economist has said he believes a cut to UK interest rates is still 'some way off'. Huw Pill, chief economist at the central bank, also warned that the economy is currently weak and said policymakers should not feel a 'false sense of security' if inflation falls below the 2% target rate in the coming months. This week investors are looking towards the UK's budget announcement on Wednesday and whether tax cuts that have been hinted towards will materialise.

US stocks ended the week higher, with the Nasdaq Composite index joining the S&P 500 Index in record territory for the first time in over two years. The month also closed a strong February, with the S&P 500 marking its strongest beginning two months of the year since 2019. The defining event of the week appeared to be Thursday's release of core personal consumption expenditures (PCE) price index, the Federal Reserve's preferred measure of inflation. The index rose 2.8% over 12 months, in line with expectations. The report appeared to calm concerns over the recent release of US CPI, another measure of inflation, which showed core prices rising by 3.9%, above expectations of around 3.7%. While stocks jumped on the inflation news, it appeared to have a limited impact on the tone of central bank communications, reaffirming the view that there is no rush to bring down interest rates.

Major stock indices across the continent were mixed over the week. Sticky inflation data prompted investors to reassess the magnitude and timing of interest rate cuts by the European Central Bank in 2024. Inflation slowed less than expected in February. Annual consumer price growth in the eurozone slowed marginally to 2.6%. Core inflation decelerated to 3.1%, which was above the consensus estimate of 2.9%.

Japan

Japanese stocks had another strong week. Bank of Japan Governor Kazuo Ueda again stressed last week that it was too early to conclude that the central bank had met its 2% inflation target in a sustained manner. He continued to signal that prices rising in tandem with wages was a precondition for any shift in interest rates. Inflation, as measured by the core consumer price index, slowed in January to 2.0% year on year from the previous month's 2.3% but the central bank requires more evidence this is a sustained trend.

China

Stocks in China rose on hopes that the People's Bank of China may boost measures to stimulate growth. February's economic data continued to paint a mixed outlook for China. The official manufacturing purchasing managers index (an indication of economic activity) fell in February from its January level, continuing to show a contraction in manufacturing activity. Seasonal factors also contributed to weakness as factories were closed for the Lunar New Year holiday. The value of new home sales by the country's top 100 developers slumped 60% in February from the prior-year period, accelerating from January's 34.2% drop. The latest results showed no let-up in China's property crisis despite Beijing's efforts to salvage the troubled sector.

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