Weekly Market Update

8 April 2024

Markets were broadly down over the last week as heightened geopolitical tensions and uncertainty about the US Federal Reserve's interest rate policy trajectory weighed on global equities.

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

Market Update:

UK

In a week where Thames Water's parent company defaulted on its debt, UK stocks were marginally down over the week despite positive economic data releases. Firstly, shop price annual inflation eased in March, marking its lowest level since December 2021. Better domestic demand boosted manufacturing over the last month. Lastly, expectations of UK wage growth fell to a near two-year low according to a survey conducted by the Bank of England, supporting the view that the Bank of England will start reducing rates in the summer.

US

Stocks fell over the week following the release of manufacturing data, which was better than expected. The release indicated a small expansion for the first time in 16 months but confirmed a recent rebound in business' input prices, a potential catalyst for rising inflation. On the other hand, labour market data released during the week appeared to reassure investors as employers added 303,000 jobs in March, well above expectations and the most in nearly a year. Experts believe that part of the increase is due to a rise in the US labour force participation rate, suggesting that employers might be enjoying an easier time filling empty vacancies. Meanwhile, energy stocks outperformed as oil prices reached their highest level since October. Oil prices have risen over rising tensions between Israel and Iran and a decision by major exporters to continue limits on production.

Europe

European stocks ended the week lower as comments from some US Federal Reserve policymakers and higher crude oil prices cast doubt on the timing of interest rate cuts. Eurozone annual inflation decelerated more than expected in March. Evidence suggested that the economy may be picking up after stagnating the past year. Meanwhile, the European Central Bank (ECB) signalled increased confidence in inflation slowing to the target level of 2% in a timely manner. Policymakers felt that the case for interest rate reductions was strengthening but that it would be prudent to wait for key economic data to be released.

Japan

Japan's main stock market fell over the week as speculation remained alive about whether the government would step in to prop up the national currency of Japan. The Yen hovered around the lowest level against the US Dollar in about 34 years. The Governor of the Bank of Japan (BoJ) hinted that another rise in interest rates may be on the horizon to help with Yen weakness. The BoJ targets a 2% level of inflation in a sustainable manner, accompanied by growth in wages, and asserts that interest rate policy hinges on these preconditions being met. Nevertheless, Japan's interest rate policy remains among the most accommodative in the world, benefitting Japanese business.

China

Chinese equities advanced in a holiday-shortened week, as data added to evidence that the economy could be gaining traction. The official Manufacturing PMI (Purchasing Managers' Index) rose to 50.8 in March, up from 49.1 in February, due to a rebound in production and exports. This marked the first expansion since September 2023. Furthermore, the equivalent Services PMI rose to a better than expected from 53.0 to 51.4 in February. Meanwhile, the People's Bank of China pledged to maintain ample social financing to support Beijing's annual growth target of 5% as it grapples with weak consumer confidence. China's tumbling property sector remains a drag to the economy as the value of new home sales by the country's top 100 developers slumped 49% in March.

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