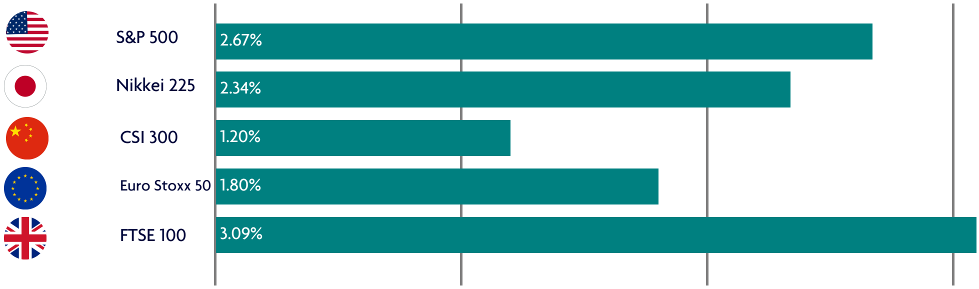
Weekly Market Update

29 April 2024

Markets were up across the board last week as a combination of strong corporate earnings results and an increase in business activity boosted investor sentiment.

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



Market Update:

UK

UK stocks rose over the week as business activity strengthened in April despite demand appearing to weaken. Business activity in the UK grew at the fastest pace in almost a year, with the composite PMI rising to 54.0 from 52.8 in March. Input costs increased at the strongest pace in 11 months, but output prices declined, suggesting that weakening demand is squeezing business margins. Meanwhile, UK grocery price inflation fell to a 30-month low in April, pointing to an easing of the cost-of-living crisis. The figure fell to 3.2%, down from 4.5% in March. However, the Bank of England's chief economist, Huw Pill, stated that falls in inflation are not enough of a reason to begin cutting interest rates, though he admitted a reduction in interest rates from 5.25% was "somewhat closer".

US

Stocks climbed over the week as investors responded to the busiest week of the first-quarter earnings reporting season. Experts estimated that overall earnings for US markets increased 3.7% in Q1 relative to the year before. Apple and Alphabet, the parent company of Google, posted better than expected earnings with the latter announcing its first ever dividend payment. On the other hand, economic data released over the week pointed to bad news for growth. Both the manufacturing and services Purchasing Managers' Index (PMI), a signal of the prevailing direction of the economy, fell short of expectations. Manufacturing activity fell back into contractionary territory of below 50 in April and well below estimates. Data also showed that the economy grew at an annual rate of 1.6% in the first quarter, well below expectations as well. Markets reacted differently to these two datapoints. Elsewhere, core personal consumption expenditures (PCE) inflation data, the main inflation reading the US Federal Reserve (Fed) monitors, provided a mixed outlook. The PCE rate for Q1 came in at 3.7% up from 1.7% in the previous quarter, well above the Fed's 2% target. However on an annual basis core PCE fell marginally in March, continuing its downward trajectory.

Europe

European stocks ended the week higher as an easing of Middle East tensions and some encouraging corporate earnings results helped to boost sentiment. In April, business activity in the eurozone grew at the fastest pace in nearly a year, driven by a recovery in the services sector. The Eurozone Composite PMI, which includes both services and manufacturing sectors, came in at 51.4, up from 50.3 in March, thus indicating economic expansion. On the interest rate policy front many policymakers have signalled that they expect lower interest rates in June, however, comments by some policymakers who favour higher interest rates to keep inflation in check appeared to cast doubt on further rate cuts. For example the German Bundesbank President stated that a decision in June "would not necessarily be followed by a series of rate cuts."

Japan

Japan's main stock market rose over the week as the Bank of Japan (BoJ) refrained from making changes to its interest rate policy, which was viewed positively amongst investors. However, the BoJ Governor Kazuo Ueda did hint that confidence to raise interest rates further is set to increase in the second half of this year. Meanwhile, inflationary pressures showed signs of easing with core inflation, excluding food and energy, rising 1.6% year-on-year in April, down from 2.4% in March. Elsewhere on the economic data front, the PMI for April signalled stabilisation in the manufacturing sector while the services segment strengthened.

China

Chinese equities advanced as investors grew more optimistic about the economy. China's gross domestic product (GDP) increased to 5.3% in Q1 from a year earlier, accelerating slightly from the 5.2% year-over-year expansion in the final three months of 2023. Elsewhere, the People's Bank of China kept the country's interest rate on hold. On a negative note, economists downgraded their inflation forecasts as declining producer prices and a persistent property market slump remain a drag on the economy.

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