

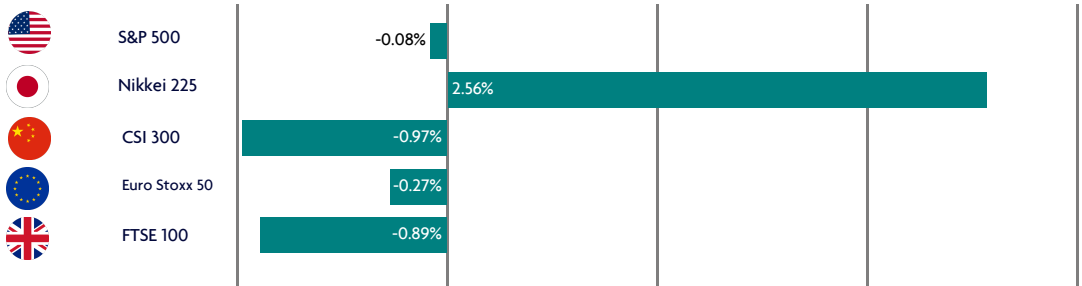
Weekly Market Update

1 July 2024

Stocks were broadly down over the week despite a quiet week in economic data releases and market moving events. Data that was released however, pointed broadly to weaker economic conditions.



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



Market Update:



UK stocks fell over the week. The UK economy grew faster than previously estimated in the first quarter, helped by stronger household spending, according to official data that suggests the next prime minister could benefit from a steadier recovery. GDP increased by 0.7 per cent in the first three months of 2024, revised up from a first estimate increase of 0.6 per cent, the Office for National Statistics said on Friday. This was the fastest growth since the end of 2021 and ended last year's technical recession. It was also the highest of any G7 country.

US stocks fell marginally in a light news week during what seemed to be a bit of a lull in market activity ahead of second-quarter earnings reports. The banking sector featured prominently in the headlines and the sector, to a strong performance. Early in the week, media reports said that the Federal Reserve is considering significantly lighter additional capital requirements (requirement for banks to hold set cash amounts) for banks than regulators originally proposed in the wake of the regional banking crisis in March 2023. On Friday morning, the Bureau of Economic Analysis released May data for the core personal consumption expenditures (PCE) price index, which showed that prices excluding food and energy rose 0.1% from April. Core PCE is the Fed's preferred measure of inflation, so markets welcomed the deceleration from April's upwardly revised 0.3% pace as an indication that a September Fed rate cut is more likely.



European stocks were down over the week, pushed by data releases and heightened political uncertainty in France as the snap election approaches. Slower increases in fuel and food prices drove the harmonized rate of inflation lower in France and Spain in June, according to preliminary data. In Germany, a rise in unemployment and an unexpected deterioration in business confidence highlighted the German economy's difficulty in overcoming stagnation.



Japan

Japan's stock markets rose over the week as historic weakness in the yen continued to support the country's export-heavy industries. Despite heightened expectations that authorities would again step in to stem the yen's sharp decline, which has been driven by the wide U.S.-Japan interest rate differential, only verbal intervention was forthcoming—the Japanese Finance Minister reassessed the view that excessive volatility in the currency market is undesirable and that authorities would respond appropriately to such moves.



China

Chinese stocks weakened as a light economic calendar and concerns about the slowing economy curbed risk appetite. Industrial profits at large companies edged up 0.7% in May from a year earlier, the National Bureau of Statistics reported, down from April's 4% gain. Analysts attributed the earnings improvement to higher commodity prices, which boosted profits for mining companies. However, the month-on-month decline reflected sluggish consumption amid China's prolonged property downturn and persistent deflationary pressure.



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