

Weekly Market Update

29 July 2024

Global market returns were mixed over the week as inflation data continued to dominate market sentiment.



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



Market Update:



UK Chancellor of the Exchequer Rachel Reeves said that she would announce the findings of an audit of public finances at the end of July. Press reports have speculated that the review could reveal a deficit of as much as GBP 20 billion, prompting tax increases. The Bank of England (BoE) revealed a new facility to provide funding for nonbank financial institutions designed to avoid the government bond market volatility experienced two years ago during the short tenure of former Prime Minister Liz Truss. UK economic data have been mixed, leading to speculation about whether or not the BoE will follow the ECB and make its first interest rate cut at its August policy meeting.



The week's economic calendar arguably painted an especially mixed picture of how well consumers and businesses were faring. On Wednesday, the Commerce Department reported that only 617,000 new homes were sold in June, well below expectations of around 640,000 and the lowest monthly number since last November. Thursday brought several upside surprises in the data, however, which may have contributed to a morning rally off midweek lows. On the consumer front, weekly and continuing jobless claims fell more than expected, while real consumer spending rose in the second quarter more than expected. Another factor in Thursday's rebound appeared to be the Commerce Department's release of its core (less food and energy) personal consumption expenditures (PCE) price index, which rose a tick more than expected in June but stayed steady at an annual rate of 2.6%—not too far above the 2.0% target for the Federal Reserve's preferred inflation gauge. The inflation data appeared to cement expectations for a Fed rate cut at its September meeting.



European equity markets sagged midweek as earnings in the technology and luxury goods sectors weighed on returns. Tech was particularly weak thanks to negative sentiment spilling over from steep declines in Tesla and other "Magnificent Seven" mega-cap stocks in the U.S. Heading into Friday's official opening ceremonies for the summer Olympics in Paris, French President Emmanuel Macron called for a political truce during the games. Travel disruptions caused by Friday's arson attacks on France's high-speed rail infrastructure marred the opening to some degree but didn't appear to affect stocks for the day.



Japan's stock markets registered sharp weekly losses, with the Nikkei 225 Index falling 6.0%. The yen strengthened for the third successive week against the USD, continuing to hurt the profit outlook for Japanese exporters. This follows indications that the government intervened in the foreign exchange markets earlier in July to prop up the Japanese currency. On the economic data front, the latest inflation print kept the door open for a potential rate hike, with the Tokyo core consumer price index rising 2.2% year on year in July, in line with expectations and up from 2.1% in June. However, weakness in private consumption has been cited as a constraint against raising rates.



Chinese equities fell after unexpected rate cuts by the central bank failed to instil confidence in the economic outlook. The People's Bank of China cut its medium-term lending facility by 20 basis points to 2.3%, its first reduction since August 2023, after holding the rate steady at its regularly scheduled operation on July 15. The string of rate cuts pointed to Beijing's growing urgency to support growth after China's gross domestic product undershot expectations in the second quarter.



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