Weekly Market Update

12 August 2024

Global markets were rocked by extreme volatility last week, posting record declines in some markets. Stocks generally recovered by the end of the week but the outlook for markets still remains volatile.

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

Market Update:

UK

In the UK, housing market sentiment appeared to turn cautiously positive in July, helped by lower interest rates and the new Labour government's pledge to boost residential development. The Royal Institution of Chartered Surveyors said its measure of expected sales over the next three months rose to the strongest level since January 2020, and a measure of new buyer enquiries turned positive for the first time in four months. Meanwhile, mortgage lender Halifax said house prices rose 0.8% sequentially in July, after three months of flattish growth. The average house price increased 2.3% year over year, the fastest pace of growth since January.

US

US stocks closed lower for the week after recovering from the biggest sell-off in nearly two years. The S&P 500 Index neared correction territory (down over 10%) on Monday morning. Even more pronounced were the swings in the CBOE Volatility Index (VIX), Wall Street's so-called fear gauge, which briefly spiked Monday to its highest level since late March 2020, before falling back to end the week. Continuing worries about the previous week's downside economic surprises—particularly the surprise increase in the unemployment rate and negative manufacturing signals—also seemed to be at work, however. In earnings calls, several major companies reported signs of weakening consumer demand. Data from S&P Global offered a somewhat contrasting picture, however. S&P's gauge of services sector activity fell slightly in July to 55.5 from 56.0 in June but remained solidly in expansion territory. A reassuring drop in weekly jobless claims on Thursday seemed partly responsible for a bounce-back rally, with the S&P 500 scoring its best daily gain since November 2022.

Europe

Retail sales volumes in the eurozone unexpectedly declined 0.3% sequentially in June after increasing 0.1% in May. This weakness reflected a drop in the sales of food, drinks, and tobacco. The data suggested that consumers are taking longer to recover from the inflationary squeeze, adding to doubts about the strength of demand in the second quarter.

Japan

Japan's stock markets started the week with the most severe one-day sell-off in decades, driven by a rebounding yen on the back of the Bank of Japan's (BoJ's) hawkish turn at its July meeting, where it both raised interest rates and detailed plans to taper its bond purchases. Concerns about slowing global growth dampened risk appetite, and investors continued the rapid unwinding of the yen carry trade—where they borrow yen at Japan's ultralow interest rates to invest in a higher-yielding foreign market—in anticipation of a narrowing U.S.-Japan rate differentials and a stronger yen. By the end of the week, Japan's markets had recouped much of the lost ground, with the Nikkei 225 Index down 2.5%.

China

Chinese stocks retreated as a stronger-than-expected increase in consumer prices failed to offset concerns about deflationary pressures. China's consumer price index rose 0.5% in July from a year earlier, from June's 0.2% rise. Analysts attributed the increase to seasonal factors, such as bad weather conditions and a low base for pork prices in 2023. Other data releases over the week showed a mixed picture. PMI readings highlighted the uneven growth of China's economy amid a prolonged property slump that has hit domestic consumption even as manufacturing and exports have showed strength.

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