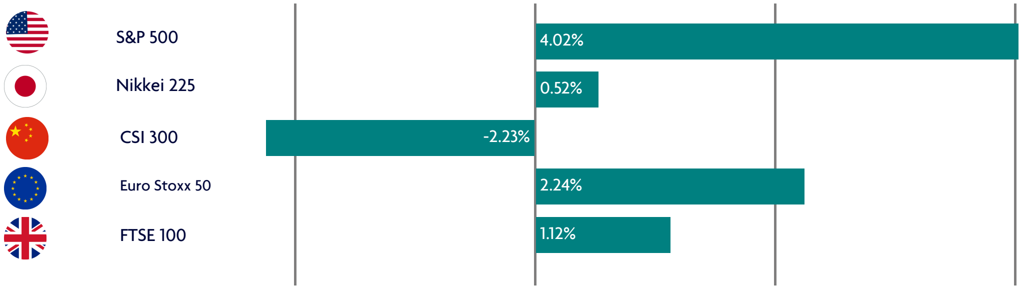
Weekly Market Update

16 September 2024

US stocks rebounded after the prior week's sell off, while the European Central Bank cut interest rates. The Chinese economy continues to remain depressed as weak inflation data spurred calls for Beijing to step in to protect the country's long-term growth prospects.

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



Market Update:

UK

UK stocks ended the week higher as the UK economy unexpectedly stagnated for a consecutive month in July as manufacturing output contracted. The news came as a blow to the newly elected Labour government that has promised to boost the UK's growth. However, looking through an inflation-adjusted GDP lens over the three months ended 31st July, the economy expanded by 0.5% sequentially. Meanwhile, UK wage growth slowed as average earnings, excluding bonuses, declined to 5.1%, down from 5.4% in the three months to May. Nevertheless, wages are still growing at almost double the rate the Bank of England judges to be aligned with keeping inflation at 2%.

US

The US stock market posted strong gains over the week largely driven by large technology stocks. NVIDIA, the California-based chip designer and the most valuable company in the world led markets by offering a positive outlook on artificial intelligence at an investment conference. Meanwhile, the week's relatively light economic calendar was dominated by news that core consumer inflation rose to 0.3% in August and higher than expectations. A reminder that core inflation excludes the more volatility components - food and energy prices. In a more positive vein, headline inflation for August came in at 2.5%, falling from July's reading of 2.9% and its lowest level since early 2021. However, last week investor sentiment was dominated by news from NVIDIA.

Europe

European stocks ended the week higher as the European Central Bank (ECB) cut the region's interest rate. The ECB lowered its interest rate by a quarter percent to 3.5% as expected. The move came amid signs of weakening economic growth and slowing inflation in the eurozone. However, the ECB were clear to point out that they remain cautious, and that the ECB is not "pre-committing to a particular rate path." The week also saw the ECB update their quarterly growth forecast with the economy now expected to expand less this year at 0.8% while growing 1.3% in 2025 and 1.5% in 2026.

Japan

Japan's main stock market marginally rose over the week as comments from members of the Bank of Japan's board suggested interest rates would be increased again this year. This notion comes as Japan aims to curb upside inflation risks and maintain price stability. In fact the week's economic data release showed that inflation rose 2.5% year-on-year in August, slowing from the previous month's 3% and below market expectations. This was largely due to the rebound in the national currency, the yen, which caused a decrease in import cost growth.

China

Chinese stocks fell as weak inflation data sparked concerns of a downward price-wage spiral weighing heavily on the economy. China's annual inflation figure rose 0.6% in August from a year earlier, however fell short of economists' forecasts. Core inflation, which as mentioned earlier excludes food and energy costs, came in at 0.3%, marking the lowest level in over three years. The latest data spurred calls for Beijing to roll out stronger measures to curb falling corporate revenue, wages and spending that many analysts believe threatens the country's longer-term growth.

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