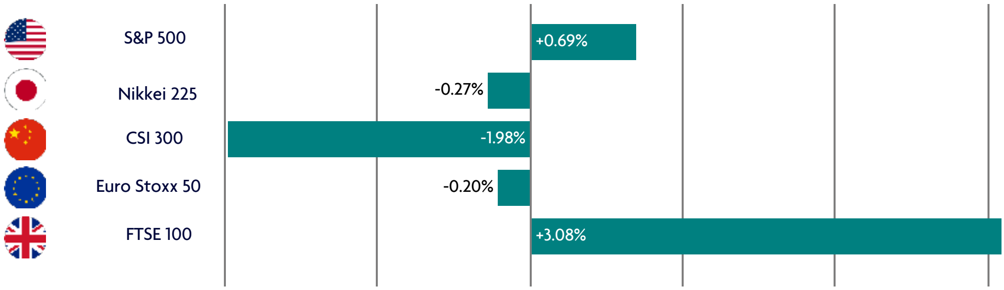
Weekly Market Update

24 July 2023

It was a fairly mixed week in the markets but clear signs of easing inflation in the US and UK, this helps to emphasise investors' view that we may be approaching peak interest rates. With a fairly busy week for central bank around the world ahead of us, all eyes will be on what they have to say more than any actual interest rate hikes.

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



Market Update:

UK

Markets were helped, in part, by the British pound depreciating relative to the U.S. dollar, as the UK is home to many multinational companies with overseas revenues that therefore benefit from a weakening pound. Annual consumer price rises slowed down to 7.9% in June, down from 8.7% the prior month. Whilst inflation remains stubbornly high, the pace of inflation slowed much more than anticipated. And whilst it is likely that interest rates in the UK still have to rise a little bit, markets are beginning to see light at the end of the tunnel. This was good for bonds, where yields fell during the week as a result of this drop in inflation, and with bonds, when yields fall, the price of those bonds increases.

Japan

Sentiment was driven by investor caution ahead of the Bank of Japan's meeting this week looking at interest rates, which remain low amidst interest rates rising across the world. Inflationary pressures in Japan are continuing to put pressure on its central bank to begin raising interest rates.

US

Stock markets advanced on hopes that the tight labour market and moderating inflation would help the economy avoid a recession. Retail sales also increased in the month of June, though by less than anticipated. On the flipside, forward looking economic indicators continue to decline, driven my weak consumer sentiment and a slowdown in housing construction. Later this week, the US central bank, The Federal Reserve, will meet to evaluate interest rates, with investors expecting the central bank to hike interest rates following the pause they had in June.

China

Markets fell on new data showing economic growth faltering. Specifically, data showed that during the second quarter of the year, the Chinese economy grew at a much slower pace than in the first three months of the year. The government pledged to improve conditions for private businesses to boost corporate confidence amid the fading recovery. Separately, Chinese authorities unveiled an 11-point consumption plan to boost household spending.

Europe

Signs the inflation is slowing is leading investors to believe that we may be soon approaching peak interest rates. Meanwhile, data confirmed that the Eurozone just about avoided a recession at the start of the year, as the economy simply flatlined, instead of contracting, in the first three months of 2023.

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