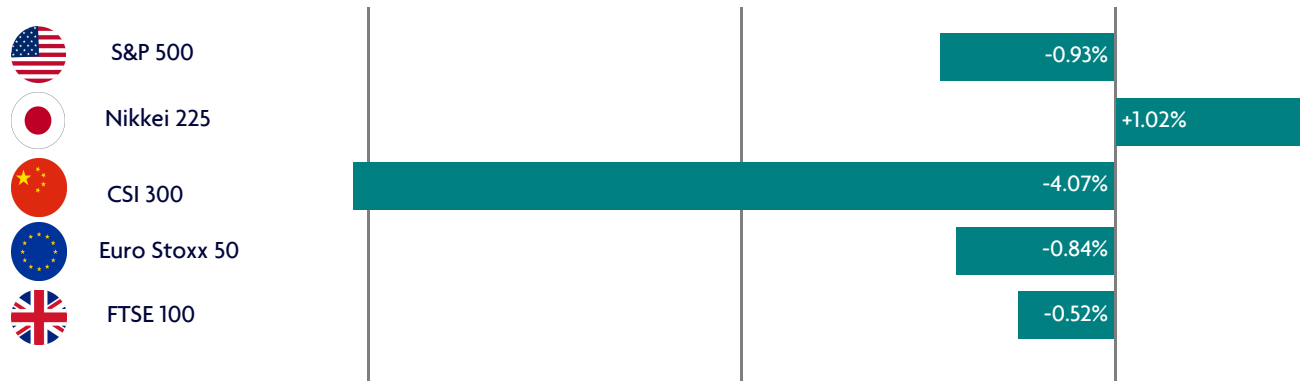# Weekly Market Update

18 July 2022

The US was rocked by high inflation, whilst the Chinese economy began showing signs of slowing down. Japan remains committed to supportive policies for its economy. Meanwhile recession fears intensify in Europe, but the UK economy unexpectedly grew in May. Markets continue to focus on inflation, economic growth (or lack of) and the direction and speed of interest rate rises.

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

Index	Performance
S&P 500	-0.93%
Nikkei 225	+1.02%
CSI 300	-4.07%
Euro Stoxx 50	-0.84%
FTSE 100	-0.52%

Market Update:

UK

The UK economy unexpectedly grew 0.5% in May, after contracting 0.1% in April, a sign that the economy may avoid contraction in the second quarter of the year. The Office for National Statistics said health services helped to boost growth, with a large rise in doctor appointments. Travel agencies and road haulers also reported increased activity. On the flip side, retail sales fell in June for the third consecutive month as people cut back on homeware purchases.

US

Investors absorbed inflation data and the earnings reports from some companies for the period between April and June. Inflation for the month of June came in at 9.1%, the highest since 1981 and send markets tumbling. However, further inflation data released later in the week showed that import and export prices had risen significantly less than had been forecasted in the month of June. This helped markets recover some of the losses later in the week.

Europe

Shares fell as central banks stepped up interest rate increases, raising fears of a global recession. The euro broke below parity with the U.S. dollar for the first time in two decades. Recession fears were exacerbated by worries that a cut-off of Russian gas might push European economies into a recession. Italy's ruling coalition fell, and Prime Minister Mario Draghi resigned, after the Five Star Movement said that the government had not offered enough money to help businesses and households hit by high energy prices. Draghi will now attempt to form a new majority.

Japan

Japan mourned its former prime minister, Shinzo Abe, who was shot and killed on 9thJuly. On 10th July 10, the ruling Liberal Democratic Party increased its seat count in the election, winning a majority with its coalition partner Komeito. The result signalled strong support for Prime Minister Kishida and his government's policy priorities, with the focus on lifting economic growth likely to remain unchanged. The Japanese central bank continues to reiterate its commitment to very supportive policies for the economy.

China

Data showed that the economy grew only 0.4% in the three months to June – and to put this into perspective, the economy grew almost 5% in the previous three months. There are also reports that a rapidly growing number of Chinese homebuyers who have refused to pay mortgages for unfinished construction projects. This sent markets tumbling during the week. On the flipside, June did see some strong numbers in terms of growth in exports, retail sales and industrial production.

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