

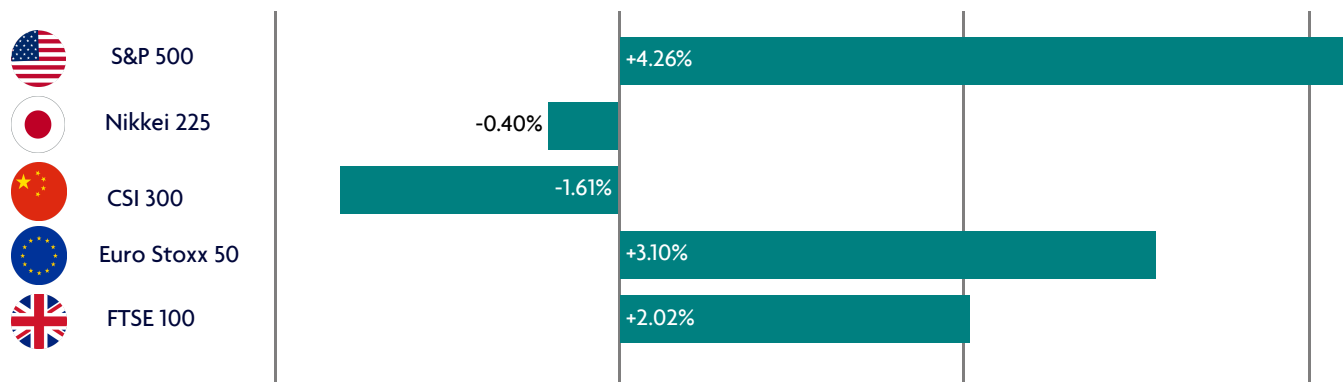
Weekly Market Update

1 August 2022

Despite the Federal Reserve raising interest rates aggressively, global investor sentiment was boosted by the fact that in the face of a slowing economy, the Federal Reserve in the US could slow down its interest rate rises from here. The focus around the world stays on economic growth and/or contraction.



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



Market Update:



The amount of extra debt taken on by UK consumers doubled last month, raising fears that people are resorting to credit cards and other forms of borrowing to fund increases in the cost of living. All eyes will be on the Bank of England this coming week as they meet and will decide on any interest rate hikes.



The US central bank, the Federal Reserve, raised interest rates by 0.75% points. At the same time, data showed that the US economy contracted 0.9% in the period between April and June. A 'bad news is good news' dynamic appeared to take hold: If the economy is indeed contracting, that could mean that the moving forwards the central bank could go slow down interest rate hikes. Walmart reported poor earnings due to the impact of inflation on consumers' discretionary spending, but technology giants Amazon, Apple and Alphabet (Google) showed some resilient earnings. This helped boost investor sentiment.



Europe

Shares rose boosted by data showing that the eurozone economy expanded at a higher-than-expected rate of 0.7% in the second quarter. Markets largely shrugged off concerns about rising natural gas prices due to reduced Russian supply. An early estimate of inflation in the Euro area showed inflation in July hitting 8.9%—up from the 8.6% in June. The rise in headline inflation was driven by food and energy prices.



Japan

Markets were weighed down by a stronger yen, mixed earnings releases from domestic companies, and the government downgrading its estimates for Japan's economic growth. The recent resurgence of COVID-19 has been extremely rapid, and the Bank of Japan said that it will examine how it will affect the financial positions of small and medium-sized firms. Japan's economy appears to have picked up, mainly led by private consumption, which is expected to continue to recover. Inflation has risen recently due to higher import prices, but these pressures are expected to subside and would enable the central bank to keep its supportive policies in place.



China

A high-level meeting of the ruling Communist Party dropped calls that it will strive to meet its 2022 growth target and gave no indication of new stimulus. The property sector received a boost from a state-backed real estate fund, but the amount at play is modest for the size of the problem. U.S.-China tensions prevailed during the week due to ongoing negotiations between auditing restrictions on US-listed Chinese companies. This is a long-running auditing dispute between both countries.



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