

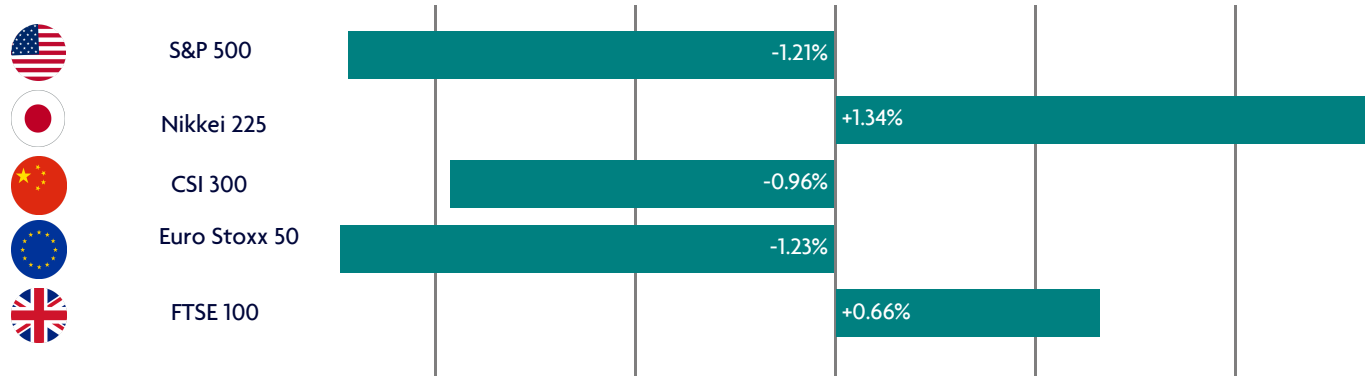
# Weekly Market Update

22 August 2022

Broadly speaking markets continue to worry about aggressive interest rate hikes given the very high levels of inflation we are seeing around the world. Data coming out of China points a weaker economy and comments from central banks during the week added to investors' worries.



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



## Market Update:



UK

The headline inflation rate hit 10.1% in July fuelled by sharply higher food costs. Meanwhile, underlying wage growth in the UK rose to an annual rate of 4.7% in the second quarter. However, factoring in inflation, regular wages declined 3.0%—the fastest drop since comparable records began in 2001 adding fuel to fire on the cost-of-living crisis. Unemployment rose to 3.8% but job vacancies decrease somewhat, suggest that the labour market remained tight – something that the Bank of England will be keeping an eye on.



US

Investors worried about interest rates following a comment from a member of the Federal Reserve policy committee questioning whether inflation had really peaked. This means that investors continue to worry that the Federal Reserve will continue raising interest rates aggressively. On the flip side, economic data published for the month of July showed the economy was appearing to be more resilient than many expected.



Europe

Shares pulled back amid renewed fears that central banks would need to increase interest rates aggressively to stamp out persistently high inflation. Eurozone inflation hit a record 8.9% in July and a member of the European Central Bank said that the eurozone's inflation outlook had not improved since July's large interest rate hike and suggesting that an aggressive interest rate hike is on the table next month.



Japan

Investor sentiment was initially boosted by the positive U.S. economic data but waded towards the end of the week on concerns of continues aggressive interest rate hikes in the US. On the economic front, the Japanese economy grew in the period between April and June but did so by a smaller magnitude than many expected. Inflation, whilst low compared to other economies, remains above the 2% target of the Bank of Japan.



China

Stock markets posted a loss for the week in reaction to weak economic data and elevated levels of COVID cases, with drought conditions in parts of the country adding to the gloom. Data during the week showed the Chinese economy was holding up more poorly than many expected, and China's home prices fell in July for the 11th straight month. The number of covid cases continues to increase and the government also issued a national drought alert as soaring temperatures threatened crops and industrial activity.



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