

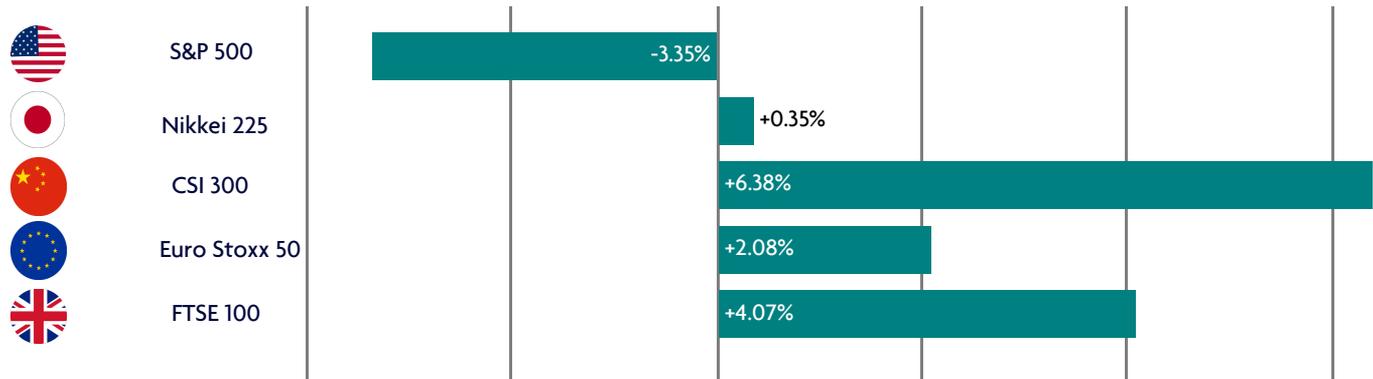
Weekly Market Update

7 November 2022

With the exception of the US, markets around the world rose during the week. A key focus for markets were the comments coming out of central banks in the UK and the US following interest rates hikes. In China, speculation about a review of their zero-covid policies boosted investor sentiment.



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



Market Update:



UK

The Bank of England (BoE) increased interest rates by 0.75 percentage points to 3%, the highest level since 2008, to contain inflation. BoE Governor Andrew Bailey signalled that borrowing costs may not rise by as much as the market expected. The BoE also warned that the UK faces a “very challenging” two-year slump and predicted that inflation would stay above 10% for the next six months and above 5% in 2023. Against this backdrop, the central bank forecasts that unemployment may rise to almost 6.5% by 2025.



US

The Federal Reserve raised interest rates by 0.75 percentage points. This had been widely expected and markets didn't initially react. However, markets reacted to the commentary coming out of the Fed later on. Jerome Powell, the chair of the Fed suggested that the central bank would continue raising interest rates and that they would go higher than they had originally thought. This sent markets tumbling down. Markets continued falling towards the end of the week due to conflicting data on the labour market. The labour market is a key data point that central banks use to inform interest rate decisions.



Europe

Shares in Europe rose, as central banks signalled that they may curb the pace of rate increases. Investor sentiment also received a boost from hopes that China might walk back its zero-COVID policies. Inflation in the eurozone accelerated by more than expected to 10.7% (annualised) in October, fuelled by higher energy prices. Food and imported industrial goods prices also rose sharply. Meanwhile, an early estimate showed the economy had expanded 0.2% in the third quarter, a slowdown from the 0.8% growth rate recorded in the April through June period.



Japan

Equity market returns in Japan were positive for the week. Investor sentiment was supported by data showing Japan's services sector grew in October and some speculation about China's reopening. However, suggestions of continued interest rate hikes in the US, hampered returns. On the economic side, exports and industrial production look as if they are growing, with consumer confidence and private consumption, both also improving.



China

China's stock markets rose significantly because of speculation that the country was preparing to relax its zero-tolerance approach to the coronavirus. In economic news, it appears that manufacturing and non-manufacturing activity slowed in October, indicating the toll of China's protracted coronavirus restrictions on the economy.



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