

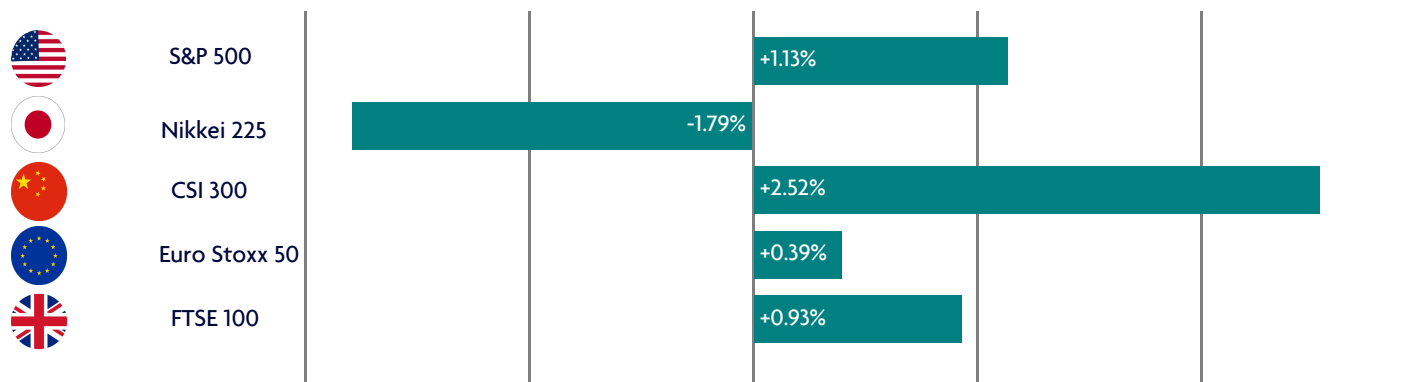
Weekly Market Update

5 December 2022

This week, investors were (yet again) focused on interest rates. From a suggestion by the central bank in the US, to falling inflation in Europe, markets were lifted on expectations of slower interest rate hikes from here. Development in China has led to a review of its zero-covid policies. Broadly speaking markets reacted positively to the news of slower interest rate hikes and the developments in China.



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



Market Update:



UK

There are signs that the UK housing market is slowing sharply. Mortgage approvals fell more than expected to the lowest level since the pandemic lockdown in June 2020 due to rising interest rates. Another sign that the housing market may be cooling rapidly, mortgage lender Nationwide's monthly survey showed that house prices fell in November. If house prices fall for a prolonged period, it has historically meant that the Bank of England stops hiking interest rates. For now, interest rates will continue rising over the coming months.



US

Comments made by the chair of 'the Fed' suggested that the pace at which interest rates rise could slow down from here, which boosted markets. However, Powell also suggested that interest rates would go higher than they had originally expected and that they could remain higher for longer. On Friday, data showed that the labour market in the US was proving to be resilient. A strong labour market could mean the Fed doesn't slow down quite as much and markets did fall somewhat on Friday as a result.



Europe

Inflation in the eurozone slowed in November for the first time in 17 months. Smaller increases in energy and services costs helped push consumer price growth down more than expected to 10% from a record high of 10.6% in October. A slowdown in inflation could mean smaller interest rate hikes by central banks moving forwards.



Japan

Investors' focus was on COVID-related developments in China, where authorities indicated that a slight easing of strict coronavirus containment measures could be in the cards. Japan's industrial production fell more than expected in October, but the Ministry of Economy expects production to have increased in November and to increase in December again. The Bank of Japan also kept reiterating, as it has done for a while, that they expect interest rates in Japan to remain very low.



China

Chinese markets began the week in the red following reports of civil unrest in major cities. Signs that China was edging away from its zero-tolerance approach to the coronavirus lifted investor sentiment and markets. Over the weekend Chinese cities accelerated the loosening of zero-Covid restrictions, building expectations that China could ditch the pandemic policy that has kept the country isolated for nearly three years and battered the economy. China's National Health Commission also announced that it will boost vaccination rates among the elderly.



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