Weekly Market Update

09 January 2023

On behalf of everyone at Omnis Investments, we'd like to wish you a Happy New Year!

2023 has begun with most markets in green led by strong jobs data in the US and falling inflation in Europe.

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

Market Update:

UK

Some of the key news items out of the UK this week included public sector strikes, waiting times on the NHS, food inflation rising, mortgage approvals falling to the lowest level since June 2020 and house prices continuing to decline. On Wednesday, Prime Minister Rishi Sunak outlined five key promises for his premiership including halving inflation in 2023, growing the economy, ensure national debt is falling, reducing NHS waiting lists and to tackle illegal immigration.

US

The official payrolls report showed that unemployment fell in December and that the number of people in jobs had increased. This appeared to boost investor sentiment back by raising hopes that the economy could be on its way to a "soft landing," i.e., inflation falling without a significant recession. The average hourly earnings rose below what was expected, which was also seen as positive, suggesting that wage inflation is coming down – something that the central bank in the US is keep a close eye on.

Europe

Data showed that the pace of inflation has slowed. The cost of natural gas also fell to levels last seen before Russia invaded Ukraine and a fall in energy price increases helped push eurozone inflation below 10% for the first time in two months. Annual inflation has now dropped to 9.2%. Investors are still expecting that interest rates in Europe will need to carry on rising.

Japan

Investors in Japan were worried about interest rate rises around the world and the risk of a global recession. The next few weeks will be important in Japan as investors look out for inflation numbers, and narrative to suggest that the Bank of Japan could move away from its very supportive policies, i.e., ultra-low interest rates.

China

Investor sentiment was boosted on reports that Hong Kong would reopen its border to mainland China and that Beijing was considering relaxing curbs on borrowing for the ailing property sector. Whilst the additional support for the property sector was very welcome, the Chinese economy continues to struggle. Economic activity fell sharply in December, and this was largely attributed to the surge in infections after China abandoned its zero-COVID approach in early December.

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