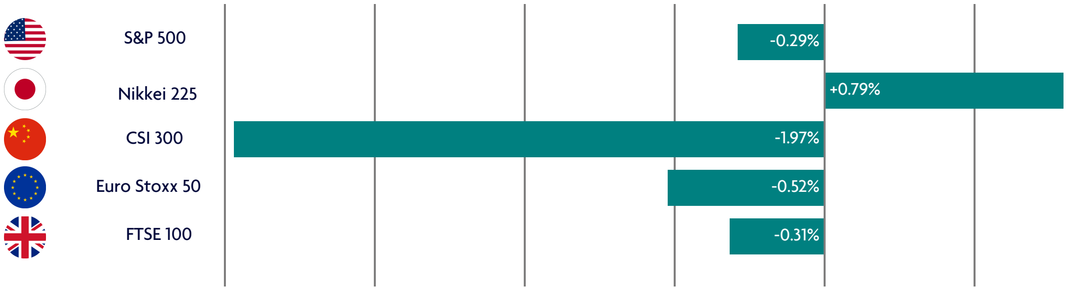
Weekly Market Update

15 May 2023

Investors continue focussed on the three key variables – Firstly, economic growth, and specifically how deep or shallow any recession we have might be. Secondly, all eyes remain on inflation, which, whilst appears to be slowing, remains elevated. Finally, investors remain vigilant on future interest rate hikes, with further hikes still expected across the world.

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



Market Update:

UK

The Bank of England (BoE) raised interest rates to 4.25% and many expect another interest rate hike next month. The central bank also raised its inflation forecast, admitting it had underestimated the strength and persistence of food price increases. The updated projections call for inflation to slow to 5.1% by the end of the year, instead of the 3.9% that the central bank had forecast in February. The BoE also revised its economic growth forecast, projecting zero growth in the second quarter, as opposed to a 0.7% contraction. Last week we also had news that the UK economy grew 0.1% in the first quarter, avoiding a recession.

US

Headline consumer price inflation slowed to 4.9% over the year ending in April, the slowest pace in two years. Despite this, there are still policymakers suggesting that it would be unlikely that interest rates would come down this year. Along with banking stresses and tightening credit conditions, another factor weighing on sentiment seemed, to the upcoming deadline, to increase the debt ceiling. U.S. Treasury Secretary Janet Yellen has warned that the deadline could come as early as June 1.

Europe

Recession fears, the interest rate outlook and banking tremors continued to weigh on sentiment in Europe. The European Central Bank's President, Christine Lagarde, has said that they have more ground to cover when it comes to inflation, suggesting further hikes are firmly on the table. Meanwhile, German manufacturing orders shrank more than expected in March - a sign that the economy might be heading for a recession.

Japan

Signs of strength in corporate earnings supported Japan's stock markets over the week. However, some concerns about China's economic growth, as well as the U.S. debt ceiling and potential default, dented sentiment. All eyes remain on the Bank of Japan for any signs that it deviates from its 'ultra-supportive' policies for the economy.

China

Investors are growing concerned about the strength of the country's recovery. Inflation remains subdued in China, suggesting that there is little demand-driven inflation in the economy. This could lead to China's central bank providing more support for its economy in the short-term in signs that the post-covid recovery isn't as strong as expected. Exports in April rose less than in March and data is showing that the manufacturing sector in China is showing signs of weakness.

The Omnis Investment Club

To hear more about these topics, please search for "The Omnis Investment Club Podcast" on your podcast player.

Omnis INVESTMENTS

Omnisinvestments.com