

# Weekly Market Update

3 July 2023

Stocks were broadly positive this week, with inflation in major economies appearing to slow down. The UK is an exception here, where inflation is stickier. The US economy is showing signs of strength, Japan has stuck to its guns with low interest rates and Chinese officials have pledged that measures will be introduced to boost development in the country.



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



## Market Update:



The FTSE 100 showed small gains in the week. Bank of England Governor Andrew Bailey said that UK interest rates are likely to stay higher for longer than financial markets expect. Mortgage approvals unexpectedly rose slightly, and car production significantly expanded. House prices have fallen 3.5%, year over year, in the month of June. In the second quarter of this year, all regions except Northern Ireland experienced a decline in house prices.



A broad rally was felt in American Equities, with positive growth and inflation helping the major benchmarks. Inflation data released appeared to boost sentiment as it suggested that inflation is decelerating, with the year over year increase down to 3.8%, its lowest level since April 2021. Other signs of strength include a rise in private sector incomes, weekly jobless and continuing claims decreasing, higher consumer sentiment and unexpected growth in new home sales.



Europe

Major stock indices posted gains in the week on hopes that China would do more to boost consumption and that lower-than-expected inflation data could mean that interest rates are near their peak. On inflation, it slowed for the third consecutive month to 5.5%. However, core inflation (excludes food and energy prices) rose just slightly to 5.4%. Significant progress has been made in battling inflation, but markets are still expecting at least one more rate hike. The Swedish Central bank rose rates to 3.75%, as expected. Swedish officials also stated that at least one more hike is to come this year.



Japan

Japanese equities gained in the week. Japan's monetary authorities stated that every option is on the table to cope with excess volatility in the foreign exchange markets, as the Japanese currency fell near to a seven-month low. It briefly hit a level which triggered the Bank of Japan to intervene in the past, leading to investor anticipation that the central bank would again step in. Although Japan's headline inflation is above 3%, core inflation (excludes food and energy prices) remains under the target of 2%, which is why the Bank of Japan continues to keep interest rates low.



China

Stocks ended mixed, as weak economic indicators offset optimism that the government might implement additional measures to bolster economic growth. Manufacturing activity still appears to be contracting, but figures have improved since the last data was released. Services activity appears to be growing, however at a slower pace compared to May. Data shows that industrial firms profit fell almost a fifth, year over year, in the first 5 months of 2023. Senior officials have stated that they will roll out effective measures to support the country's growth. During China's national holiday, domestic demand and travel picked up, but fell to pre-pandemic levels.



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