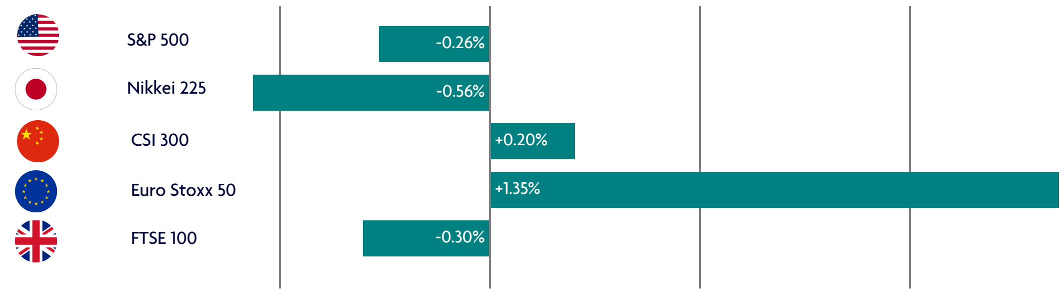
# Weekly Market Update

11 March 2024

**Market returns were mixed over the week with only a few major stock markets rising in value. The big stories of the week included the European Central Bank's latest meeting where positive noises were made over a reduction in interest rates and the Spring Budget announcement in the UK.**

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




## Market Update:

### UK

The big news story of the week was the Spring Budget statement. Chancellor of the Exchequer Jeremy Hunt, in his last Spring Budget before a general election, unveiled a reduction in national insurance rates that would amount to a £10 billion total tax cut. Hunt partly funded these measures by making the tax status of foreign residents whose permanent homes are outside the UK less favourable and extending the windfall tax on oil and gas companies for another year. The Office for Budget Responsibility said that spending cuts of £20 billion were still required to balance the budget. The budget was positive for markets as it was seen as cautious however stocks lost gains in the latter part of the week.

### US

Growing hopes that the Federal Reserve might begin cutting interest rates sooner rather than later appeared to help bring the S&P 500 Index to new record highs through the week before pulling back late on Friday to end the week lower in value. Shares of smaller companies performed better, while mega-company tech shares lagged due, in part, to a decline in Apple following reports about slowing iPhone sales in China. Friday's jobs report also seemed, at least initially, to reassure investors about the labour market. Employers added 275,000 jobs in February, more than what many economists had forecast, but January's jobs gains were revised significantly lower. The unemployment rate rose from 3.7% to 3.9%, its highest level in over two years. This led investors to believe interest rate cuts may be needed soon as economic conditions start to feel the effects of high interest rates.

### Europe

European stocks have seen the highest gain of major markets over the week, hitting a two decade high. The European Central Bank (ECB) left interest rates unchanged at 4.0% at last week's meeting but revised its inflation and economic growth forecasts lower and indicated that discussion on dialling back high interest rates later in the year had begun. ECB President Christine Lagarde acknowledged that "good progress" had been made toward the 2.0% inflation target but also indicated that the Governing Council still needed to be more confident that inflation was falling sustainably. "We will know a lot more in June," she said. The central bank now sees inflation falling to 2.0% in 2025, rather than 2026.

### Japan

Exuberance around artificial intelligence and strong corporate earnings boosted investor sentiment. Investors continued to speculate about the Bank of Japan's (BoJ's) likely interest rate trajectory—with clearer signs that the central bank could be closer to raising interest rates out of negative territory than previously thought. Comments by a BoJ board member suggested that they were getting closer to seeing prices rise in tandem with wages, which the BoJ has stated as a precondition for interest rate rises. On the economic data front, household spending in January fell the sharpest in nearly three years. Inflationary pressure has had the effect of weighing on domestic demand. Conversely, nominal wage growth came in higher than anticipated. Finally, the consumer price index for the Tokyo area rose by 2.5% in February relative to the previous year.

### China

Chinese equities gained as the government's recent market stabilisation measures lifted investor confidence despite an uncertain economic outlook. Beijing set an economic growth target of around 5% this year at the National People Congress (NPC), China's parliament, which started last week and ends on 11th March. The target was the same as last year, when China's economy officially rose 5.2%. However, analysts have said it would be hard to match last year's growth pace, which benefited from a post-lockdown rebound in early 2023. At the NPC, Premier Li Qiang announced that China will refine housing policies and construct government-subsidised housing to support the property sector, which has seen a prolonged downturn.

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