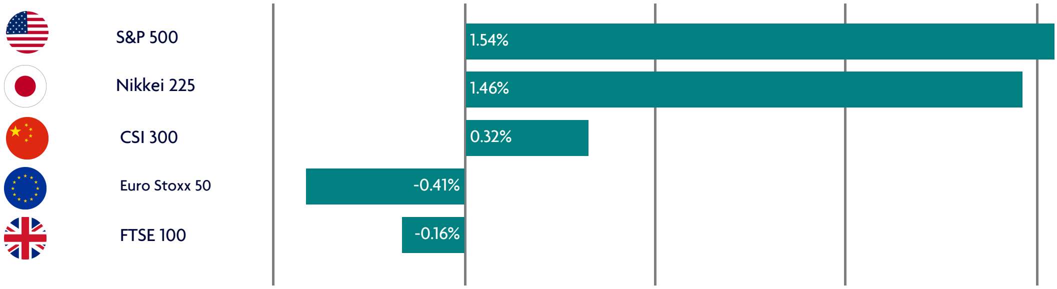
Weekly Market Update

20 May 2024

Market returns were mixed last week as interest rate cut optimism continued however the trajectory beyond the first cuts from major economies is still up for debate.

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



Market Update:

UK

UK stocks were little changed over the week. The annual rate of pay growth was unchanged at 6% in the three months through March, which was slightly higher than forecast. In the private sector, regular pay growth came in slightly less than expected by the Bank of England, which monitors the measure. The labour market, however, appeared to slacken. The main unemployment rate rose to 4.3%, while job openings declined for a 22nd consecutive month. Economic data in the UK tentatively supports a reduction in interest rates in June, as a transition to a weaker labour market appears now to be underway. However, policymakers will more than likely need to digest a few more data releases before deciding whether to ease rates.

US

US stock markets climbed to record highs during the week, as higher inflation and interest rate worries appeared to dissipate. The major factor supporting sentiment appeared to be Wednesday's release of the Labor Department's April consumer price index (CPI), which came in at or modestly below expectations, in contrast to hotter-than-expected prints over the preceding three months. Thursday's retail sales figure also appeared to impress investors—if through the lens of bad news for the economy being treated as good news for stocks and inflation.

Europe

European stocks ended the week slightly lower. Cautious comments from European Central Bank (ECB) members appeared to cool optimism about the extent to which interest rates might ease this year. ECB policymakers indicated that an interest rate cut is likely in June but that the path thereafter is uncertain. An executive ECB board member told the media that the current data did not justify another reduction in July, in part because the disinflation process appears to have slowed significantly.

Japan

Japanese equities finished the week higher. This was despite a backdrop of economic weakness and a range-bound yen on expectations of U.S. interest rate cuts in contrast to Bank of Japan (BoJ) comments around raising interest rates. Investors appeared to shrug off weakness in Japan's economy, as signalled by a weaker-than-expected first-quarter gross domestic product print; which was driven in part by the negative impact on growth of the earthquake that hit the Noto peninsula in January, as well as the suspension of some auto production activity.

China

Chinese stocks were little changed after the central government unveiled on Friday a historic rescue package to stabilize the country's ailing property sector. The unprecedented support package came as data showed no sign of turnaround in China's yearslong housing crisis. New home prices in China fell by 0.6% month on month in April, according to the statistics bureau, marking the 10th straight monthly decline and the steepest drop since November 2014. Separately, inflation data released over the week showed that deflationary pressure continued to weigh on China's economy.

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