

Weekly Market Update

17 June 2024

Mixed picture of market returns last week, driven by politics and future interest rate trajectory.



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



Market Update:



UK

UK stocks fell over the week. Inflation expectations in the UK dropped to a three-year low, according to a Bank of England survey. The survey showed that the public expects a 2.8% rise in prices over the next 12 months, down from 3% in February and the lowest since August 2021. The Bank of England's Monetary Policy Committee is set to decide on interest rates this week, with many economists anticipating a rate cut in August due to slowing inflation.



US

US stocks ended higher over the week, with the S&P 500 index reaching a new high. Enthusiasm over the potential of artificial intelligence appeared to provide a continuing tailwind to technology-related stocks. Another factor behind the strong performance was reassuring inflation data. On Wednesday, the Labor Department reported that headline consumer price index (CPI) inflation was flat in May for the first time in nearly two years. The data wasn't yet enough for central bank policy makers to make a move on interest rates. At the latest Federal Reserve meeting last week, interest rates were unchanged. However, this data is good news for the potential of reducing rates more than once this year.



Europe

European markets started the week on uncertain footing, weighed down by political risk after French President Emmanuel Macron called for snap legislative elections later in June after the European Union elections showed a broad shift toward right-wing and far-right parties. Meanwhile, comments from European Central Bank President Christine Lagarde confirming that high interest rates in Europe has not ended—and not to expect any further rate cuts any time soon—did little to sway the mood. However, the midweek announcement of weaker-than-expected U.S. consumer price inflation data was a particular source of encouragement, prompting a rally on European equity markets. This revived hopes that more than one U.S. interest rate cut this year may still be in the offing.



Japan

Japanese stocks ended the week higher. The Bank of Japan kept interest rates unchanged at its latest meeting last week and voted to scale back its government bond purchases—a detailed plan on the sell down of these assets over the next one to two years will only be released at its July meeting. The decision defied market expectations that the central bank would reduce its massive bond buying this month, it reaffirmed the likelihood that the pace of monetary normalization is likely to be gradual.



China

Chinese equities fell in a holiday-shortened week as data showed that deflationary pressures continued to weigh on the economy. China's consumer price index rose a below-expected 0.3% in May from a year earlier, unchanged from April's rise. Data from the Dragon Boat Festival highlighted the consumer caution in China. Tourism revenue over the three-day holiday rose 8.1% from the 2023 break but lagged pre-pandemic levels, according to Ministry of Culture and Tourism data.



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