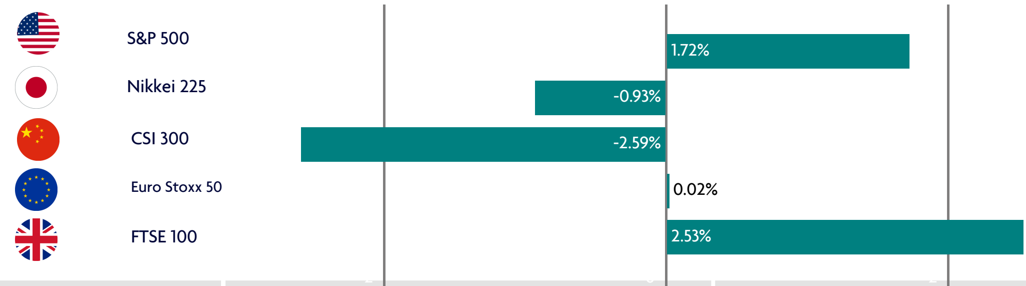
Weekly Market Update

25 November 2024

Inflation and economic activity data were at the front of investors' minds this week as figures were reported across major economies.

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



Market Update:

UK

Inflation in the UK accelerated more than expected in October mainly on the back of higher household energy bills. The year-over-year change in consumer prices increased from 1.7% in September to 2.3%—the highest since April and above economists' forecasts of 2.2%. The core measure, which excludes volatile food and energy costs, ticked up to 3.3%. Inflation in the services sector also strengthened slightly to 5%, in line with Bank of England (BoE) predictions. The data reinforced expectations that the BoE is likely to keep policy steady for the rest of the year. Markets also scaled back their expectations from three rate cuts to two in 2025. Separately, BoE policymakers were split over the persistence of inflation and the path for interest rates at a meeting of a parliamentary committee held before the release of the inflation data. Governor Andrew Bailey said there were "risks on both sides" of the inflation outlook.

US

US stocks finished the week higher, recovering some of the previous week's losses despite some continuing uncertainty around the incoming Trump administration's policies and escalating geopolitical tensions stemming from the conflict between Russia and Ukraine. The price of Bitcoin continued its postelection rally and notched its third consecutive week with a gain exceeding 10%. With a relatively light economic calendar for the week, much of the focus was on NVIDIA's third-quarter earnings release on Wednesday. Shares of the chip giant ended the week little changed as investors appeared to be generally satisfied with the results, although the company's guidance for the fourth quarter was lighter than some analysts expected.

Europe

European stocks ended the week unchanged as investors expected that the European Central Bank (ECB) could lower borrowing costs in December after purchasing managers' surveys signalled a deterioration in the economic outlook. Business activity in the euro area contracted unexpectedly in November, underlining the uncertain economic outlook, according to purchasing managers' surveys conducted by S&P Global. Weak PMI data appeared to bolster expectations that the ECB could ease monetary policy further in December. However, a pickup in negotiated wage growth—a measure watched by the ECB for signals of underlying inflationary pressures—may reinforce the case for continued caution on policy.

Japan

Japan's stock markets lost ground over the week. Heightened geopolitical tensions dented risk appetite and prompted demand for assets perceived as safer. Consumer inflation held above the BoJ's 2% target in October—although the headline consumer price index fell to 2.3% year on year, this was in line with expectations given the return of electricity and gas subsidies. The reading was broadly seen as supporting the more hawkish stance that the BoJ has adopted this year. BoJ Governor Kazuo Ueda said earlier in the week that the central bank expects wage-driven inflationary pressure to heighten, as the economy continues to improve, and companies continue hiking pay. He reiterated that the bank will keep raising rates if the economy and prices move as expected.

China

Chinese equities declined as a light economic calendar and concerns about the incoming Trump administration curbed risk appetites. Chinese banks left their one- and five-year loan prime rates unchanged at 3.1% and 3.6%, respectively. The move was largely anticipated after banks slashed the benchmark lending rates by a greater-than-expected 25 basis points in October, making it cheaper for consumers to take out mortgages and other loans. Beijing has unveiled a slew of stimulus measures since late September to boost the ailing housing sector and revive consumer demand. Officials have signalled further easing measures in the near term, including potentially cutting the reserve requirement ratio for domestic banks. However, some analysts believe that policymakers will wait until President-elect Donald Trump takes office in January and U.S. policies become clearer.

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