

Weekly Market Update



6 January 2025: Last week's performance – major stock markets

US: Data headlines grab attention.

Japan: Markets were closed.

China: Disappointing data has raised concerns.

Europe: Inflation data to the forefront.

UK: Mixed housing data is digested by investors.

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



Market Update:



UK

In good news for home owners, UK house prices rose strongly in December, according to the Nationwide Building Society. Its house price index climbed 0.7% in December from November, exceeding a forecast for a 0.1% increase. On a year-over-year basis, the house price index increased 4.7%—the most since 2022. Separately, Bank of England data showed that net mortgage approvals for house purchases dipped in November, below expectations but still above the 12-month average. This suggests that higher interest rates are continuing to pressure buyers.



US

US stock indices were mixed during the holiday-shortened week, although broad gains on Friday helped most stock indices finish slightly higher. Underperformance at the beginning of the week was most likely attributable to some profit-taking by investors heading into the end of the year after a strong 2024 for US equity markets. It was a quiet week of economic data releases around the New Year holidays however two data releases did grab some attention. The Chicago Purchasing Managers index, which measures the economic health of the manufacturing sector in the Chicago region, fell very short of expectations. December marked the 13th consecutive month of lowering activity, and the steepest month-on-month drop since May. Separately, the Atlanta Fed revised downwards its Q4 GDP forecast, suggesting lower economic growth in the region than expected.



Europe

The year began with a light macroeconomic data calendar. Spain released its first estimate of consumer price inflation for December, which came in stronger than forecast. The uptick in Spain's inflation rate appeared to play into arguments from some interest rate policymakers in the European Central Bank (ECB) for a cautious, gradual reduction in interest rates. Still, ECB President Christine Lagarde reiterated in a video that inflation was on track to hit the 2% target in 2025, suggesting that interest rates remain on a downward path.



Market closed

Japan



China

Chinese stocks retreated as weaker-than-expected manufacturing data hurt investor sentiment. The data pointed to a tentative recovery in the economy after Beijing unleashed a barrage of stimulus measures in September. Investors took the news negatively and thus stocks fell dramatically over the week.

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