

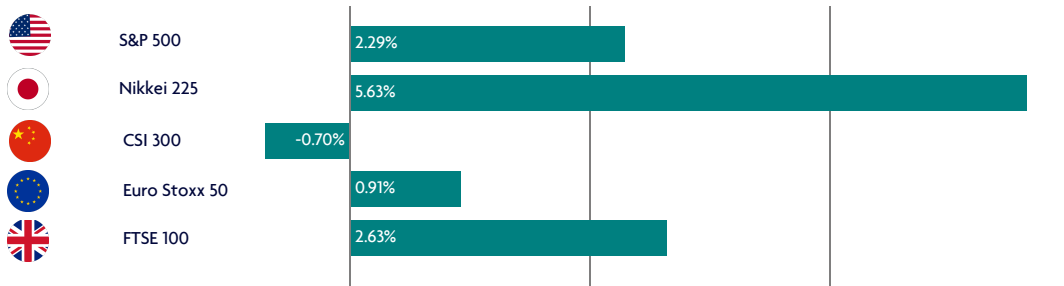
Weekly Market Update

25 March 2024

Japan, the US and the UK led major stock markets last week after positive noise over future interest rate policy. Japan increased interest rates for the first time since 2007. In the US and UK, central banks continued to signal to investors that interest rate cuts could soon be on the horizon.



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



Market Update:



UK

The Bank of England kept interest rates unchanged at 5.25% for a fifth consecutive time at the Bank's latest meeting. Two policymakers who had still been voting for an increase in interest rates dropped their calls at last week's meeting; another policymaker backed an immediate cut in interest rates. Governor Andrew Bailey said: "We are not yet at the point where we can cut interest rates, but things are moving in the right direction." The Bank's interest rate policy announcement came a day after data showed that annual inflation decelerated to 3.4% in February from 4.0% in January. This latest reading was the lowest inflation rate in more than two years.

Stocks moved higher for the week, pushing the S&P 500 Index to new record highs. Investors welcomed news that Federal Reserve policymakers were still anticipating three interest rate cuts later in the year. This proved to be the main driver of performance in the US after the latest central bank interest rate policy setting meeting, where interest rates were left unchanged. Communication services led the gains along with technology shares. A late rise helped artificial intelligence chipmaker NVIDIA reach a record high on Friday and lift the company's market capitalization near \$2.4 trillion. Reports that Apple might partner with Google parent Alphabet in offering generative artificial intelligence tools also boosted sentiment.



US

European stocks ended the week at near record highs. Signs that central banks in the region are still considering interest rate cuts this year boosted sentiment. The Swiss National Bank unexpectedly reduced interest rates by a 0.25%, the bank's first cut in nine years. The central bank said that it aimed to address lower inflationary pressures. Eurozone business activity picked up in February after official data showed that goods and services production has been stabilising but isn't quite in expansion territory just yet.



Europe



Japan

Japanese equities gained over the week, with the Nikkei 225 Index moving to a record-high level. This was primarily due to weakness in the Japanese yen weakness resulting from the Bank of Japan's decision to raise interest rates. The central bank raised interest rates earlier than had been expected by markets and for the first time since 2007, ending negative interest rates. Sentiment was also supported by expectations that the U.S. Federal Reserve will cut interest rates in 2024, given continued declining inflation and the economy's slowing growth prospects. On the Japanese economic data front, inflation rose to a higher-than-anticipated level over the month of February. This was a sharp pickup from January's figure and well ahead of the Bank of Japan's inflation target.



China

Chinese stocks retreated as concerns about the property sector slump worsened despite better-than-expected economic data published over the week. Property investment in China fell by 9% over January, slowing from a 24% drop in December. The slower pace of declines in property investment and sales came after the Chinese government rolled out numerous pro-growth measures to control the country's real estate slump. However, most investors remain cautious about China's property sector as developers continue to grapple with high debt levels and weak homebuyer demand. Other data showed that some parts of China's economy were picking up, but this wasn't enough to give investors optimism over Chinese growth prospects.



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