

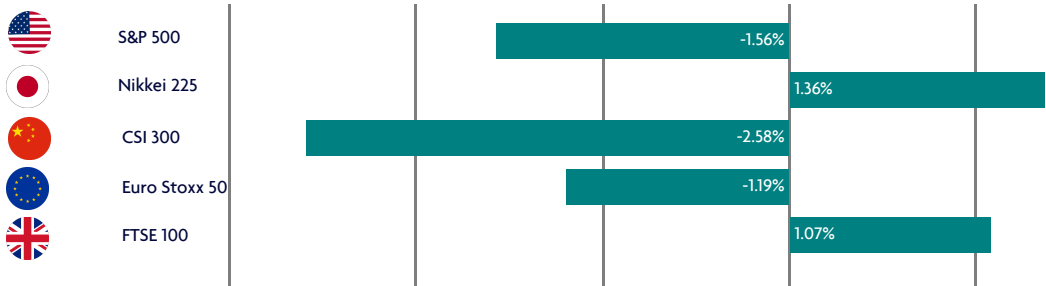
Weekly Market Update

15 April 2024



Markets faced pressure again last week with major stock markets in the US, China and Europe falling. The main focus of the week was over inflation data released in the US and China which disappointed investors. The UK and Japan held up better, delivering the strongest performance of the week out of major stock markets.

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



Market Update:



UK

UK Equities had a comparably strong week. The British pound's weakness relative to the U.S. dollar helped support stocks in the FTSE 100 index, which includes many multinational companies that generate meaningful overseas revenue. UK gross domestic product (GDP) in February expanded 0.1% sequentially, thanks to a rebound in manufacturing output. The Office of National Statistics also revised January GDP growth to 0.3% from 0.2%, suggesting the economy exited recession. In the three months through February, gross domestic product expanded 0.2%.



US

US stocks retreated for the week amid heightened fears of conflict in the Middle East and some signs of persistent inflation pressures. Wednesday morning's release of the Labor Department's consumer price index (CPI) data, which showed prices rising by 0.36% in March, right in line with February's increase. This is in contrast with investor consensus hopes for a small decline from the February increase. In the wake of the report, markets began reassessing interest rate cut expectations. The expected chance of a cut at June's interest rate policy meeting dropped from 50% to 20%.



Europe

The European Central Bank left interest rates at a record high of 4.0% at their latest meeting, as expected, but said that if an updated inflation assessment, which is due in June, "were to increase its confidence that inflation is converging to the target in a sustained manner, it would be appropriate to reduce the current level of interest rates." Asked if the strong U.S. inflation data would affect the policy path, Christine Lagarde, governor of the central bank, replied that the ECB was "data-dependent, not Fed-dependent" and that U.S. and eurozone inflation were "not the same."



Japan

Japan's stock markets gained over the week. As the Japanese yen hovered close to a 34-year low, investors' focus was on whether the country's authorities would step in to support the currency. No such intervention was forthcoming during the week, although finance ministry authorities stated that they were looking at the factors behind the currency moves and that they would act on excessive yen weakness. The Bank of Japan's Governor ruled out responding to a weak yen with an interest rate hike. He emphasized that the central bank would not change its monetary policy (interest rate levels) directly in response to exchange rate moves.



China

Chinese stocks retreated as weak inflation data underscored the lacklustre demand hanging over China's economy. China's consumer price index rose a below-consensus 0.1% in March from a year earlier, down from February's 0.7% rise, as food costs retreated following a brief increase during the Lunar New Year holiday in February. China's exports and imports fell in March and reversed gains from the first two months of the year. The latest results dealt a setback to China's reliance on external demand to bolster its economy and added pressure on Beijing to ramp up economic growth stimulus measures as it tries to achieve its 5% annual growth target.



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