

Weekly Market Update

22 April 2024

Markets faced continued pressure last week with China the only major stock market out of five ending the week higher. Stocks struggled particularly in the US and Japan as tensions in the Middle East continued to spook investors.



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



Market Update:



UK

Higher oil prices and the somewhat sticky inflation data prompted financial markets to push out expectations for a first cut in UK interest rates from June to sometime in the Autumn. In contrast, Bank of England Governor Andrew Bailey sounded more upbeat at the International Monetary Fund's (IMF) annual meeting. He said "I see strong evidence now that that process is working its way through." Consumer prices in the UK grew an annual 3.2% in March, down from 3.4% in February. Although the inflation rate fell to its lowest level in two and a half years, the decline was slightly less than forecast by analysts and the Bank of England due to elevated price growth in fuel and communication goods.

Stocks recorded their third consecutive week of broad losses, as concerns over tensions in the Middle East and the possibility of U.S. interest rates remaining "higher for longer" appeared to weigh on sentiment. The trading week started off on a strong note, believed to be driven by relief that Iran's well-telegraphed retaliatory strike on Israel did not result in worst-case scenarios, with nearly all missiles fired into the country intercepted by air defences. However, hopes that Israel would carry out a measured response faded alongside stock prices as reports surfaced that the Israeli war cabinet had decided to retaliate "clearly and forcefully." On Friday, stocks headed lower again, after Israel conducted strikes on air defence facilities within Iran, as well as on Iran-backed groups in Iran and Iraq. Some strong economic data appeared to increase worries that the Federal Reserve would push back any interest rates cuts to the fall, if not to 2025.



US

European stocks ended lower as tensions rose in the Middle East. A slew of European Central Bank (ECB) policymakers at the IMF meeting reiterated that June was the likely target date for lowering interest rates, barring unexpected economic shocks. ECB President Christine Lagarde declined to say whether there might be more than one reduction in rates. In an interview with CNBC, she argued that policy should still depend on incoming economic data, given high levels of uncertainty. She added that the ECB would monitor oil prices "very closely" amid worries about conflict in the Middle East.



Europe



Japan

Amid an escalation in tensions in the Middle East, Japan's stock markets suffered sizable losses over the week. An additional factor weighing on the markets was some concern about waning AI-related demand. Speculation continued about Japanese authorities potentially intervening in the currency markets to prop up the yen, no such move was forthcoming. However, U.S., Japanese, and South Korean leaders met to discuss current conditions in the foreign exchange markets, focusing on the recent sharp depreciation of the Japanese yen and the South Korean won.



China

Chinese equities rose after the economy expanded more than expected in the first quarter. China's gross domestic product expanded an above-consensus 5.3% in the first quarter from a year ago, accelerating slightly from the 5.2% growth in last year's fourth quarter. However, other data provided a mixed snapshot of the economy. Industrial production rose a lower-than-expected amount in March from a year earlier. March retail sales grew a lower-than-expected amount from a year ago too as catering and auto revenue slowed after the Lunar New Year Holiday.



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