

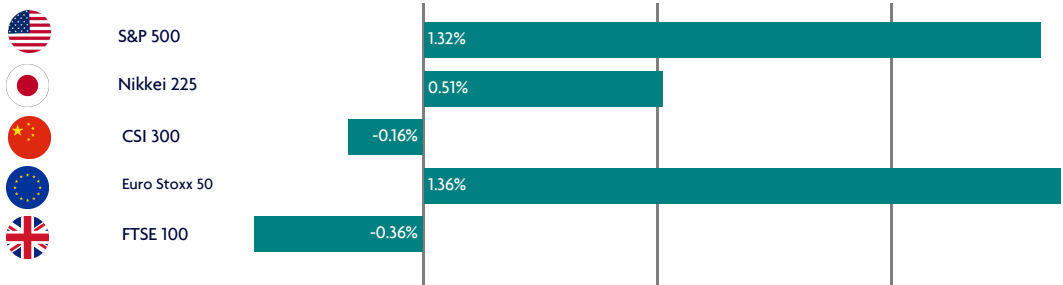
Weekly Market Update

10 June 2024

Mixed returns across major markets as the trajectory of interest rates continued to diverge.



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



Market Update:



UK

UK stocks fell over a quiet economic week in the UK as new US non farms payroll data signalled that a Fed interest rate cut won't be happening anytime soon. Stocks had a stronger start to the week, buoyed by an interest rate cut in Europe. According to the latest Halifax house price index, average house prices were "static" in May, down just 0.1% on a monthly basis. On an annual basis, house price growth was 1.5%, up from 1.1% in April.



US

US stocks ended higher over the week, as investors appeared to weigh contradictory data from the week's busy economic calendar. The start of the week brought some downbeat economic readings, which appeared to lead to a return of worries about slowing growth alongside high inflation—or "stagflation"—among some investors. On Tuesday, the Labor Department reported that job openings in April had fallen to their lowest level since February 2022. The week's inflation signals were also mixed. Even as the unemployment rate increased, average hourly earnings rose above consensus and the most since January. The data suggested that overall price pressures were concentrated in the much larger services sector while easing in the struggling manufacturing sector, due largely to falling commodity prices.



Europe

European stocks ended the week higher. The European Central Bank reduced interest rates by a quarter point to 3.75%, as expected, but it stopped short of indicating that more cuts could follow. "Based on an updated assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission, it is now appropriate to moderate the degree of monetary policy restriction after nine months of holding rates steady," the Governing Council said in a statement. However, reading from the statement at a press conference, European Central Bank President Christine Lagarde added: "We are not pre-committing to a particular rate path. Despite the progress over recent quarters, domestic price pressures remain strong as wage growth is elevated, and inflation is likely to stay above target well into next year." The European Central Bank forecast that inflation would average 2.5% in 2024, an upward revision from the previous estimate of 2.3%. The central bank also revised its estimate of average inflation for 2025 to 2.2% in 2025 from 2.0% but held its forecast for 2026 at 1.9%.



Japan

Japan's main stock ended the week higher. The latest purchasing managers' index data showing that the country's services sector continued to expand at a sharp pace in May lent support to investor sentiment. There were also some signs that private consumption could stop being a drag on growth, as household spending increased year on year in April, the first increase in 14 months. With regards to interest rates, the Bank of Japan said would move cautiously to avoid making any big mistakes. While it is widely expected to keep interest rates unchanged at its June meeting, it is likely to keep taking incremental tightening steps, given improving global growth and Japan's inflation trends.



China

Stocks in China retreated despite data showing that the property sector may be gaining traction. The value of new home sales by the country's top 100 developers rose in May, up from April's smaller increase, according to the China Real Estate Information Corp. New home sales slumped in May from a year ago but eased from April's decline. The data boosted hopes that China's property market downturn, now in its fourth year, may start to recover after Beijing announced a rescue package in May to stabilize the struggling sector. However, some analysts remained sceptical about whether the measures will result in a sustainable housing recovery amid weak domestic demand.



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