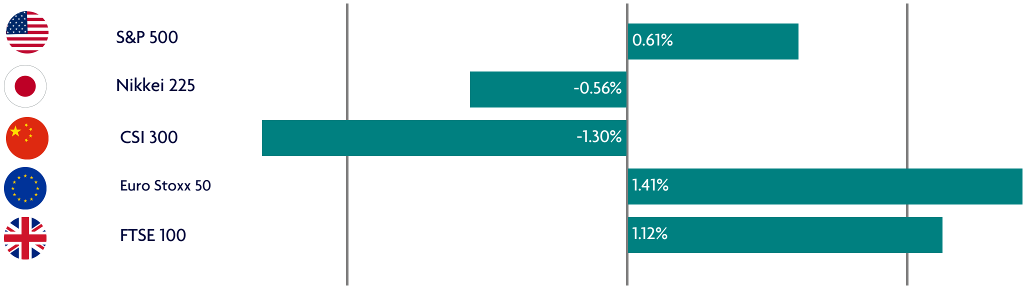
Weekly Market Update

24 June 2024

Market returns were mixed last week, with central bank interest rate policy and conflicting economic data swaying investor sentiment.

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



Market Update:

UK

UK stocks rose over the week following positive economic data. The headline inflation rate dropped to the Bank of England's (BoE's) target of 2% in May, down from 2.3% the month before. Core inflation, which excludes food and energy, eased to 3.5% from 3.9% in April, continuing its downward trend. However, services inflation of 5.7% was higher than expectations and continues to prove to be a sticky part of inflation. Despite the fall in inflation to target, the Bank of England left interest rates unchanged at 5.25% with 7 out of 9 members of the Monetary Policy Committee voting to keep rates steady; 2 backed a cut to 5%. The Governor of the BoE, Andrew Bailey, stated that it was good news that the latest inflation data had shown inflation was back at its 2% target but said "we need to be sure that inflation will stay low and that's why we have decided to hold rates at 5.25% for now."

US

In the week where Nvidia became the world's most valuable company, US stocks recorded modest gains, helping push the S&P 500 index to fresh all-time highs. The start of the week brought some additional evidence that easing labour demand and dwindling savings might be making consumers more cautious. Retail sales only increased 0.1% in May, falling slightly from April's 0.2% increase. Notably, sales at bars and restaurants fell, signalling less non-essential spending. Elsewhere, new manufacturing data pointed to economic strength. Industrial production expanded 0.9% in May, well above expectations, and the fastest pace in nearly a year. Additionally, the S&P Global composite index, a combination of services and manufacturing activity, rose to 54.6 in June, marking the best level in two years. A reminder that a level above 50.0 indicates expansion.

Europe

European stocks ended the week higher as worries about political uncertainty appeared to recede, while the outlook for interest rate cuts brightened. Markets focused on Swiss and British central bank decisions, with the former cutting interest rates for the second consecutive meeting, taking its interest rate to 1.25%. The accompanying statement noted that Swiss inflation pressure had decreased since the previous quarter. Meanwhile, Eurozone business activity stumbled with the composite Purchasing Managers' Index (PMI), an indicator of the prevailing direction of economic trends in the manufacturing and services sectors, falling to 50.8 from 52.2 in May. A reminder that a reading above 50 means economic expansion while below 50 means economic contraction.

Japan

Japan's main stock market fell over the week as uncertainty about the future trajectory of the Bank of Japan's (BoJ's) interest rate policy weighed on sentiment. Data showed that inflation accelerated in May with core inflation, excluding food and energy prices, rising 2.5% year-on-year, following a 2.2% uptick in April. This fell short of expectations of a 2.6% increase prompting the Governor of the BoJ, Kazuo Ueda, to reiterate that an interest rate hike in July is still possible. Meanwhile, the Japanese yen further weakened against the US Dollar, hovering near fresh 34-year lows. Data showed that Japanese exports surged 13.5% year-over-year in May, helped by weakness in the yen and solid increases in shipments to the US and China.

China

Chinese stocks retreated as mixed economic data dampened investor sentiment. The People's Bank of China left the national interest rate unchanged at 2.5%, as expected. On the one hand, industrial production rose a weaker than expected 5.6% in May from a year earlier, slowing from April's 6.7%. Whilst, on the other hand, retail sales increased an above-expected 3.7% in May from a year earlier and outpaced April's 2.3% gain. In other news, Chinese new home prices fell 0.7% in May, marking the steepest month-on-month contraction in nearly a decade and an 11thconsecutive monthly decline. This came after Beijing unveiled a historic rescue package in May to revive the property sector.

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