Weekly Market Update

22 July 2024

Global market returns were generally negative last week as US-China trade tensions appeared to weigh heavily on investor sentiment.

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

Market Update:

UK

UK stocks ended the week lower as inflation data sparked doubts about an August interest rate cut. The week saw the pound hit a one-year high against the US dollar after headline annual inflation in the UK held steady at 2% in June, partly due to a meaningful decline in energy costs compared with last year. However, the 2% inflation reading came in above expectations of 1.9% and prompted investors to reduce their bets that the Bank of England will lower interest rates next month. Meanwhile, core inflation, which excludes energy and food, remained at 3.5% and services inflation, which is closely watched by policymakers, stayed at 5.7%. Elsewhere, average earnings, excluding bonuses, grew by an annual rate of 5.7% in the three months to May, down from 6% in April and the lowest level since mid-2022.

US

The US stock market declined over the week as US-China trade tensions appeared to deepen. Many large technology stocks, such as NVIDIA, fell sharply following news that the Biden administration had told allies it was considering severe export curbs if companies continued to provide China with access to advanced semiconductor technology. Meanwhile, the week was also notable for a widespread global disruption to computer systems on Friday caused by a security update to some Microsoft users. However, the problems seemed to have little impact on US trading. On the economic data front, signs of business activity picking up emerged as both retail sales and industrial production data in June surprised on the upside, well above market expectations. Notably, retail sales, excluding the volatile gas and auto segments, jumped 0.8% in June, the most since January 2023.

Europe

European stocks ended the week lower as investors responded to political developments in the US and the possibility of tougher trading rules that triggered a selloff in technology stocks. The lack of policy direction from the European Central Bank (ECB) also weighed heavily on investors. The ECB kept its interest rate unchanged at 3.75%, as expected, but said it would not pre-commit to any rate path and emphasised that economic data would guide its decisions. ECB President Christine Lagarde stated that an interest rate move in September was “wide open”, adding that inflation would fluctuate at current levels for the rest of the year before declining in the second half of 2025.

Japan

Japan’s main stock market lost ground over the week as technology stocks suffered on rising concerns about tighter US restrictions on exporters of advanced semiconductor technology to China. On the economic data front, the closely watched nationwide core Consumer Price Index (CPI), which excludes food and energy, rose 2.6% year on year in June, up from 2.5% in May but slightly short of a 2.7% expected increase. Japan’s economic fragility was highlighted by the government lowering its economic growth forecast for the current fiscal year to a 0.9% expansion, down from a gain of 1.3% projected only in January. This comes after a sustained period of sluggish domestic consumer spending amid rising import costs resulting from the weakness of the yen, which erodes households’ purchasing power.

China

Chinese stocks rose as investor sentiment was largely unaffected by weaker-than-expected economic growth in the second quarter. China’s economic growth fell short of market expectations, expanding only 4.7% in the second quarter of 2024 from a year earlier, slowing from the 5.3% growth witnessed in the Q1. Other data also highlighted weakness in the economy. Retail sales climbed just 2% in June from a year earlier, down from a 3.7% increase in May, while industrial production rose a better-than-expected 5.3% in June but slowed from May’s 5.6% increase. Meanwhile, China’s new home prices fell 0.7% in June, extending losses for the 12thconsecutive month. Data suggested that the historic property rescue package unveiled by Beijing in May has done little to turn around the property market slump, which has left the economy dependent on exports for growth.

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