

Weekly Market Update

7 August 2023



A broad decline in markets were felt in the week, with Chinese stock markets being the exception. In the West, the US Labour market appears to be healthy and the Bank of England has raised its key interest rate to 5.25% points. The Eurozone has seen modest growth with inflation appearing to ease.

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



Market Update:



UK

The Bank of England hiked its key interest rate by a quarter percentage point to reach a new level of 5.25%. This brings interest rates to a 15 year high. The central bank alerted the public that interest rates were likely to stay high for longer, they also predicted that inflation would fall to 4.9% by the end of the year. Data shows that the UK housing market has seen prices fall the most since 2009, it also showed that in the second quarter of the year the value of mortgage lending contracts decreased.



US

Stock markets ended lower in the week, after closing with a strong July. The job market shows reasonable strength, with employers adding healthy levels of jobs to the economy albeit at a slower pace since the start of the year. Unemployment appears to have relatively reduced compared to last month, with robust levels of wage growth compared to last year. In the manufacturing sector activity appears to have slightly contracted.



Europe

Markets decreased across the region last week despite positive data being released - inflation in the euro area slowed compared to last month and the eurozone grew by 0.3% in the second quarter of the year. An improvement from the 2 previous quarters, where the economy shrank.



Japan

Overall, stocks closed lower despite a strong corporate earnings season. In the region, there has been ongoing divergence between services and manufacturing activity - services activity appears to be expanding at a healthy level, with foreign demand for Japanese services increasing. On the other hand, manufacturing activity has further contracted, with output and new orders falling due to weaker domestic and foreign demand for manufactured goods.



China

Although the latest series of economic data appears sluggish, Chinese markets rallied in the week as the government announced new measures to revive consumption. New policies included the removal of restriction on consumption in key sectors. The People's Bank of China pledged to support the development of the country's real estate market to boost its sluggish recovery. A timely pledge, as data released shows that new home sales fell by over a third relative to last year.



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