

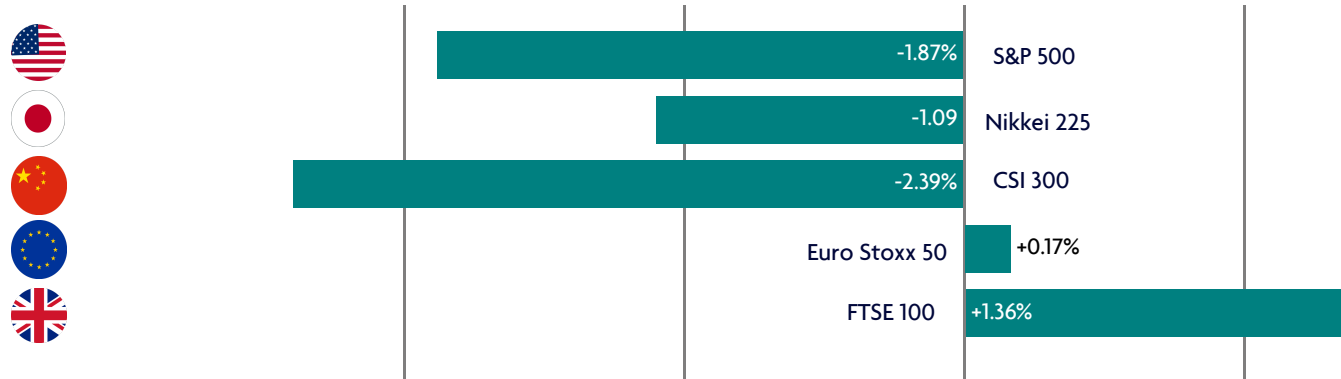
Weekly Market Update

10 January 2022

Global markets have had an uneven start to the year with the main themes from 2021 continuing into the new year – coronavirus, and specifically Omicron, together with inflation and how central banks may look to react have all had an impact on markets this week and will likely be the case over the coming weeks.



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



Market Update:



Omicron continues to dominate news flow, but Prime Minister Boris Johnson said the UK could “ride out” the omicron-driven wave of infections without further restrictions, but business confidence took a sharp hit as Omicron spread rapidly at the end of last year. Households will be hit by a cost-of-living jump in April larger than anything seen since the 2008-09 financial crisis. Energy price rises, tax increases and higher prices will put serious strains on family budgets.



Markets started the year on a high note, reaching record highs on the first day of the year, but then backed away. Expectations that interest rates could rise soon in the US increased during the week and impacted markets. The week’s omicron news seemed to have a mixed impact on markets – while cases have continued to rise, the severity of infection appears to be more muted. The week ended with mixed signals on the employment front.



Europe

Shares in Europe were mixed amid worries that central banks may raise interest rates at a faster pace to contain inflation. Europe posted record levels of coronavirus infections with countries stepping up their response but mostly falling short of imposing lockdowns. Inflation accelerated to a record level in December, driven by a surge in energy and food costs and the fresh wave of coronavirus hit the service sector and dampened business activity.



Japan

Three regions have been placed under quasi-states of emergency due to surging Covid-19 cases, bringing back restrictions for the first time since September 2021. Furthermore, concerns about the Federal Reserve in the US raising interest rates soon also weighed on markets. On the economic front, Japan’s manufacturing and services sectors were propped up by signs of a gradual recovery from the coronavirus pandemic in December.



China

China Evergrande, the world’s most indebted developer said it would seek approval for a payment delay on one of its bonds and many other large developers have been facing debt problems. China has locked down the city of Xi’an and reimposed travel restrictions in Shenzhen after two infections were detected in the southern tech hub. Hong Kong also announced additional restrictions. In response to the resurgent virus, the government has said it will increase tax and fee cuts for businesses and provide targeted support for COVID-affected sectors.



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