

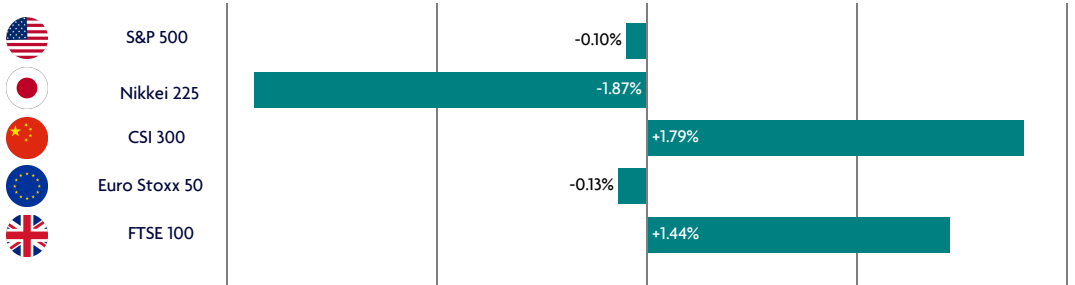
Weekly Market Update

11 April 2023



Recession concerns continue to rise as central banks face mounting questions over whether to 'pivot' and put an end to rising interest rates. Inflationary pressures still persist, influencing investor sentiment, while the Chinese property sector finally shows signs of recovery.

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



Market Update:



UK

Monetary policy tightening in the UK may be close to its peak as the Bank of England's Chief Economist indicated policymakers face a close decision on whether to raise interest rates for the 12th consecutive time in May. Data regarding UK house prices from Halifax and Nationwide last month contradicted each other, with Nationwide showing a 3.1% annual fall and Halifax showing a 1.6% annual rise – this illustrates the trade-off faced by the policymakers, dealing with contradicting data, should they hike or hold?



US

Recession concerns continue to deepen and the outlook for lower interest rates is stalling. The likelihood of interest rate cuts occurring towards the end of the year are increasing. The US Labour Department reported that job openings declined more than expected in February, falling to levels last seen in May 2021. Weak economic data pushed US treasury yields lower. This coincided with the unexpected cut of oil production by the OPEC. This led energy assets to outperform.



Europe

Shares in Europe rose as fears of a banking crisis reduced. Senior officials from the European Central Bank indicated that inflationary pressures would require further interest rate hikes. Eurostat data released for the final quarter of 2022 showed EU homes prices falling, marking the first decline since 2015. We saw reductions in eurozone producer prices for the 5th consecutive month, due to subsidised energy prices. Germany showed signs of economic recovery as manufacturing orders and industrial production picked up.



Japan

Japanese stocks declined over the week, with the Nikkei 225 Index falling 1.9%. Japanese government bonds yield rose, tracking the rise in global bond yields. The Yen also strengthened against the dollar. The Tankan survey, which measures Japanese business conditions, marked a deterioration in business sentiment among Japan's big manufacturers in the first quarter, the fifth straight decline.



China

Chinese stocks advanced as services activity expanded for the third consecutive month after Beijing lifted pandemic restrictions in December. On the property front, new home sales substantially rose while China Evergrande Group, once the country's largest private real estate developer, signed a deal with creditors to restructure most of its outstanding debt. This could serve as a reference for other Chinese developers in default.



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