

Weekly Market Update

17 April 2023

Broadly speaking it was a reasonably positive week for markets – driven by data suggesting more resilient economies around the world. Worries about the economy recover in China remain a concern and Japanese equities in particular get a boost this week.



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



Market Update:



The UK economy appeared to be on course to defy the Bank of England's forecast for a recession in the first three months of the year. The economy remained flat in February. This result was slightly below expectations, as strikes weighed on public services. Despite this, the International Monetary Fund still predicted that the UK's economy would shrink 0.3% this year.



Japan

Stock markets gained over the week, with investor sentiment boosted by Warren Buffett saying that his company, Berkshire Hathaway, would increase its investments in Japan. The Bank of Japan now has a new governor and investors had been worried that this could mean a change in approach to interest rates given inflationary pressures. However, the new governor has signalled that it is unlikely there would be a sudden change to their approach but that they are likely to re-evaluate policies at some point in the future.



Investors were balancing signs that economic growth is slowing against signs that inflationary pressures were easing a bit more than expected. Earnings reports for the first quarter of 2023 began with the banking giants JPMorgan Chase, Wells Fargo and Citigroup all reporting positive results, in part due to customers moving deposits from smaller regional banks following the collapse of Silicon Valley Bank. Data showed consumer prices rising more slowly than expected but the Federal Reserve continues to suggest that there is still more to do to calm inflation – suggesting further interest rate rises are still on the table..



China

Stock markets were mixed during the week. Inflation continues to slow, and investors continue to worry about the pace of the economic recovery, with many now expecting the central bank to provide further economic support. In more positive news, China's exports unexpectedly rose 14.8% in March from a year ago.



Europe

Stocks rose as recession fears diminished. However, bond prices fell as investors expected further interest rate hikes in Europe. Data keeps pointing to a more resilient European economy with industrial production rising more than expected in February. Investor morale also appears to be on the rise in April.



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