

# Weekly Market Update

16 January 2023

Another strong week for markets, dominated by falling inflation in the US, data out of Europe suggesting that the economy might not suffer as much as originally expected and the surprise expansion of the economy in the UK during November.



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



## Market Update:



UK

The UK economy unexpectedly grew in November, fuelling speculation that the economy could avoid a recession for now. Increases in telecommunications, computer programming, and food and beverage services during the World Cup football tournament helped the economy grow. In other news, the Chief Economist at the Bank of England indicated that interest rates would have to carry on rising given the distinctive content that prevails in the UK, referring to the higher natural gas prices and adverse labour supply. It is widely expected that interest rates will rise by 0.5% points to 4% next month.



US

Inflation in the US fell more than expected in December, easing concerns of an overheating economy. This provides, the Central Bank and the Federal Reserve, more space to breathe and potentially slow down further interest rate hikes. Jobless claims and consumer sentiment data also suggested the economy was still in good shape.



Europe

Markets were propped up by better-than-expected economic data that raised hopes of a short and shallow recession. The German economy likely stalled in the fourth quarter, but data pointed to a milder and shorter slowdown over the winter than had previously been expected. Eurozone unemployment remained at 6.5% in November, while investor morale strengthened for a third straight month in January. A measure of economic sentiment rose to its highest level since June last year but remained in negative territory. In summary, investors are thinking that things may not be as bad as initially expected.



Japan

Investor sentiment was supported by the weaker inflation in the US. Meanwhile, inflation in Japan has moved to 4%, a 40-year high, sparking speculation that the Bank of Japan could raise its inflation forecast and may take some targeted action over the next few months.



China

Investors reacted positively to the inflation data in the US, as well as to the increased optimism about the post-pandemic reopening outlook. There is an expectation that domestic demand should begin recovering soon after Beijing abandoned its zero-covid policies and increased their support in the property sector. On the flip side, China's exports fell sharply in December. In other news, inflation appears to be gaining momentum.



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