

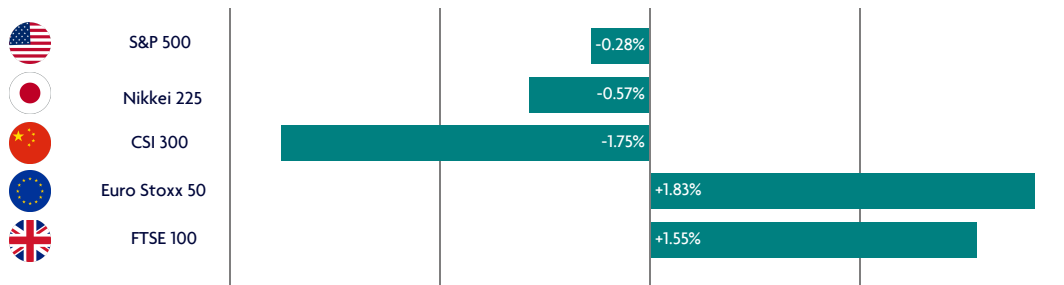
# Weekly Market Update

20 February 2023



A mixed week in markets, dominated by the outlook for inflation and what this could mean for interest rates going forward. Geopolitical tensions escalate between the U.S. and China.

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



## Market Update:



UK

The pound fell against the US Dollar during the week, helping support the FTSE 100, which includes many companies with overseas revenues, close above 8000.

Consumer prices increased by 10.1% in January, but inflation is in fact slowing. If you take energy, food, alcohol, and tobacco out of the equation, inflation fell more than expected which could reinforce the notion that interest rates don't have to rise much more in the UK. But unemployment remains close to an all-time low and wages are still rising.



US

Consumer prices rose 0.5% in January as widely expected. Shelter prices accounted for almost half of the gain. Year-on-year inflation in the US now stands at 6.4%.

Producer prices rose 0.7% in January, its biggest gain since June raising concerns that we haven't seen the end of inflation yet. Investors are therefore worried that interest rates will need to go higher than originally expected if inflation does look to be stickier. In other news, retail sales jumped 3% in January, much more than expected.



Europe

Shares in Europe rebounded as corporate results were better than expected and helped investors shrug off fears about additional interest rate hikes. The European Central Bank reiterates that interest rates need to carry on rising to tackle high inflation. Employment rose to a record high at the end of 2022, which would intensify the central bank's inflation worries. Meanwhile, industrial production in the eurozone fell by over 1% showing signs of growing weakness in the European economy.



Japan

Concerns of higher interest rates in the US worried investors. Beyond that, sentiment was also dampened by Japan's economy rebounding less than expected in the final three months of 2022, as well as by the nomination of Kazuo Ueda as a nominee for Japan's central bank's next governor. Investors are focused on signs that the current ultra-low interest rate policies could change under the new central bank regime.



China

Concerns over escalating geopolitical tensions with the U.S. hampered prospects of faster economic growth. China announced that it would enact countermeasures against the U.S. after it shot down a suspected Chinese spy balloon in U.S. territory, stoking fears of rising geopolitical risks. The warning came after the U.S. added Chinese firms to an export blacklist amid alleged links to a military-backed global balloon espionage program. In other news, after months of support from the government, the housing market in China appears to be stabilising and the People's Bank of China injected further support into financial systems to help key areas as economic activity in China picks up.



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