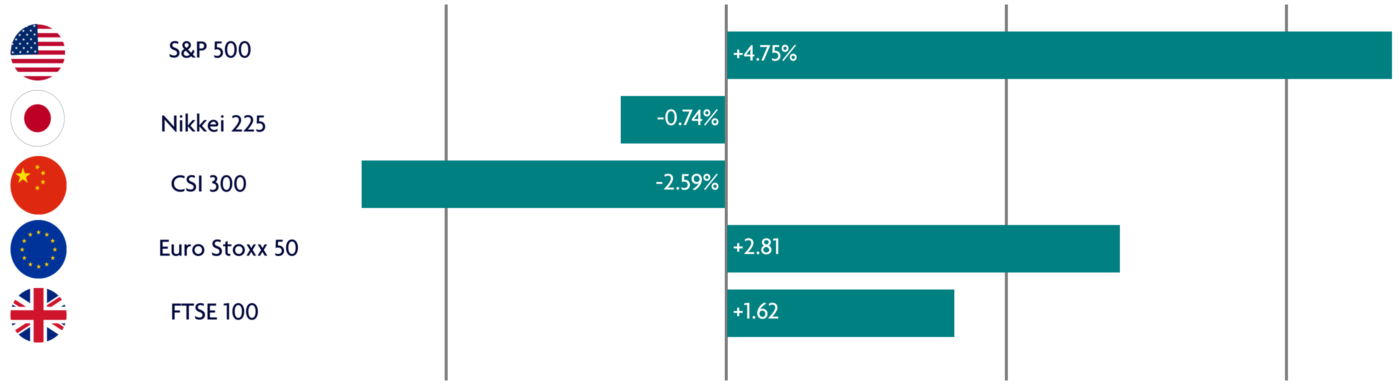
Weekly Market Update

24 October 2022

Inflation in the US remains elevated, paving the way for further large interest rate hikes. Economic news out of China looks poor, but support from the central banks supported markets. The UK economy contracted in August and unemployment continued to fall. Meanwhile, Prime Minister Truss bowed to pressure and altered her proposed tax plan.

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



Market Update:

UK

Chancellor of the Exchequer Jeremy Hunt ripped up almost all of Liz Truss' mini-budget, scrapping virtually all of the announced tax cuts and drastically scaling back the government's flagship plan to cap rising energy prices. Beyond political turmoil, inflation for the month of September came in at 10.1%, higher than August. Core inflation, which excludes food and energy prices, also climbed, hitting a 30-year high of 6.5%. British shoppers cut their spending in September as well. A sharp fall in fuel sales and a bank holiday marking Queen Elizabeth II's funeral drove the decline.

US

The week started on a strong note, partly as investors took in the u-turn in the UK government's fiscal stimulus plan and paired back their pessimism from the previous week. Better than expected financial results also provided a boost to sentiment. Midway through the week markets fell a little as some officials from the Federal Reserve talked tough and indicated a continuation in aggressive interest rate raises well into 2023. However, on Friday morning, stocks bounced again after it was reported that some officials at the Fed wanted to slow down interest rate hikes to see the impact of the economy. On the economic front, it appears that the housing market is slowing down with declines in mortgage applications and housing starts. On the flip side, manufacturing rose more than expected in September and jobless claims fell more than anticipated.

Europe

Shares in Europe rose alongside US markets and on the resignation of UK Prime Minister Liz Truss and the scrapping of her fiscal policies. The European central bank is meeting later this week and it is widely expected that it will raise interest rates by 0.75 percentage points. In Economic news, German producer prices rose significantly in September, as energy prices continued to soar..

Japan

Japanese equities ended a choppy week lower than they began as global recessionary fears and further currency weakness remained prevalent themes. U.S. inflation data released the previous week seemed to hit Japan's markets with delayed impact, amid growing expectations that the Federal Reserve could announce another large interest rate hike in November. On the economic front, Data showed that Japan's core inflation, excluding the impact of tax hikes, hit 3% for the first time in over three decades.

China

Beijing delayed releasing key economic data without explanation. The delay raised speculation that the GDP report would show that China's economy was on track to miss the official growth target of around 5.5% this year and that officials sought to avoid any fallout from its release during the weeklong Communist Party congress. The onshore yuan fell to its weakest closing level against the U.S. dollar since the 2008 global financial crisis despite the efforts of state banks to support the currency. The yuan and most other developed and emerging markets currencies have been pressured by the surging dollar as the Fed has aggressively hiked interest rates to fight inflation.

The Omnis Investment Club

To hear more about these topics, please search for "The Omnis Investment Club Podcast" on your podcast player.

Omnis INVESTMENTS

Omnisinvestments.com