

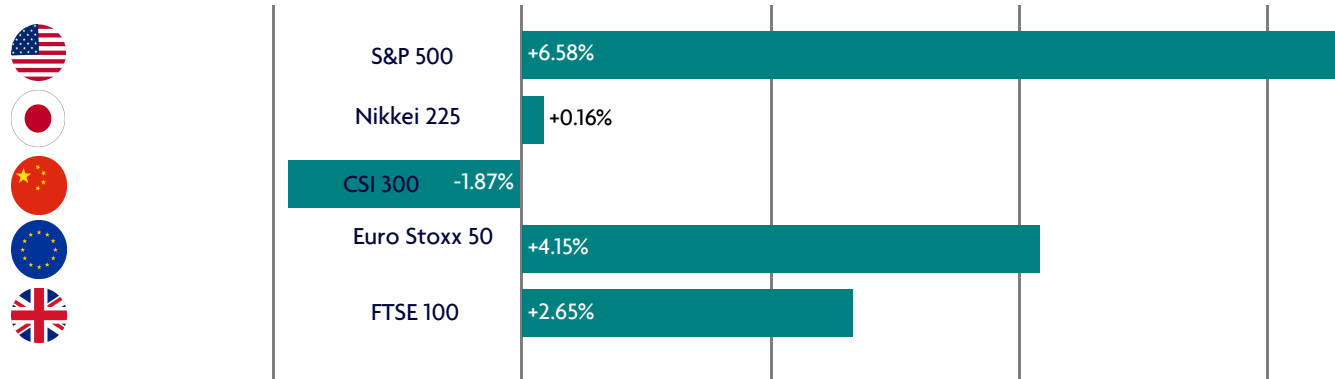
Weekly Market Update

30 May 2022

Markets took a bit of a breather from the negative moves in the last few weeks, despite the ongoing uncertain outlook of slowing economic growth, rising inflation, and aggressive interest rate hikes from central banks. There are increasingly signs that inflation is beginning to peak which may in turn take the pressure of central banks to raise interest rates too aggressively.



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



Market Update:



Public sector borrowing fell last month, paving the way for Rishi Sunak's £15bn package to address the cost-of-living crisis, which will be funded by a windfall tax on oil and gas producers. Growth in manufacturing and services activity slumped significantly, signalling that the economy looks set to worsen and increases the chances of a recession. This in turn puts pressure on how aggressively the Bank of England can raise interest rates this year.



The S&P 500 and the tech-heavy Nasdaq indices gained ground, breaking a string of seven consecutive weeks of losses. Every sector advanced, with consumer discretionary and energy stocks performing especially well. The strength in markets last weeks appeared to reflect optimism that inflation could be peaking. Economic data published during the week pointed towards a softening of business activity in the US.



Europe

Shares in Europe rose as confidence grew that inflation may be peaking and as central banks signalled that interest rate increases are likely to be gradual. The European Central Bank is on track to raise interest rates for the first time since the onset of the pandemic in July this year. Meanwhile, private sector business activity in the Eurozone held up better than expected in May because of strong demand for services, particularly from households.



Japan

Despite a strong start to the week in markets, the release of a survey showing activity in the country's manufacturing sector grew at the slowest pace in three months dampened sentiment, made worse by a surge in coronavirus cases in Beijing, igniting fears of an economic slowdown. On Friday, however, following a good day for markets in the US the previous day, Japanese stock markets recovered somewhat to end the week in positive territory.



China

Markets weakened amid concerns over slowing growth exacerbated by the government's zero-tolerance approach to the coronavirus. Whilst Shanghai is gradually easing lockdown, Beijing has tightened restrictions to control outbreaks. The government remains at odds between its zero-covid policy, which is inevitable impacting the economy, and having a better balance between pandemic controls and economic growth. Data revealing that profits at China's industrial firms fell at their fastest pace in two years in April also weighed on sentiment.



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