

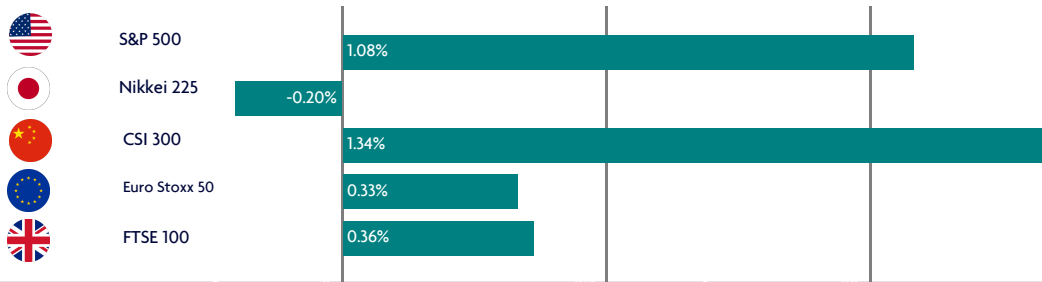
Weekly Market Update



2 December 2024

Global market returns were broadly positive last week as investor sentiment was dominated by two major headlines. One being the plans of President-elect Donald Trump to impose additional tariffs on the imports of Mexico, Canada and China, and secondly, that a cease-fire agreement was reached in the Middle East between Israel and Hezbollah.

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



Market Update:



UK

UK stocks ended the week marginally higher as UK mortgage approvals rose, but retail sales volumes fell. On the housing front, mortgage approvals for house purchases in the UK rose to the highest level since August 2022. Meanwhile, other indicators showed consumer demand remained soft. Consumer credit growth waned to its lowest level in nearly two years, according to the Bank of England. Additionally, retail sales in November experienced a sharper than expected drop in November, marking the retail sector's worst reading in two years.



US

In a holiday shortened week, the US stock market climbed to record highs as domestic policy and geopolitical factors appeared to be the main drivers of investor sentiment. The week saw President-elect Donald Trump surprise many by posting on his social media platform, Truth Social, that he planned to quickly impose 25% tariffs on imports from Mexico and Canada, along with an additional 10% tariff on Chinese imports. The renewed tariff concerns were overshadowed in markets by the news of a cease-fire agreement between Israel and Hezbollah, which seemed to support investor sentiment.



Europe

European stocks ended the week higher amid uncertainty about US trade tariffs and the outlook for interest rates. Annual inflation in the eurozone accelerated for a second month in November to 2.3% from 2% in October. The increase was largely expected due to last year's decline in energy prices falling out of the year-on-year figures. Markets still expect the European Central Bank to lower interest rates in December, although the size of the reduction is unclear. This comes as the German economy continues to struggle, while political instability in France deepens.



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Japan

Japan's main stock market fell over the week as geopolitical risks weighed on global investor risk appetite. The Japanese Yen strengthened versus the US Dollar, largely buoyed by its perceived safe-haven characteristics. The appreciation in currency was also driven by a hot inflation print as the Tokyo-area core consumer price index rose 2.2% year on year in November. This was higher than market expectations and a rise from 1.8% in October. The increase in inflation stoked speculation about the potential timing of the Bank of Japan's next interest rate hike with forecasts largely split between December and January.



China

Chinese stocks rose as ambitions for greater government support offset concerns about potential tariff hikes in the US. The People's Bank of China injected RMB 900 billion (£97bn) into the banking system and left its interest rate unchanged at 2%, as expected. With tighter liquidity conditions and threats of additional US tariffs, markets are anticipating that the government will implement further policies to consolidate the economy in 2025.

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