

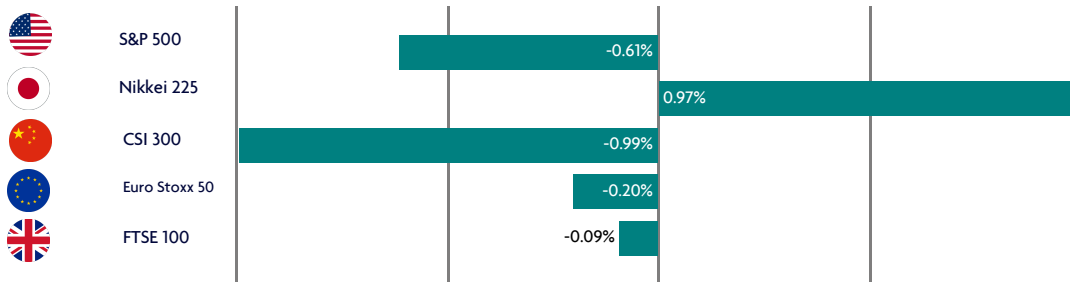
Weekly Market Update



16 December 2024

Global market returns were broadly negative last week as central banks continued to get to grips with stubborn inflation, while investors debated the actions and policies of governments and central banks across the globe.

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



Market Update:



UK

UK stocks ended the week marginally lower as the UK economy unexpectedly contracted. Economic output in October shrank 0.1% sequentially, as production output weakened. Additionally, industrial production slowed by 0.6% in October, marking a second monthly decline that defied expectations of a 0.3% increase. On the interest rate policy front, the Bank of England is widely expected to hold interest rates steady at its upcoming policy meeting on Wednesday and to proceed cautiously into 2025 due to persistently high services inflation.



US

The US stock market fell over the week as progress on reducing inflation stalled highlighting that the Federal Reserve's battle to bring down price pressures in the economy is not yet over. In a relatively light week for the economic calendar, the US Labor Department's report showed that headline and core (excludes food and energy) inflation both rose by 0.3% in November. This came in line with expectations. Overall inflation increased modestly from 2.6% in October to 2.7%. Higher housing costs were responsible for nearly 40% of the increase. As a result, market expectations of a December interest rate cut this coming week from the Federal Reserve, the US central bank, increased.



Europe



European stocks ended the week marginally lower as investors debated whether the European Central Bank has been reducing interest rates fast enough to support the struggling economy. The week saw the European Central Bank or ECB lower its interest rate by a quarter of a percentage point to 3%, marking the 4th reduction this year. The ECB stated that interest rates will be kept "sufficiently restrictive for as long as necessary". Many investors saw this statement as a sign that the bank are open to further interest rate cuts but as ever the ECB will take a meeting-by-meeting approach on such matters.



Japan

Japan's main stock market rose over the week as regional market sentiment was stimulated by China's announcement of more proactive fiscal measures and moderately looser interest rate policy. On the domestic front, investors seem now to have converged around the view of an interest rate hike by the Bank of Japan in January 2025. The central bank has repeatedly stated that it will raise interest rates if its projections for the economy and inflation are met. Meanwhile, final GDP data showed that Japan's economy grew 0.3% quarter on quarter in the three months through September, exceeding market expectations of a 0.2% increase.



China

Chinese stocks fell over the week as recent policy announcements underwhelmed investors. The week saw China pledge to implement a more proactive fiscal policy and increase the budget deficit in 2025. Officials also stated that the central government will continue to issue ultra-long special government bonds to fund major projects. However, the readout following the announcement did not provide any details, which dampened investor sentiment. Elsewhere, data released earlier in the week showed that the Chinese economy remains stuck in deflation. The headline inflation figure rose only 0.2% in November, below market expectations and down from the 0.3% increase in October.

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