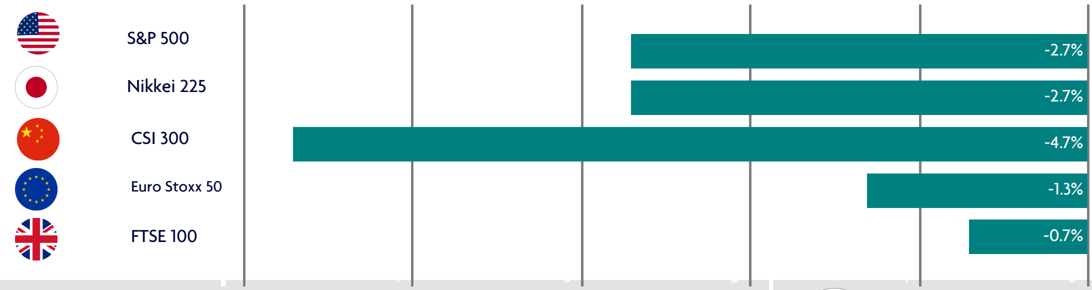
Weekly Market Update

18 November 2024

Global stock markets broadly declined over the week as investors continued to assess the impact of a Trump presidency.

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



Market Update:

UK

The UK economy slowed unexpectedly in the three months through September. Gross domestic product (GDP) was measured at 0.1%—down from 0.5% in the preceding quarter and below the consensus forecast of 0.2%. A contraction of 0.1% in September, mainly due to weaker manufacturing output, contributed to the slowdown. The services sector grew 0.1% over the three months, overshadowed by a 0.8% increase in the construction sector. Meanwhile, annual wage growth excluding bonuses averaged 4.8% in the same three-month period—the lowest level in more than two years. Bank of England Chief Economist Huw Pill said after the data release that inflation pressures remained too high for the 2% target.

US

Stocks gave back a portion of the previous week's gains, as uncertainty over the incoming administration's policies appeared to continue driving the so-called Trump Trade. The potential policy implications for corporate earnings were visible in the wide dispersion of sector returns, with financials and energy shares continuing to benefit from hopes for deregulation and merger approvals. Likewise, at its peak Wednesday, the price of Bitcoin had surged by nearly a third (32.46%) since the eve of the election, as investors anticipated looser regulation of digital currencies. Separately, speaking Thursday, Federal Reserve Chair Jerome Powell seemed to dampen sentiment a bit by remarking that "the economy is not sending any signals that we need to be in a hurry to lower interest rates." This led the market to moderately reassess their expectations for a December interest rate cut.

Europe

Concerns about the incoming Trump administration's trade policies and political upheaval in Germany weighed on sentiment, as did Federal Reserve Chair Jerome Powell's cautious comments on U.S. interest rates. Euro area data kept hopes of a soft landing for the economy alive. A second estimate of GDP from Eurostat confirmed the surprisingly strong 0.4% expansion in the third quarter. In addition, the European Commission projected growth of 0.8% in 2024, although Germany's economy is expected to contract by 0.1%. Other data showed the labour market remained stable. Employment rose by 0.2% in the third quarter, after increasing 0.1% in the preceding three months.

Japan

Japan's stock markets lost ground over the week. The weakness of the yen lent a degree of support, but the prospect of President-elect Donald Trump's incoming administration raising tariffs weighed on the outlook for those Japanese companies that are heavy exporters to the U.S. Authorities again warned that they would take appropriate action against excessive currency moves. The Japanese currency has come under pressure as the greenback strengthened on Trump's victory in the U.S. presidential election, which stoked some expectations that his administration's policies could prove inflationary and alter the Federal Reserve's plans to lower borrowing costs. Uncertainty about the timing of future interest rate hikes by the Bank of Japan (BoJ) also weighed on the yen.

China

Chinese equities declined as evidence of persistent deflation and worries about potential U.S. tariffs under incoming U.S. President Trump hurt investor confidence. China's consumer price index rose a below-consensus 0.3% in October YoY, largely due to lower food and energy prices. Other data painted a mixed picture of the economy. Retail sales expanded a better-than-expected 4.8% from a year ago, and marked the strongest growth since February.

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