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Multi-Asset Investment Solutions

Weekly Market Review

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Market recap – global stocks mostly positive, as rate hike concerns ease

Global stock markets **were mainly positive last week** as a much weaker US jobs report cooled fears of a near-term interest rate rise. In the US, the **Dow Jones rose 0.8%** (all returns quoted are in sterling terms) and the **S&P 500 gained 0.6%**. However, the tech-heavy **Nasdaq 100 slipped 0.5%**, as chip stocks came under pressure before steadying, and the smaller companies in the Russell 2000 index fell 1.6%. The **UK was a strong performer**, with the **FTSE 100 up 1.6%**, helped by gains in utilities and mining shares. The **MSCI Europe (excluding the UK) index rose 1.9%** and Germany's **DAX was up 2.9%** to reach a new record high. Japanese shares were mixed. The broader **TOPIX gained 1.7%,** while the **Nikkei 225 fell 0.3%**. The **MSCI Asia Pacific (excluding Japan) index fell 0.1%** and **MSCI Emerging Markets fell 0.2%. China was a standout performer, with MSCI China up 3.4%,** as technology shares rebounded after a previous sell-off, and **South Korea rallied sharply** as bargain-hunters focused on its large chip-making companies.

Geopolitics – Hormuz tanker traffic recovering, Ukraine steps up energy strikes

Oil tanker traffic through the **Strait of Hormuz continued to recover**, with **Saudi Arabia's oil exports back to around 90% of pre-conflict levels**. Elsewhere, **Ukraine's drone campaign against Russian energy infrastructure has intensified sharply** this year, contributing to fuel shortages across much of Russia, while peace talks between the two sides remain stalled, with little expectation they will resume before the autumn.

Central banks – US rate-rise fears ease after weaker jobs data

The key piece of economic data last week was the US jobs report. It showed just **57,000 jobs were added in June**, well below the roughly **110,000 expected**, with prior months revised down and the **unemployment rate slipping to 4.2%** as fewer people looked for work. This led markets to scale back expectations of a rate rise by the US Federal Reserve (the Fed), with the **probability of a July hike falling from around 29% to 18%**. New Fed Chair **Kevin Warsh reaffirmed that bringing down inflation remains the priority**, though policymakers remain split on the path ahead, with roughly half favouring rises this year and half favouring holding or cutting rates. The **Bank of Japan held rates steady**, while its Tankan survey of large manufacturers hit its **strongest level since 2018**, pointing to resilient business confidence.

News – chip jitters persist, yen intervention speculation builds

Concerns around **artificial intelligence (AI) related valuations continued to simmer**, with chip stocks including Micron, Applied Materials and AMD falling sharply mid-week on questions over whether continued heavy spending on AI infrastructure is justified. However, this was followed by a partial rebound in the lead-up to the weekend. In Japan, the **yen swung sharply on speculation that authorities could intervene** to support the currency after it touched **fresh 40-year lows** against the dollar. Japan’s finance minister reiterated that policymakers stand ready to act. In South Korea, chip-makers **Samsung and SK Hynix rebounded strongly** after a heavy sell-off, helped by reports that Samsung is in talks with an AI developer over custom chip production.

Economic data – US consumer confidence subdued, eurozone inflation eases

US consumer confidence remained subdued and manufacturing activity slowed slightly. In the eurozone, **inflation eased to 2.8% in June**, below expectations, while German retail sales surprised positively. UK economic growth was confirmed at **0.6% for the first quarter**, and house prices continued to rise. In China, factory activity data pointed to modest but continued expansion.

Commodities

The Brent Crude oil price drifted lower again, down 1.0% in sterling terms to around **$72 a barrel**, as oil shipments through the Strait of Hormuz continued to normalise.

The gold price rose 0.8% in sterling terms, **ending four weeks of declines**, as disappointing US jobs data and a weaker dollar supported demand for the precious metal. Broader commodities were roughly flat (up only 0.1%), while **industrial metals fell 1.2%** and listed infrastructure dipped 0.5%.

Week ahead – what to watch

US: Purchasing managers' index (PMI) data, which is a key indicator of business activity, for the services sector (Mon); Fed rate-setting committee minutes from the June meeting (Wed); existing home sales (Thu).
China: Inflation rate for June (Thu).
Eurozone: European Central Bank monetary policy accounts (Wed).
Germany: Balance of trade for May (Thu).
Canada: PMI data (Tue); unemployment rate for June (Fri).
Other: The Organization of the Petroleum Exporting Countries (OPEC) meeting to set output levels.

Source: Marlborough Multi-Asset, Morningstar, Financial Times, PIMCO, T. Rowe Price, Anglia Advisors, Trading Economics

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