

# Weekly Market Review

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## Market Recap

Equity and bond markets rose during the week, following inflation data that came in at lower levels than expected. US equities, for example, returned 2.9% for the week. Fourth-quarter earnings data began to be released towards the end of the week and showed good profit growth for US banks like JP Morgan, Goldman Sachs and Citigroup, which further added to the positive mood.

## Geopolitics

Israel's military said three hostages held in Gaza had been handed over to its forces and returned to Israeli territory, as a long-awaited hostage and prisoner exchange deal got underway on Sunday. The handover came hours after a six-week ceasefire between Israel and Hamas took effect.

## Central Banks

The week saw additional stimulus in China, as the People's Bank of China injected 958.4 billion yuan (US \$131 billion) into the financial system, via short term loans called seven-day reverse repurchase agreements. The move was to address a cash squeeze ahead of the Lunar New Year celebrations in the country. It is designed to maintain liquidity, as this period typically sees increased demand for cash as individuals travel and prepare for the festivities.

## News

China's economy grew by 5.4% on a year-on-year basis in Q4 2024 (versus 5.0% expected), accelerating from the 4.6% expansion recorded in Q3. For the full year 2024, China's economy grew by 5.0%, which was down from the 5.2% growth recorded in 2023, but met the government's target of 5.0% GDP growth.

## Inflation

UK core inflation, which excludes volatile energy and food prices, increased to 0.30% on a monthly basis in December, following a flat reading in November. On a yearly basis, core inflation eased to 3.2% from 3.5% in November, marking the lowest reading since September. Meanwhile, the headline consumer prices index (CPI) inflation rate, which includes food and energy costs, rose to 0.3% on a monthly basis, but eased to 2.5% on a yearly basis in December.

## Commodities

Oil prices rose by just over 1% for the week to \$78 per barrel, marking a fourth consecutive week of gains. The increase was primarily driven by concerns over new US sanctions targeting Russian oil producers and tankers, raising fears of tighter global oil supplies. Gold traded at around \$2,710 per ounce on Friday, hovering near a one-month high and on track for a third weekly advance. Recent US economic data, including cooler-than-expected core inflation and disappointing retail sales figures, has rekindled hopes that the Federal Reserve may cut rates more than once this year.

## ESG

The investment arm of Ingka Group, which operates IKEA stores in 31 countries, is to invest \$1 billion in recycling-focused companies. Nearly half of IKEA's climate footprint is generated through the materials used in its products. The company is targeting the use of only renewable and recyclable materials and is committed to becoming a 'circular' business, with products designed to be reused, refurbished and recycled.

## Week Ahead

In the US, all eyes will be on Donald Trump's inauguration as president on Monday. Traders will closely monitor his speech for hints about policy changes and potential executive orders. Meanwhile, the earnings season intensifies with notable reports from Netflix, Procter & Gamble, Johnson & Johnson and American Express. In Japan, a busy week is led by the Bank of Japan, which is expected to raise interest rates by 0.25%, as policymakers have signalled. In the UK, the focus will be on the labour market, with unemployment projected to rise to 4.4%, and pay growth, which is set to accelerate for a third month.

Source: Marlborough Multi-Asset, Morningstar, BBC News, Financial Times, PIMCO, John Hancock, ESG Today, Trading Economics

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## Risk Warnings

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