ACCOUNT TYPES FUNDS ADVICE RESOURCES ABOUT US HELP

Open an Account Log In

MARKETS & ECONOMY | NOVEMBER 24, 2023

Global Markets Weekly Update

Central banks signal rates to remain steady

Highlighted Regions

- U.S.
- Europe
- Japan
- China
- Other Key Markets

U.S.

Stocks build on gains in light trading week

Stocks closed higher over a quiet holiday-shortened trading week—markets were shuttered Thursday in observance of the Thanksgiving holiday and closed early Friday. The week brought one carefully watched third-quarter earnings report, with shares in artificial intelligence chipmaker NVIDIA—recently, the world's sixth-largest company by market capitalization—falling after the company beat earnings and revenue estimates but issued cautious guidance because of export restrictions to China. NVIDIA's weakness was reflected in the underperformance of the Nasdaq Composite Index, but growth stocks outperformed value stocks overall.

The holiday week also featured a couple of notable economic releases. On Wednesday, the Commerce Department reported that durable goods orders had dropped 5.4% in October, marking the second-biggest decline since April 2020. A sharp drop in highly volatile civilian aircraft orders was largely to blame, but orders excluding aircraft and defense purchases—typically considered a proxy for business investment—also fell slightly for the second month in a row.

Companies cut jobs for first time since 2020, according to survey

On Friday, S&P Global released its estimates of growth in business activity in November, which indicated that a pickup in the services sector—the fastest in four months—had compensated for a bigger-than-expected slowdown in manufacturing. However, S&P also noted that “relatively subdued demand conditions and dwindling backlogs led firms to cut their workforce numbers for the first time since June 2020.”

Investors appeared reassured by successful Treasury auction

Slowing growth signals and dwindling inflation fears may have contributed to strong demand for a USD 16 billion auction of 20-year U.S. Treasury bonds on Monday. The healthy bid-to-cover ratio appeared to help assuage worries over a weaker auction of 30-year Treasuries earlier in the month and drive down the yield on the benchmark 10-year U.S. Treasury note to an intraday low of 4.37% on Wednesday—its lowest level in over two months. Yields rallied to close the week higher on Friday, however. (Bond prices and yields move in opposite directions.)

The rest of the fixed income market was generally quiet over the holiday week, according to our traders. Spreads in the investment-grade corporate bond market tightened on Monday amid limited issuance and remained largely unchanged on Tuesday before the Thanksgiving holiday. Monday’s issuance was oversubscribed.

High yield bonds traded higher on Monday amid solid equity performance and the successful auction of 20-year Treasuries. Trade volumes were light, although our traders noted that buyers showed a preference for higher-quality below investment-grade bonds. The primary market was quiet with no new deals expected until after the holiday. Similarly, the leveraged loan market was mostly unchanged on light volumes.

Index	Friday's Close	Week's Change	% Change YTD
DJIA	35,390.15	442.87	6.77%
S&P 500	4,559.34	45.32	18.75%
Nasdaq Composite	14,250.85	125.37	36.16%
S&P MidCap 400	2,560.33	23.55	5.35%
Russell 2000	1,807.50	9.73	2.63%

This chart is for illustrative purposes only and does not represent the performance of any specific security. ***Past performance cannot guarantee future results.***

Source of data: Reuters, obtained through Yahoo! Finance and Bloomberg. Closing data as of 4 p.m. ET. The Dow Jones Industrial Average, the Standard & Poor’s 500 Stock Index of blue chip stocks, the Standard & Poor’s MidCap 400 Index, and the Russell 2000 Index are unmanaged indexes representing various segments of the U.S. equity markets by market capitalization. The Nasdaq Composite is an unmanaged index representing the companies traded on the Nasdaq stock exchange and the National Market System. Frank Russell Company (Russell) is the source and owner of the Russell index data contained or reflected in these materials and all trademarks and copyrights related thereto. Russell® is a registered trademark of Russell. Russell is not responsible for the formatting or configuration of these materials or for any inaccuracy in T. Rowe Price’s presentation thereof.

↑ Return to Top

Europe

In local currency terms, the pan-European STOXX Europe 600 Index ended the week 0.91% higher amid hopes that central banks would start cutting interest rates in the first half of next year. Major stock indexes closed mixed. France's CAC 40 Index rose 0.81%, Germany's DAX gained 0.69%, but Italy's FTSE MIB fell 0.22% and the UK's FTSE 100 Index lost 0.21%.

European government bond yields edged higher. Germany's 10-year government bond yield climbed from a more than two-month low of 2.516% earlier this week. Yields rose after reports that Germany intends to suspend debt limits for the fourth consecutive year and on statements suggesting that European Central Bank (ECB) policymakers are determined to keep monetary policy tight for the time being. French and Swiss bond yields also climbed. In the UK, the yield on the 10-year benchmark bond moved higher after a Purchasing Managers' Index (PMI) unexpectedly rose into positive territory in November.

ECB tries to douse rate cut hopes

ECB policymakers reiterated that the fight to curb inflation was not over and sought to disabuse financial markets of expectations that the central bank would soon cut interest rates. ECB President Christine Lagarde said rates could be steady over "the next couple of quarters," while France's François Villeroy de Galhau said rates have reached a plateau where they will probably remain for the next "few quarters." Belgium's Pierre Wunsch said the ECB is likely to stand pat both in December and January. Separately, the minutes of the ECB's October meeting revealed that policymakers insisted that another rate hike should be kept on the table, even if further policy tightening was not part of the main scenario.

Eurozone PMI shrinks for sixth month in a row

An S&P Global purchasing managers' survey showed that eurozone business activity fell for a sixth month running in November, a sign of a looming recession. The HCOB Flash Eurozone Composite PMI Output Index reading was 47.1, up from a three-year low of 46.5 in October. PMI readings less than 50 signal a contraction.

UK government unveils tax cuts; OBR halves growth forecasts

The UK government announced tax cuts for workers, incentives for business investment, and measures to support the housing market in its fall budget. The Office for Budget Responsibility (OBR) forecast that the economy would expand 0.6% this year but slashed its growth forecasts for 2024 and 2025 by about half to 0.7% and 1.4%, respectively.

↑ Return to Top

Japan

Japan's stock markets registered muted returns for the week, with the Nikkei 225 Index gaining 0.1% and the broader TOPIX Index flat. Early in the week, the Nikkei rose to its highest level since 1990, boosted by a strong domestic corporate earnings season, with manufacturers' earnings benefiting from weakness in the yen and easing supply chain constraints. Expectations that U.S. interest rates had peaked also supported sentiment and notably pushed growth stocks higher.

On the economic data front, a hot October consumer inflation print stoked speculation about further monetary policy normalization by the Bank Japan (BoJ). Private sector activity stalled in November, according to flash PMI data, largely due to further deterioration in business conditions in manufacturing.

Against this backdrop, the yield on the 10-year Japanese government bond (JGB) rose to 0.77%, from 0.72% at the end of the previous week. The BoJ reduced its JGB purchase operations for the second straight week. In the currency markets, despite initially strengthening to its highest level in over two months amid general weakness in the greenback, the yen finished the week broadly unchanged, trading at around JPY 149 against the USD.

Amid accelerating inflation, speculation about BoJ's likely monetary policy trajectory grows

Japan's core consumer price index (CPI) accelerated for the first time in four months in October, rising 2.9% year on year (y/y), following a 2.8% y/y increase the prior month. Although falling short of consensus expectations of a 3.0% rise, the hot CPI print showed that inflation continued to hover above the BoJ's 2% target for the 19th straight month and fueled speculation that tighter monetary policy could be imminent in Japan.

However, while the BoJ has tweaked its yield curve control (YCC) framework to allow JGB yields to rise more freely (but effectively only up to 1%), the central bank has indicated that it intends to wait for stronger wage growth to come through before considering removing YCC or lifting interest rates from negative territory. Evidence of sustained wage growth could be provided by next year's "shunto," or annual spring wage negotiations, which some investors believe could mark a pivotal point in the BoJ's monetary policy trajectory.

↑ Return to Top

China

Stocks in China retreated as news that Beijing may introduce fresh stimulus measures for the property sector was not enough to offset broader economic woes. The Shanghai Composite Index gave up 0.44% while the blue chip CSI 300 lost 0.84%. In Hong Kong, the benchmark Hang Seng Index gained 0.6%, according to FactSet.

Chinese regulators formulated a funding plan for property developers in its latest efforts to consolidate growth as the country grapples with an ongoing property crisis. The list, which reportedly includes 50 private and state-owned developers, will act as a guide for financial institutions to deliver a range of financing measures to strengthen balance sheets, according to Bloomberg. Separately, the National People's Congress, China's parliament, encouraged banks to accelerate support measures for real estate developers to reduce the risk of further defaults and ensure the completion of outstanding housing projects. The reports follow recent property data that underscored an ongoing downturn in a key sector for China's economy. Property investment, sales, and new home prices slumped in October.

In monetary policy news, Chinese banks left their one- and five-year loan prime rates unchanged, as expected, after the People's Bank of China (PBOC) kept its medium-term lending rate on hold the prior week. China remains an outlier among global central banks as it has maintained a looser monetary policy to shore up a slowing economy. More recently, expectations that the PBOC may cut its reserve ratio requirement rose as the latest economic data provided a mixed outlook for China.

Many economists anticipate that Chinese government advisers may propose an economic growth target of around 5% in 2024 at the annual Central Economic Work Conference in December. The gauge will be aimed at promoting job growth and to ensure long-term development goals remain on track.

↑ Return to Top

Other Key Markets

Hungary

On Tuesday, the National Bank of Hungary (NBH) held its regularly scheduled meeting and reduced its main policy rate, the base rate, from 12.25% to 11.50%. The NBH also reduced the overnight collateralized lending rate—the upper limit of an interest rate "corridor" for the base rate—from 13.25% to 12.50%. In addition, the central bank lowered the overnight deposit rate, which is the lower limit of that corridor, from 11.25% to 10.50%. These rate cuts were widely expected.

According to the central bank's post-meeting statement, "The widespread and general decline in domestic inflation continued in October." Policymakers also noted that "core inflation slowed across a wide range of products and services" and that the "three-month annualized change in core inflation, an indicator better capturing underlying inflation in the current situation, fell below 3 percent." In addition, central bank officials restated their belief that domestic consumer price index (CPI) inflation and core inflation "will continue to decrease" due to the "strong disinflationary effect" stemming from "tight monetary policy, the downward pressure on prices from the Government's measures to strengthen market competition, lower commodity prices compared to the previous year and subdued domestic demand."

Colombia

In recent days, Colombian investors have been hit with a barrage of unexpected fiscal developments. For example, according to T. Rowe Price emerging markets sovereign analyst Aaron Gifford, the government reported that the economy contracted 0.3% in the third quarter versus expectations of a 0.5% increase in gross domestic product growth. Shortly thereafter, President Gustavo Petro stated that he believes the country's fiscal rule—which is intended to contain government spending—needs to be dropped in order to increase public investment. Gifford notes, however, that Petro lacks support in Congress to modify the fiscal rule.

In addition, the country's Supreme Court struck down part of the 2022 tax reform that denied oil companies the ability to deduct royalties from tax payments. This measure was expected to increase government revenues. As a result of the Supreme Court's ruling, Gifford believes that the government will need to adjust its budget estimates.

Important Information

This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action.

The views are as of the date written and are subject to change without notice; these views may differ from those of other T. Rowe Price affiliated companies and/or associates.

This information is not intended to reflect a current or past recommendation concerning investments, investment strategies, or account types, advice of any kind, or a solicitation of an offer to buy or sell any securities or investment services. The opinions and commentary provided do not take into account the investment objectives or financial situation of any particular investor or class of investor. Please consider your own circumstances before making an investment decision.

Information contained herein is based upon sources we consider to be reliable; we do not, however, guarantee its accuracy. There is no guarantee that any forecasts made will come to pass.

Past performance is not a reliable indicator of future performance. All investments are subject to market risk, including the possible loss of principal. All charts and tables are shown for illustrative purposes only.

3249847

Next Steps

- Get strategies and tips for today's market conditions.

Subscribe to T. Rowe Price Insights

Receive monthly retirement guidance, financial planning tips, and market updates straight to your inbox.

Subscribe Now

MARKETS & ECONOMY

Global Markets Monthly Update

Stay informed about global economic developments and our perspective on market conditions.

MARKETS & ECONOMY

Quarterly Market Review

Stay informed about global economic developments and our perspective on market conditions.

↑ Return to Top

Do Not Sell or Share My Personal Information

The funds referred to in this website are offered and sold only to persons residing in the United States and are offered by prospectus only. The prospectuses include investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.
Download a mutual fund prospectus or ETF prospectus.

© 2023 T. Rowe Price. All Rights Reserved. T. Rowe Price Investment Services, Inc., distributor, T. Rowe Price mutual funds and T. Rowe Price ETFs. T.ROWE PRICE, INVEST WITH CONFIDENCE, and the Bighorn Sheep design are, collectively and/or apart, trademarks of T. Rowe Price Group, Inc. All other trademarks shown are the property of their respective owners. Use does not imply endorsement, sponsorship, or affiliation of T. Rowe Price with any of the trademark owners.