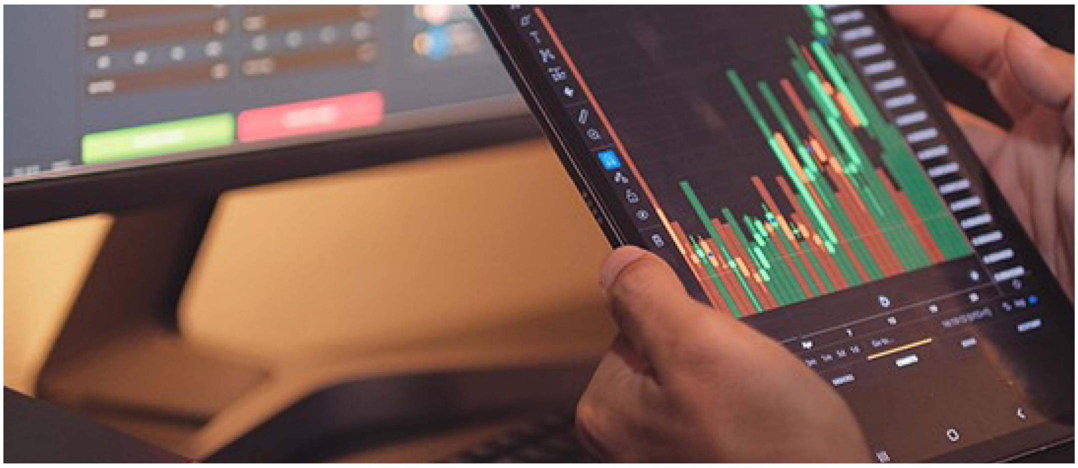

Article MARKET COMMENTARY

# Market round up: 02 October – 06 October

Tom Watts recaps the week and takes a look ahead to next week.

**Author**

**Thomas Watts**

Investment Analyst

Duration: 4 Mins Date: 06 Oct 2023

## This week just ended

With 250-year-old sandal company, Birkenstock, set to list on the Birkenstock has been able to keep up with style trends, shaking off its "frumptable"- a mixture of frumpy and comfortable (as one analyst put it) perception and rebrand itself as a fashionable item worn by both models and celebrities. As a point of reference, even Barbie wore a pink pair of Birkenstocks in the final scene of the eponymous blockbuster, released this summer.

However, it would seem investors have also gotten into the spirit of buying a new pair of shoes this week, treading carefully through what has been a very difficult period for markets. Many were left wondering when the other shoe would drop during the beginning of the week as the bond market rout that had begun last week intensified on Monday. The beginning of the week saw US Treasury yields, which are invertedly related to prices, really spike. Unlike Birkenstocks however, the rise was no small *feet*… with 30-year yields hitting 16-year highs, with the yield on the 10-year note hitting 4.7%, its highest level since 2007.
With the Fed choosing to pause its hikes two weeks ago, investors are now increasing bets that the central bank will either have to raise again or keep them higher for longer, in an attempt to bring inflation to heel. Not helping matters was stronger than expected manufacturing data released on Monday, bolstering beliefs that the US economy is still in pretty good shape.

There was no escape from the market sell off back home either, with UK government bonds also being swept up in Monday's sell-off. UK 10-year gilt yields climbed to 4.58%, while yields on 30-year gilts rose above 5% for the first time since the Truss/Kwarteng mini budget spooked markets last Autumn.
It wasn't just strong US manufacturing data that was the *sole* reason for the sell off experienced, US Job opening data also came in much stronger than expected, showing 9.61 million total employment, held at 2.3%, matching the lowest since 2020. With fewer leaving their jobs, it implies Americans are less confident in their ability to find another job in the current market.

However, all this strong data doesn't necessarily mean that further rate rises are a shoe in. Calming fears on the continent, European Central Bank Governing Council member, Mario Centeno, commented that the central bank cycle of interest rate hikes has likely come to an end as inflation across the euro zone retreats.

Back in the US, the first Friday of the month brought with it Non-Farm Payroll data, reportedly the Fed's favoured piece of employments data when it comes to judging the strength of the labour market.

The numbers were a mixed bag, showing a labour market that is still relentlessly strong but is weakening around the edges. Reporting that 336,000 Americans joined the labour market against expectations of just 171,000, the numbers could be seen as a major call to action for the US Fed. However, if we dig deeper, the unemployment level rate did stay at 3.8%, compared to estimates of a slight drop. Average hourly earnings also rose at 0.2%, compared to expectations of 0.3%. Whilst many now see this week's data as a further spur for the Fed to raise rates, there could be enough signs of weakness that, like a Birkenstock owner, could leave some standing to be corrected in the future.

## This coming week

The coming week may see a slightly subdued start, with U.S. markets closed in observation of Columbus Day, commemorating the voyages of Christopher Columbus to the new world from Europe.

With very little confidence put in Columbus by his European backers (and with good reason as he sailded in the wrong direction), it is with some irony that during the day US markets close in his honour, European Investor Confidence numbers are released. The survey comprises of about 2,800 investors and analysts on the continent, all of which have responded to rate the relative 6-month economic outlook for the Eurozone and acts a strong leading indicator of economic health. investors can be highly informed by virtue of their job, and changes in their sentiment can be an early signal of future economic activity.

Sailing some very choppy waters indeed, our own Bank of England will be watching intently for Wednesday's domestic data as the Office for National Statistics release the UK's Gross

Domestic Product figures. Measuring the change in the total value of all goods and services produced across the nation, the data will act as the broadest measure of economic activity and the primary gauge of the economy's health.

The middle of the week will focus almost entirely on Columbus's new lands, Wednesday seeing Producer Price Index data released, detailing the amount factories and companies are paying for finished goods and services. The data should complement Thursday's much watched Consumer Price Index data well, one of the Federal Reserve's favoured pieces of news when it comes to judging price rises. With many hoping that the Fed's almost relentless fight against inflation could be having an effect, the data could show us if they are on course to navigate a safer landing than Columbus could achieve some 530 years ago.

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