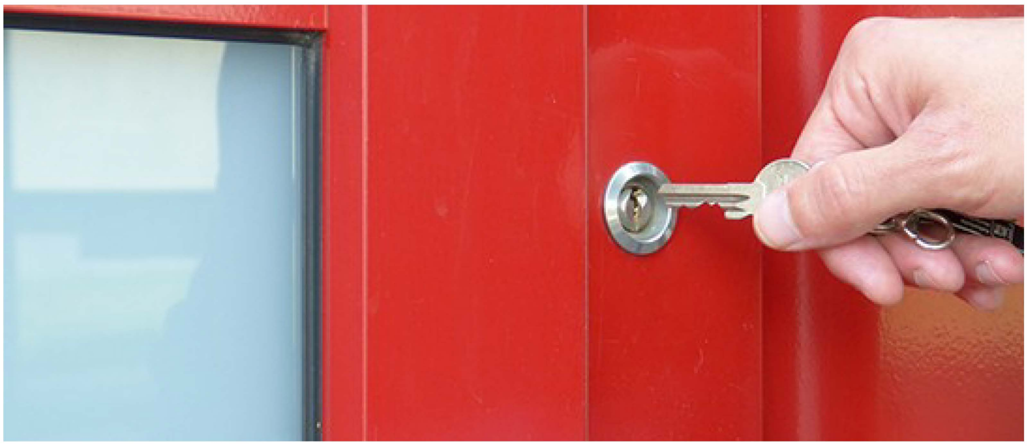

Article MARKET COMMENTARY

Market round-up: 25 September – 29 September

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

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This week just ended

Finland, a country primarily famous for its cold weather and saunas, actually has a larger and more diversified economy than many would give it credit for. The nation is not only one of the domestic product (GDP) of $302 billion, making it Europe's 18th largest economy.

Nestled in the north-eastern part of Europe, Finland enjoys very few similarities to China, culturally or economically, however the two economies have been mentioned in the same breath more than a few times this week.

In what was an early start to the week for many economists, Sunday saw struggling Chinese property giant, China Evergrande, announce it was unable to meet qualifications for the issuance of new notes under its debt restructuring plan. Also enduring the accolade of being the world's most indebted property developer, Evergrande has outstanding payments of over $300 billion (the size of Finland's GDP) becoming the poster child of a debt crisis in China's property sector, which contributes to roughly a quarter of the economy. On the news, its shares sank by 22%, followed by another c.10% the following day. There was little respite for Evergrande as the week progressed, with each day bringing worse news than the day before.

The middle of the week saw the founder and chair of the company, Hui Ka Yan, placed under police surveillance, leading to further distress in the share price. The final nail in the coffin came on Thursday with the announcement that trading in Evergrande's shares had been suspended, spooking global markets further.

Interestingly, Finland has the most heavy metal bands per capita than anywhere in the world, particularly pertinent with investors having to face the music, in what has been a difficult week. Whilst Asian markets sank on the back of news emanating from China, western markets were dogged by persistent worries over prolonged restrictive monetary policy in the US and Europe.

Stronger than expected data in the US had investors hoping for a aircraft, came in much higher than consensus forecasts, with a jump of 0.2% in order on a monthly basis, against predictions of a 0.5% fall, pointing to a persistently robust economic climate.

On the subject of climate, Finland is one of the coldest countries in Europe, with winter temperatures in Helsinki averaging a brisk -5oC. The cold weather (or lack of it) also made the financial news, as unseasonably warm autumn weather in both Europe and the US dented sales of chunky knitwear and coats as the critical Christmas shopping period approaches. Clothing behemoth H&M reported its results this week, commenting that some of its shops were already being forced to slash prices to avoid piles of unsold inventory.

Interestingly, European clothing company, Pepco Group, also noted that the landing of its autumn and winter clothing inventory had coincided with persistent warm weather in its core Central and Eastern European markets, commenting that "When it's 26 degrees… you don't tend to sell coats."

On the currency markets this week, it was sterling that was going sub-zero, falling to a fresh six-month low against the US dollar on Wednesday, as markets priced in an end to the Bank of England's rate hiking cycle. The pound briefly touched $1,2135, its lowest since March 2023. For context however, it is still up almost 18% from a year ago after the Truss and Kwarteng mini budget furore —an event that largely helped to *Finnish* off their swift tenure in charge.

This coming week

The first week of October should start on fairly solid foundations, or at least focussing on foundations, as Monday takes on a distinctly property-themed feel.

Attention from homeowners and economists alike will be firmly fixed on building society, Nationwide, as it releases it Housing Price Index data, detailing the monthly change in the selling price of homes with mortgages they have backed. With online estate agent, Rightmove, having already reported property sellers are cutting the prices they're asking at the sharpest pace since December, the numbers should take on added significance, with many expecting further weakness in the property market to persist well into next year.

No property news is complete without an address, and with a roundtable discussion held by the US Federal Reserve's, Jay Powell, on Monday evening, we should have just that. The head of the American central bank is due to sit with workers and small business owners in New York to explain his views on the economy. Unscripted audience questions are expected, giving the events an air of unpredictability, in turn allowing investors to scrutinise his public engagements as they are often used to drop subtle clues regarding future monetary policy.

The second half of the week should be dominated by US labour data as we switch from estate agents to recruitment agents. The middle of the week offers us job opening data, detailing the number of new job openings during the month, stripping out the volatile agricultural industry. To compliment this, we also have US unemployment claims on Thursday, giving us a more rounded view of how easy it is to get a job in the world's largest economy.

The week will be rounded off by the most important part of the set of labour statistics, non-farm payroll data. Often considered one of the Fed's favoured pieces of information when determining their next rate move, we should expect heightened market volatility during its release. The employment data itself will be accompanied by average hourly earnings, allowing us to gauge future inflation expectations as the more consumers earn, the more they tend to spend. It all combines to be a vital piece of data for the Federal Reserve and should make for interesting reading, especially as the central bank seems to have halted its rate hike cycle.

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Risk warning

The value of your investments can go down as well as up and you may get back less than you paid in. Tax rules can always change in the future. Your own circumstances and where you live in the UK could have an impact on tax treatment.