Article MARKET COMMENTARY

Market round-up: 13 November – 17 November

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

Author

Thomas Watts

Investment Analyst

Duration: 4 Mins Date: 17 Nov 2023

This week just ended

In what was a busy time for both economists and lexicologists alike, this week the Cambridge Dictionary announced its word of 2023 as "Hallucinate", giving the term an additional meaning relating to the artificial intelligence boom we have witnessed of late.

The supplementary definition reads: "When an artificial intelligence (a computer system that has some of the qualities that the human brain has, such as the ability to produce language in a way that seems human) hallucinates, it produces false information." AI hallucinations, also known as confabulations (a much better word in my opinion), is when such tools provide false information, ranging from suggestions which seem perfectly plausible to ones that are clearly completely nonsensical.

With this in mind, it was investors that were forced to double take this week, hardly believing their eyes as both US and UK inflation data came in below consensus. Falling from a 3.7% reading for September to just 3.2% for October – below estimates of 3.3% – it seems the Federal Reserve is now finally beginning to get on top of inflation in the US, with markets now ruling out another rate hike from the central bank. In fact, financial markets are even anticipating a rate cut as early as next May according to futures pricing, jumping from a 34% chance to 65% after the data was released.

Even when stripping out volatile sectors such as food and energy, prices in the US rose by 4% annually, less than the 4.2% expected, although one factor to note was that the cost of rents continued to rise.

Although the word of the year has been decided, the word of this week seemed to be "relief", with markets rejoicing at the news. The S&P 500 and Nasdaq benchmarks posted their biggest daily percentage gains since April, while the small-cap Russell 2000 index jumped a staggering 5.4%, outperforming the broader market.

More positive news was to come the following day, as the Office for National Statistics released domestic inflation data showing that price rises slowed to 4.6% annually, down from 6.7% last month. Coming in lower than the 4.8% predicted – much like in the US the day beforehand – the data caused another large rally in the equity markets, with blue-chip index jumping 1% to its highest level in a month and the midcap index hitting a two-month high. Core inflation, stripping out energy and food prices, fell to 5.7% from 6.1%, while service sector inflation also fell by more than the central bank had expected to 6.6% from 6.9%.

The domestic economy remained in focus during the second half of the week as data showed retail sales numbers seemingly disappearing before our very eyes. Statistics on Friday showed retail sales volumes dropped 0.3% month-on-month, following a revised 1.1% decline in September that was worse than first estimated. Despite retail sales volumes falling back to 2018 levels, retailers are hopeful that the crucial Christmas trading period will yield better times.

With the high street having endured a host of pressures in recent years, from the pandemic to the cost of living crisis, in a week where the word of the year was released, it seems those in retail have already been suffering something of a life sentence.

This coming week

The coming week sees Jeremy Hunt arrive in Westminster with his dispatch box on Wednesday to deliver the Autumn statement. With economists and politicians alike hoping for a slightly more low-key event than the ill-fated Truss Kwarteng "mini-budget" of last year, we should expect a fairly subdued set of measures before we move into an election year.

Whilst all eyes will be on the Commons during the second half of the week, investor attention could well be focussed across the pond beforehand as the US Federal Reserve releases the minutes from its last meeting, providing in-depth insights into the economic and financial conditions that influenced their votes on setting interest rates last month.

The release of the minutes comes just a day before a raft of US-centric data, including durable goods orders, consumer sentiment numbers and unemployment claims. With the US labour market remaining steadfastly resilient, many will be looking for signs of weakness as the Fed's rate rises begin to take effect. Wednesday's claims numbers will show the number of individuals who filed for unemployment insurance for the first time during the past week, and although the data is generally viewed as a lagging indicator, the number of unemployed people is an important signal of overall economic health as consumer spending is highly correlated with labour market conditions.

The week will also bring with it a host of Purchasing Manager Index (PMI) data, detailing the results of a survey asking businesses to rate the relative level of business conditions including employment, production, new orders, prices, supplier deliveries and inventories. Covering both the manufacturing and services sectors for Germany, France, an overall European composite, the UK and US, the readings will give us an invaluable sense of the global economy at a company level.

The information in this blog or any response to comments should not be regarded as financial advice. If you are unsure of any of the terminology used you should seek financial advice. Remember that the value of investments can go down as well as up, and could be worth less than what was paid in. The information is based on our understanding as at 17 November 2023.

Back to top

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.