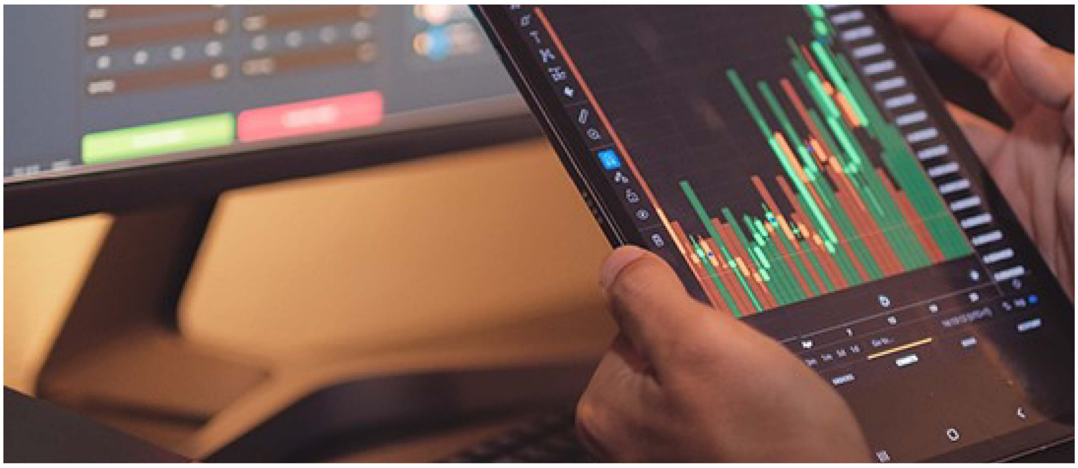

Article MARKET COMMENTARY

Market round-up: 20 November – 24 November

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

Author

Thomas Watts

Investment Analyst

Duration: 5 Mins Date: 24 Nov 2023

This week just ended

Some say the name derives from the term used by the local police force to describe the busiest shopping and traffic day of the year in Philadelphia, others say it comes from the fact that US retailers traditionally operated at a financial loss for most of the year and made their profit after Thanksgiving. When this was recorded in the financial records, once-common accounting practices would use red ink to show negative amounts and black ink to show positive amounts, Black Friday would (as the name suggests) therefore be the first day companies would be in the black.

Whatever the etymology behind the term, Black Friday is now big business across the globe with predictions for up to 22% more being spent than last year for some economies. The shift reflects a growing focus on deal hunting as consumer's continue to shift their spending from December to November. Aptly, it has certainly been a colourful week for markets with a full spectrum of emotions felt by investors.

With weaker than expected inflation data being reported last week, markets are now predicting that the Bank of England (BoE) could cut rates as soon as May. Therefore, it came somewhat out of the blue on Monday at BoE press conference, when Governor Andrew Bailey remarked that interest rates may have to rise again. Bailey said the central bank's policymakers are "on watch for further signs of inflation persistence that may require interest rates to rise again." Warning that food price inflation, which is still in double digits, could spike again." He also said climate change, protectionism, and the impact of the conflict in the Middle East on energy costs could all prove to be red flags for those expecting inflation to fall.

It was much the same in the US the following day as those expecting imminent rate cuts were also left red faced. Minutes released from the Federal Reserve's most recent meeting showed that central bank officials expressed little appetite for cutting interest rates anytime soon, particularly as inflation remains well above their 2% goal.

As Wednesday rolled around, it was time to roll out the red carpet for Chancellor, Jeremy Hunt, who was able to deliver a much less eventful Autumn statement than his predecessor Kwasi Kwartang, last year. Most budget announcements usually contain a "rabbit", with this year's being the rate of employee National

Insurance contributions will drop from 12% to 10%. Adding a bit more colour to the announcement, Hunt declared that this sort of policy would usually come into effect during the next tax year but will be rushed through to come into effect on 6 January 2024. Government estimates suggest that this will save the average person £225 a year and someone earning £35,000 a year £450 annually. Investors seemed to give the measures the nod, with the more domestically orientated FTSE 250 rising 0.7%, outperforming its larger cap peers.

The week was rounded off by a range of Purchasing Manager Index (PMI) readings, detailing the strength of the Manufacturing and Services sectors across the Eurozone, the UK, and the US. Although the reading remained relatively weak across Europe, the UK proved to be a bright spot, with a composite reading of 50.1, showing slight expansion for the first time since July, rising from 48.7 in September. However, while the PMI for the services sector was in positive territory at 50.5, the manufacturing sector came in at 46.7, a six-month high but still signalling a decline in output.

On the back of the news, sterling rose to its highest against the USD since early September as the stronger than anticipated data is thought to have added to the BoE's unease about the stickiness of inflation. However, there are many ways to interpret the data and what it means for domestic base rates, with money markets putting their rose-tinted glasses on, expecting the BoE to keep investors in the dark about a rate cut until at least June next year.

This coming week

With the Black Friday sales in full swing, it seems prudent that the coming week allows us to check up on the health of the High Street, with a range of different data points being released on Monday and Tuesday.

The beginning of the week sees the Confederation of British Industry make public its realised sales numbers, detailing the figures of a survey asking some 125 retail and wholesale companies, all asked to rate the relative level of current sales volumes.

The figures should go hand in hand with Tuesday's data from the British Retail Consortium, releasing their Shop Price Index numbers. Describing the change in the price of goods sold by its members, the data will prove useful in gauging overall inflation as the prices paid on the High Street will make up a large constituent of the economy's final inflation reading.

Another piece of data that also dovetails with high street spending is consumer sentiment, the inherited wisdom being that the more buoyant the consumer is, the more they tend to spend. With this in mind, investor gaze will be fixed on the US on Tuesday as we get the opportunity to see how the consumer in the world's largest economy is feeling. The data will be complimented the day after with GDP data for the US. GDP numbers are particularly useful as they represent the broadest measure of growth and the primary gauge of the economy's health.

The second half of the week should take a distinctively American tone, with the week being rounded off with US monthly Core PCE Price Index numbers. Predicted to make quite the impact on the markets after its release on Friday, the data differs from normal inflation readings in that it only measures goods and services targeted towards and consumed by individuals. CPI readings also only covers out-of-pocket expenditures on goods and services purchased. It excludes other expenditures that are not paid for directly, for example, medical care which is usually paid for by insurance in the US. These are, however, included in the PCE. Adding even more importance to the figures is that the data is reportedly the preferred piece of data for the US Federal Reserve, using it as their primary inflation measure.

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 24 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.

abrdn

Copyright © abrdn plc 2023. All rights reserved.
abrdn plc is registered in Scotland (SC286832) at 1 George Street, Edinburgh, EH2 2LL.