Article MARKET COMMENTARY

Market round-up: 05 February – 09 February

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

Author

Thomas Watts

Investment Analyst

Duration: 1 Min Date: 09 Feb 2024

This week just ended

First, they came for the Caramacs, their distinctive red and yellow wrapper and caramel flavour discontinued just before Christmas. Now Breakaways, the once staple of school lunchboxes for over the last five decades have also faced the axe from Nestle, who said it had made the "difficult decision" to discontinue the chocolate bar after a decline in sales.

With yet another piece of confectionary being removed from the shelves of the UK, perhaps it is just as well that economists got to experience a week chock-full of market news and events this week, starting with various strong pieces of data released on domestic shores.

There was a lot to unwrap on Monday as UK shone amongst a slew of Service sector Purchasing Manager Index (PMI) readings for most major western economies. January data signalled a solid increase in business activity across the UK service economy, which extended the current period of expansion to three months. Higher levels of output were supported by a sustained rise in new orders. Survey respondents typically commented on improved confidence among clients due to strengthening economic conditions and expected interest rate cuts. With a reading above 50 indicating expansion and below, contraction, the gauge came in at 54.3, higher than the 53.8 forecast.

Allowing investors to enjoy some sweet returns this week, Chinese stocks racked up their best week in over a year. There is no sugarcoating it, the Chinese economy has faced a patchy recovery at best since its reopening from the pandemic, with the country's authorities having to increasingly intervene to prop the under-pressure stock market. The Chinese blue-chip CSI 300 Index closed 0.6% higher on Wednesday, taking its weekly gain to 5.8%, as the government announced that a securities regulator veteran who has previously led the Shanghai Stock Exchange and is known for a tough line on market malpractice, would be taking the helm.

The middle of the week also taught us that it could be a rocky road for the US Federal Reserve to start cutting rates during the first half of the year, as a number of central bank officials took to the podium to give their views on the US economy. "I am very supportive of being patient to get to where we need to get," Fed Official Thomas Barkin said at The Economic Club of Washington. "There's still a reasonable amount of uncertainty" on inflation, he said. "I am waiting to get more clarity on that before declaring anything more on what we do on the policy side."

When it comes to the Crunch, perhaps Fed Governor Adriana Kugler, making her first public comments since starting the job last September summed the situation up best "March, May, June – every meeting from now until the end of the year and moving forward will be live," she said, keeping the Fed's options open for a cut when they see fit.

In company news, it was luxury brand Hermes that took the biscuit this week after its shares rose to a record high on Friday, with the Birkin bag maker again outpacing its rivals at the end of 2023, declaring it will also raise its prices by a further 8-9% for its goods next year. "Hermes is playing in a different league," JPM analysts said in a note on the company, pointing at strong brand momentum and strong cash returns to shareholders. The results come in direct contrast to competitors such as luxury behemoth, L VMH, who reported underwhelming results a few weeks back, blaming slowing sales growth in China, as they say though… that's the way the cookie crumbles…

This coming week

The coming week could well shape the tone for months to come, such is the confluence of important economic data that comes our way over the next 5 days.

You can't get much more important that the Bank of England's (BoE) Governor when it comes to setting domestic interest rates, with Monday bringing a press conference from Andrew Bailey himself. Speaking at Loughborough University, Bailey's words will be heavily scrutinised by investors, with his public engagements often used to drop subtle clues regarding future monetary policy.

With investors having a job keeping up with all the news, the jobs market will aptly take centre stage on Tuesday, as the Office for

National Statistics releases data covering most facets of the domestic employment landscape. The data will come in three parts, firstly showing the change in how many Brits were claiming unemployment-related benefits during the previous month. We will also see the change in average hourly earnings that were observed, and finally, the overall unemployment rate. All three pieces of data should blend well to give a comprehensive view of the how the domestic labour market is looking, proving to be essential when judging how the BoE will act next in terms of rate setting.

Perhaps the most important data of the week arrives on Tuesday afternoon in the US, with much anticipated Inflation numbers being made public. With the chances of a rate cut during March in the US almost entirely ruled out, after a slew of strong economic data readings, a strong Consumer Price Index (CPI) print could ignite worries that the chances of a May rate cut could be heading the same way. However, if we see weaker prices rises, we could see markets react very positively as hopes around continued rate cuts during 2024 gather pace.

Its back to domestic shores for the remainder of the week as we receive our own inflationary reading here on Wednesday as well as month on month Gross Domestic Product (GDP) are released. Helping us to understand if the UK economy is slipping towards recession, the data acts as the broadest measure of economic health, detailing the change in the total value of all goods and services produced by the economy.

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 09 February 2024.

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.