



Article MARKET COMMENTARY

## Market round-up: 19 February - 23 February 2024

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

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Duration: 4 Mins

Date: 23 Feb 2024

### This week just ended

December 1989 was quite the time to be alive. ITV had just attracted a new record audience of 27 million for an episode of Coronation Street in which series baddie, Alan Bradley, was fatally run over by a Blackpool tram, whilst the M42 motorway was finally completed, linking Bromsgrove with Birmingham. Whilst that month provided some truly halcyon days, another often overlooked milestone was also hit, with the Japanese stock index, the Nikkei 225, touching a record high just after Christmas.

It is perhaps apt then that Phil Collins was riding high in the charts at number one that same week with *Another Day in Paradise*. After 34 long years in the investment wilderness, the Nikkei index finally enjoyed its next day in investment paradise on Thursday, topping its previous record closing high of 38,915.87 set all the way back on 29 December 1989.

In what was a relatively quiet week for economic news, Tuesday evening did see the release of the Federal Reserve's minutes from the last meeting. Published at 7pm GMT, there was definitely *something in the air tonight* as the bulk of the central bank's members were concerned about the risks of cutting interest rates too soon, with broad uncertainty about how long borrowing costs should remain at their current level.

Cementing the idea that rates could be higher for longer, Richmond Federal Reserve President, Thomas Barkin, had earlier in the day cited concerns about persistent inflation for service industries and housing, commenting that since the central bank's last meeting, stronger job growth and inflation made any talk of a rate-cut "harder." After such hawkish sentiment, it was little surprise that US Treasury yields made their way higher, although the US dollar was little changed.

Much anticipated results from chip-manufacturing behemoth, Nvidia, helped push global markets higher in what was a *follow you, follow me* relationship for its suppliers and industry peers. Forecasting a roughly threefold surge in quarterly revenue that handily beat analysts' estimates, the company is banking on towering demand for its industry-leading artificial-intelligence chips, sending its shares up 16% in a day, increasing its market capitalisation by \$273 billion – a record amount in just a day's trading.

Although listed in the US, Nvidia's rise helped a number of its European counterparts, with BESl Semiconductor surging 16.6% to hit a record high after the Dutch chipmaking equipment supplier also exceeded fourth-quarter targets on demand for AI-related chipmaking parts. The European technology index has

jumped 12.5% so far this year and is trading at more than 23-year highs on the back of upbeat earnings from industry leaders such as German firm SAP and Dutch chip-maker ASML who have also received a boost from the AI frenzy. In fact, so strong was the sub-index's performance it drove the broader Pan-European index to an all-time high on Thursday.

Also helping the European charge was the release of data showing that a downturn in eurozone business activity eased in February, suggesting signs of recovery as the dominant services sector broke a six-month streak of contraction, offsetting a deterioration in manufacturing.

With both the Japanese and Pan-European indices hitting record highs this week, investors will be hoping for plenty more days in paradise to come, and that the recent AI-induced rallies we've witnessed are much like Phil Collins back in 1989, still in their Genesis...

## **This coming week**

With the January sales furore now a distant memory, the beginning of the coming week gives us a chance to check on how the high street is faring.

First off, Monday will see the British Retail Consortium release its Realised Sales figures, detailing changes in monthly retail sales. The data is so well respected and has such an effect on retail stocks due to the breadth of its survey, with 125 retail and wholesale companies taking part, all asked to rate the relative level of current sales volume.

The British Retail Consortium will then help us gauge the wider economy further by releasing its annualised Shop Price Index numbers, showing us the change in the price of goods purchased at its members' shops. Although just covering those retailers that belong to its consortium, the figures act as a good measuring stick for the government's official figure, which are usually released 10 days later.

Attention should then switch towards the US, as yet more consumer-centred data comes our way, this time in the form of consumer confidence data. Nearly all economic activity starts with consumer spending, and so how the average person on the street is feeling is vitally important. The data derives from a survey of 3,000 households, all asked to rate the relative level of current and future economic conditions including labour availability, business conditions and their overall economic situation.

Our comprehensive tour of the global economy will also take us to Asia during the second half of the week, in particular China. With China's economic recovery from Covid being patchy at best, Thursday's Purchasing Manager Index data, focusing on the nation's far larger manufacturing sector, will make for interesting reading. The data not only helps us understand how China's economy is faring, but also gives us an insight into the global state of play. China is known as the "workshop of the world" and so any slowdown in global demand should be reflected within the figures.

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