Article MARKET COMMENTARY

Market round-up: 24 - 28 June

Tom Watts recaps the week and looks ahead to next week.

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This week just ended

With the sun out and the Summer Solstice finished for another year, what could be better than heading off to Glastonbury Festival for the weekend? Having come a long way since its inaugural year in 1970, when it was attended by just 1,500 people, admission was £1, also including free camping and a free pint of milk. Audiences also enjoyed a headline performance from Marc Bolan's T-Rex who played in place of the Kinks who had earlier cancelled.

It was also quite the festival of economic data this week for market watchers, having more in common with the annual mud bath up in central Somerset than you may think.

Acting as the opener for the week, the Confederation of British Industry (CBI) released its Industrial Order Expectations survey results. Asking 250 manufacturers in the UK to rate the relative level of order volume expected during the next 3 months, the results came in far better than forecast. Although slightly mixed, respondents remarked that their total order books improved in May, despite a sharp deterioration in the volume of export orders, export orders were reported below "normal" and below their long-run averages. Manufacturers reported that stocks of finished goods were more than adequate to meet expected demand, and to the same extent as last month. Looking forwards, output is expected to rise modestly in the three months to September, according to the survey.

Data released later in the week by the CBI, acted in concert with Monday's figures, checking in on the health of the high street. Realised Sales data showed retailing volumes fell faster than anticipated during June, reversing a return to modest growth the month before. Retailers reported a faster than anticipated decline as unseasonably cold weather in June may have played a role, it was noticeable however, that internet sales also fell sharply too over the month.

Across on the main stage, we had US Final GDP numbers on Thursday, the broadest measurement of the health of an economy, measuring the inflation adjusted value of all goods and services produced by that nation. The data showed that showed that the world's largest economy grew by 1.4% during the first quarter, much as forecast, revising up estimates from 1.3% when the data was first calculated. The upward revision primarily reflected a downward revision to imports, which are a subtraction in the calculation of GDP, and upward revisions to government spending. These revisions were partly offset by a downward revision to consumer spending.

In data release terms, the undoubted headliner for the week was the US Core PCE Price Index reading, reportedly the Fed's preferred measurement of inflation and a piece of data likely to set the tone for the coming weeks. Topping the bill but not expectations on Friday, the reading came in at 2.6% annually, largely in line with expectations. Excluding the volatile food and energy components of the reading, the PCE price index edged up 0.1% last month. The report showed inflation fatigue, higher borrowing costs, a moderation in wage gains as well as dwindling savings are holding back spending all held back consumer spending recently.

The reading also rose at the slowest pace in six months which would be music to the Federal Reserve's ears, thankfully showing that inflation in the US is becoming less and less like the sleeping conditions of those making their way to Glastonbury this weekend, in-tents.

This coming week

It'll be an early start for economists this coming week as not only will we wake up to Chinese Manufacturing numbers but also the results of the first round of French parliamentary elections.

With both the far left and right polling well in France, financial markets have already had their say, worrying over much touted policies such as lowering the retirement age and tying wages to inflation in France, with the spread in the cost of borrowing between French and German Government bonds reaching levels not seen since the sovereign debt crisis of 2011.

It is therefore highly probable that in the event of a far left-wing or right majority, the future government will have to choose between the risk of provoking an economic, financial and institutional crisis or the heavily watered-down implementation of their initial programmes.

Hoping the border to Germany, Monday also brings with it monthly German prelim inflation numbers. With Germany being the largest monthly German prelim inflation numbers. With Germany being the largest economy in the Eurozone, its inflation data should help gauge what the overall reading should be for the wider bloc. With the European Central Bank (ECB) having cut interest rates only a few weeks ago, Monday's data could prove pivotal in helping when the those in Brussels could make a further move.

Staying in Europe, we also have a press conference from Christine Lagarde, the President of the ECB, who is due to speak at a Forum on Central Banking, in Sintra. With all that will have happened in Europe during the beginning of the week, it will be interesting to hear her views on events and the views of the central bank, not only on current politics but also future rate policy.

On domestic shores, the second half the week will be characterised by the General Election as the country heads to the polls. Having enjoyed a sizable majority in the polls for the entirety of the run in, financial markets have long since settled on a comprehensive Labour victory, with the results of the election likely to cause little in the way of volatility. However, if do see a reduced majority or much less of a mandate for labour to pass legislation with, the uncertainly this could produce could rile markets in the short term.

As ever, the first Friday of the month brings US Non-Farm Payroll data. A key piece of information when determining the US central bank's thinking on inflation, the employment data itself will be accompanied by Average Hourly Earnings, allowing us to gauge future demand expectations more accurately as the more consumers earn, the more they tend to spend. It all combines to be a vital piece of data for the Fed and should take on added significance, considering the extra impetus put on such data going forward from US central bank officials.

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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.