Article MARKET COMMENTARY

Market round-up: 19 - 23 August

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

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This week just ended

Although the past week hasn't seemed as rare or unique as some others so far this year, for those watching the skies it has quite literally provided a once in a blue moon event. Monday's full super moon, staggeringly a blue moon that appeared to turn red due to North American wildfire smoke sitting in the atmosphere above the UK, was one of the most uncommon sights one could wish to see when looking up.

So-called due to the cycle of the moon being 29.5 days, not quite synchronising with one a month, blue moons are most commonly defined when we get an extra fourth full moon within a season, instead of three. As blue moons are not that common, it is obvious to see where the phrase 'once in a blue moon' comes from.

With the moon in mind, many homeowners will have been over it during the beginning of the week, as the online estate agent announced its house price data on Monday. It seems that the Bank of England's first interest rate cut in over four years and Labour's election win have combined to create a 'buyer buzz' as the property market continues to recover. Rightmove reported that the number of buyers contacting estate agents to view houses for sale jumped 19% from a year ago, accelerating from the 11% increase across the month of July. The number of sellers coming to market also rose by 5% compared to a year earlier.

Although the news about the domestic property market was important, its impact on these shores was perhaps *eclipsed* by a raft of Purchasing Manager Index (PMI) readings on Thursday. The data showed that British business activity sped up over the last month whilst cost pressures were the weakest in over three years. In fact, the reading proved to be the highest since April, rocketing well above forecasts and adding to positive economic indicators we have seen recently.

However, a separate survey published on the same day showed that British factory orders were *waning*, falling again this month but at a less severe pace than in July, demonstrating a stop-start recovery in the sector over the past few months.

After a glut of domestic data to analyse, by the second half of the week it was time to moonlight over in the US to cover the Federal Reserve's release of the meeting minutes from their last get-together. It appears that the policy of holding rates steady was just a phase and that the central bank are very much on track for an interest rate cut in September after the "vast majority" of officials said such action was likely. Most Fed policymakers also thought that 'if the data continued to come in about as expected, it would likely be appropriate to ease policy at the next meeting,' the minutes said.

The week was rounded off with the start of the Jackson Hole Economic Symposium, with financiers from central banks, the world of academia and the media all heading to Wyoming to discuss all things financial markets. With all the great and the good from the world of finance, having intriguing talks planned over the weekend, much like the reflection on this week's blue moon, it's difficult not to be a little starstruck by it all…

This coming week

After a busy time monitoring speeches and appearances at the Jackson Hole Economic Symposium over the weekend, economists (at least on domestic shores) will have the Summer Bank Holiday off to have a rest before another busy week of data releases comes their way.

The first port of call should be the US, where the American Conference Board releases its consumer confidence figures on Tuesday. 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.

From the US to the continent next, more specifically Germany, Europe's largest and most arguably influential economy. With the German economy having been one of the slowest economies to have recovered from the pandemic and seriously hindering the overall European economy's bounce back over the last few years, all eyes will be on the nation releases a glut of data. Import Prices and Retail Sales will both be released alongside inflation data, which could potentially have the largest effect on sentiment, all combining to give us a comprehensive view on how the German economy is faring. With predictions that the European Central Bank will look to cut rates after their September meeting mounting, the data should take on even more significance.

With what could be a quiet upcoming week for markets, the end of the week should be wrapped up with one of the mostly hotly anticipated data releases is made public on Friday, monthly Core PCE Price Index readings. Predicted to make quite the impact on the markets after its release, 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.

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Back to top

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