Article MARKET COMMENTARY

Market round-up: 09 - 13 September

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

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This week just ended

Long considered a harbinger of bad luck, Friday the 13th carries with it a reputation of poor fortune, just that eerie feeling that something bad is about to happen.

Just as unfortunate as walking under a ladder, crossing paths with a black cat or breaking a mirror, it is difficult to pinpoint the exact origin of the fear for the day. Often regarding the number before it as a sign of completeness, 12 months of the year, the 12 signs of the Zodiac, 12 gods of Olympus and the 12 days of Christmas to name but a few, perhaps the odd number following it just makes us feel uneasy. The seating arrangement at the Last Supper is also believed to have given rise to a longstanding Christian superstition that having 13 guests at a table was a bad omen, with Friday being the day Jesus was crucified, the reported day Eve gave that fateful apple to Adam and also the day Cain killed his brother, Abel.

Whatever the reason for the mistrust of the day, there was plenty to be worried about for investors who suffer with Triskaidekaphobia (the excessive fear of Friday the 13) this week as the big day rolled, but little in terms of unsettling data.

For those hunting for a new role, Tuesday's domestic employment data from the Office for National Statistics (ONS) showed that their luck may be in. The numbers showed that although pay growth cooled in the three months to July to a more than two-year low, job openings did tick up significantly higher. British average weekly earnings, excluding bonuses, were 5.1% higher than a year earlier during the three months to the end of July, in line with consensus forecasts. Although Britain's economy did add 265,000 jobs in the three months to July, the ONS said, far more than the 123,000 predicted.

Interestingly, the number of unfilled job vacancies also fell to a more than three-year low of 857,000 in the three months to July, down from 1.3 million in mid-2022 but still higher than in early 2020, before the pandemic. The mixed data will have done little to move expectations that the Bank of England will look to cut rates any earlier than October, with those on Threadneedle Street repeatedly stating they require more data before they make another move.

With employment data very much the theme for the week, Thursday saw US unemployment claims readings revealed, again passing without too much fanfare. The figures showed that the number of Americans filing new applications for unemployment benefits increased marginally last week, suggesting that layoffs remained low even as the labour market is slowing. Initial claims for state unemployment benefits rose 2,000 to a seasonally adjusted 230,000 last week, pretty much on consensus. Although the Labor Day bank holiday in the US could have skewed the data slightly, the result was for markets was to increasingly price in a 0.25% over a harsher 0.5% rate cut when the Federal Reserve meets next week.

It is difficult to calculate the exact time for which Friday the 13th became infamous on the continent. On the day in 1307, officers of King Philip IV of France arrested and executed hundreds of the Knights Templar, a powerful religious and military group that could have started the negative connotations about the date. In France, Friday the 13th might have been associated with misfortune as early as the first half of the 19th century. A character in the 1834 play *Les Finesses des Gribouilles* states, 'I was born on a Friday, December 13th, 1813 from which come all of my misfortunes.'

Although we probably won't ever get to the bottom of the myth, Europe was the origin of the most noteworthy news this week, as the European Central Bank (ECB) cut rates by a further 0.25%. Although mostly priced in by markets, those waiting for some forward guidance over what we should expect, were indeed in luck.

'Our path, of which the direction is pretty obvious, a declining path, is not predetermined, neither in terms of sequence nor in terms of volume,' ECB President Christine Lagarde told a press conference. It was also remarked upon that the bank will require more data before they look to cut further, turning their attentions towards December rather than October. As luck would have it, so do markets, pricing in just a 30% chance of an ECB move next month now.

This coming week

After a relatively serene start to September in terms of market calmness, the coming week could see that post summer lull come to an end as a packed schedule of economic data heads our way.

With Japan and China closing their markets in observations of bank holidays, it will be up to the US to take up the mantel of data releases early in the week. Although the latest Empire Manufacturing Index reading will be released on Monday, digesting a survey of about 200 manufacturers in New York state which

which asked respondents to rate the relative level of general business conditions, the limelight could be grabbed by US retail sales figures the following day.

Retail sales figures, especially in the US, where inflation has remained stubbornly high, should offer a useful gauge to judge whether price rises will start to slow soon, as the consumer tightens their belt. The numbers should take on added significance in the face of recent weaker employment data, potentially showing a consumer less willing to spend that in weaker years, int turn giving us some clues about the trajectory for upcoming inflation data is headed.

Purchasing could be the watchword for the week as the main data comes from domestic shores as we see whether the Bank of England (BoE) is buying into the weaker inflation story. Wednesday will see the nation's latest inflation reading released before the central bank itself comes out the following day to announce it new base rates, widely predicted to keep borrowing costs steady this time.

With those on Threadneedle Street predicting for inflation to rise moderately throughout the final quarter of the year, many see the bar to a cut at September's meeting therefore seems fairly high, with officials preferring to wait until November before lowering rates again. Unfortunately, we will not receive any new forecasts this time either, nor a press conference this time around, with the accompanying policy statement absent of any major signals on what the bank's latest thoughts are.

The second half of the week should be one characterised by central banks, as the Bank of Japan (BoJ) will announce their latest borrowing costs. With the trajectory of rates in Japan moving the over way to several other western economies, it will be interesting to listen to the bank's views. With recent higher than expected inflation and employment figures catching the BoJ's eye, BoJ's eye, raising rates during October rather than next week, making the forward guidance accompanying the announcement crucial.

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