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Article MARKET COMMENTARY

Market round-up: 11 - 15 November

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

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This week just ended

It's not that often something that travels at 65,000mph is termed as "very slow" but this Monday gave those watching the skies the perfect opportunity to see one of the years stargazing highlights, as both the Northern and Southern Taurid meteor showers passed through the night sky at a casual 17 miles per second. Producing up to 5-10 clearly visible meteors an hour when entering the Earth's atmosphere may sound sparse, but those looking upwards would have been treated to quite the show.

Whilst astrologists paid attention to the skies on Monday, the following day, economists were focussing on pay in general as the Office for National Statistics released a raft of employment data, covering everything from average remuneration changes to job openings. The data showed that wage growth continues to ease, with pay, excluding bonuses, growing at an annual rate of 4.8% between July and September, the lowest in more than two years. The number of new job vacancies also continued to fall back to Earth, a trend that has lasted well beyond two years now.

Interestingly, the report also contained several mentions from the businesses surveyed, of higher costs and a pause in hiring before the key details of the Budget were announced.

Such issues were also mentioned in the UK's Gross Domestic (GDP) report on Friday. Acting as the broadest measure of economic health, the data showed that the economy grew by just 0.1% over the third quarter and actually shrank during September itself. With September being particularly weak, it seems perfectly plausible that some of slowing is the result of elevated uncertainty as firms and households speculated about possible tax changes ahead of the Budget.

Across the pond, US stock indices continued their meteoric rise, with the Dow Jones crossing the 44,000 mark for the first time during Monday. Led by Wall Street's largest banks, the cohort has posted sharp gains since Donald Trump's election victory last week, with investors taking the view that his return to the White House could lead to lighter regulation of the banking sector.

Also aiding American stocks were US inflation figures, released on Wednesday this week, helping to pave the way for the Federal Reserve to potentially cut rates by a further 0.25% by the end of the year. Whilst inflation did pick up a little on a monthly basis, rising from 2.4% to 2.6%, the jump was hardly earth shattering and was very much in line with expectations.

However, the core reading, stripping out more volatile sectors such as food and energy, was more pronounced, accelerating 0.3% for the month and was at 3.3% annually, also meeting forecasts. Energy costs, which had been declining in recent months, were flat in October while the measure of price rises for food increased 0.2%. the report also showed that on an annual basis, energy prices fell 4.9%.

Despite signs of inflation moderating elsewhere, shelter prices continued to be a major contributor to the tick up in the overall reading. The shelter sub-index, which enjoys large weighting in the broader index, climbed another 0.4% in October, double its September rise, resulting in an increase of 4.9% on an annual basis.

Interestingly egg prices scrambled down 6.4% for the month but are still up an out of this world 30.4% from a year ago.

Giving us more insight into the figures, Fed governor, Neel Kashkari, said he'll be looking at incoming inflation data to determine whether another interest rate cut is suitable for their December meeting.

Asked about what could cause policymakers to reconsider a rate cut, he comet-ed: "There'd have to be a surprise on the inflation front to change the outlook so dramatically…If we saw inflation surprises to the upside between now and then, that might give us pause."

Kashkari also repeated that the US economy remains strong but inflation hasn't fully declined to the Fed's 2% target. It may take a year or two for prices to reach that target given the above average pace of housing inflation, however he did call the cooling in that area "encouraging."

It seems just like our friend the Taurid meteor showers, the Fed is looking to give itself some space in which to work in, when bringing rates back down to Earth.

This coming week

With temperatures set to plummet during the coming week and flurries of snow predicted throughout the British Isles, perhaps it's best to just stay indoors and watch from somewhere warm over the next few days.

Aptly, indoors is exactly where we'll start the week, or more specifically in the house, as Rightmove provides its Housing Price Index data on Monday morning. The data usually acts as a leading indicator of the housing industry's health as rising house prices often attract investors and spur industry activity. When a house is bought or sold, it creates a ripple effect across many different sectors, from solicitors and surveyors to DIY shops all cashing in, making the data both important and far-reaching.

With the prices for gloves, hats and most probably skis all set to rise no doubt, handily the middle of the week supplies us with domestic inflation data, measuring the change in prices over the previous month. With many economists now expecting the BoE to hold fire on any more rates cuts during 2024 and even scaling back such moves during the coming year after an inflation inducing budget, the numbers will take on added significance and could perhaps help set the tone for the rest of the year.

Carrying on the domestic theme, the end of the week also allows us to check the temperature of the High Street, with the Office for National Statistics making public its Retail Sales figures. Acting as the primary gauge of consumer spending, the data will make for interesting reading. With many reports that consumers have been holding back on purchases until the details of the Budget are released, we could be in for some mixed data to say the least.

During what could be a relatively quiet week for markets, a flurry of activity arrives on Friday as mass of Purchasing Manager's Index (PMI) readings arrives. Covering both the Manufacturing and Services sectors for Germany, France, an overall European composite, the UK and US. The readings will give us an invaluable sense of the global economy at a company level as businesses will be asked to rate the relative level of business conditions including employment, production, new orders, prices, supplier deliveries and inventories.

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