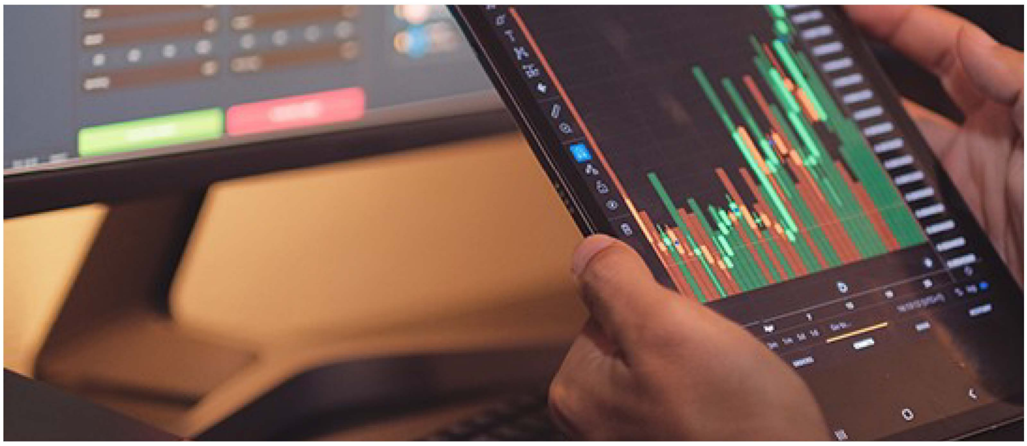
Home Market round-up



Article MARKET COMMENTARY

Market round-up: 18 - 22 November

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

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This week just ended

Initially perceived as food that men shared whilst gambling and drinking late at night, the humble sandwich slowly began appearing in polite society as a late-night meal among the aristocracy during the 18th century. The perfect snack for for games of Cribbage into the early hours, it is said that the Earl of Sandwich, a big fan of gambling, would order his valet to bring him roast beef between two pieces of toasted bread. The idea was that it would allow the Earl to continue gambling and eat at the same time, without the need for a fork and without getting his cards greasy from eating meat with his bare hands.

Gaining popularity throughout London shortly afterwards, with Sandwich's name associated with its invention, the dish has had a lot of incarnations during its evolution, with different fillings coming in and out of fashion. Such developments were shown to have carried on at pace this week as a survey by a famous bakery showed a burgeoning generational divide on such a serious issue, with the country reportedly turning its back on classics like ham and British cheddar, in favour of 'extravagant' fillings such as avocado, olives and even continental cheese.

From the fillings of doorstep sandwiches to doorsteps in general, the past week also proved a busy week for economists (although still managing to grab a sandwich here and there) as Monday saw online estate agent, Rightmove, release its House Price Index data. With house prices having been *on a roll* for much of the year as the Bank of England begins its rate cutting cycle, many homeowners would have hoped the trend could continue. Unfortunately, the data showed that average new seller asking prices drop by 1.4% this month, a bigger fall than the seasonal 0.8% drop seen at this time of year, which was attributed to pre- and post-Budget jitters from consumers.

There was some good news though, with Rightmove's forecast for next year showing that asking prices will rise by 4%, their highest prediction since 2021, with lower mortgage rates releasing some of the pent-up housing demand and putting modest upwards pressure on price.

Staying with domestic data, the middle of the week saw the Office for National Statistics release its inflation data, a reading watched very closely in both the City of Westminster and London. Coming in at 2.3%, slightly higher than the 2.2% predicted and certainly an increase from last month's reading of 1.7%, the data justified the Bank of England's (BoE) cautious approach to cutting rates going forward.

There is no dressing it up, underlying inflationary pressures still remain elevated however. Core inflation, stripping out more volatile tobacco, alcohol and fuel prices, rose to 3.3%, above consensus of 3.1%. Services inflation, which the BoE tracks closely, increased from 4.9% to 5.0%, severely reducing the chances of another rate cut before the end of the year.

Whilst sandwiches seem to be becoming ever more exotic, nothing beats a good chip buttie and it was chips, albeit micro-chips that made company news this week, as the world's largest company, Nvidia, released its third quarter results. Acting as a bellwether for the wider tech sector, the chip maker's fortunes can have something of a wide-reaching impact, affecting not just those companies that make components for their products but also for those that use their chips, making them very important.

Revenue for Nvidia came in at a staggering $35.08 billion, up 94% year-on-year and exceeding the $33.16 billion forecast by analysts. However, despite nearly doubling sales year-on-year, Nvidia's third-quarter results did show a slowdown from previous quarters, having previously reported growth of 122% in the second quarter, 262% in the first quarter, and 265% in the fourth quarter of 2023.

In fact, so large is Nvidia's market capitalisation now, the company is the size of the entirety of the French and German indices combined, a great statistic to *wrap* up the week with…

This coming week

They say that a little bit of confidence can go a long way and in the field of economics, the axiom certainly rings true.

Consumer confidence is vastly important when assessing the general health of an economy, with the majority of economic activity coming from the person on the street and their changing spending habits. The US Conference Board releases its American consumer Confidence numbers during the beginning of the coming week, acting as an invaluable instrument in the economist's toolbox due to its sheer breath. The reading comes from a survey of about 3,000 households, asking respondents to rate the relative level of current and future economic conditions including labour availability, business conditions and overall economic situation. With a new man set to arrive in the White House in January the data should take on an added significance, as a close-run US election is bound to have affected consumer behaviour in some ways.

The middle of next week also gives us a greater insight into how strong the American economy is in general, with a triple whammy of data, followed by the release of the Fed's minutes from their previous meeting. With Unemployment Claims, inflation numbers and Prelim Gross Domestic Product figures all useful in their own ways, they are all backward looking, which may mean many economists will focus on the news from the Federal Reserve on the Wednesday evening.

The release of their latest minutes will act as a detailed record of the central bank's most recent meeting, providing in-depth insights into the economic and financial conditions that influenced their vote on where to set interest rates and should have a strong impact on global markets. With the Fed having cut interest rates by 0.25% a few weeks ago, the notes should take on added significance and could indeed help us gauge expectations for another move by Jay Powell's team before the end of the year.

Whilst the US consumer seems to have remained relatively buoyant over the past year or so, it is a very different picture in Europe, with Germany especially facing harder times. The end of the week should help us to get a feeling for the outlook of not just Germany but the wider bloc, with important inflation number released for the EU's largest economy. With the German economy having suffered most at the hands of higher gas prices from the east recently, inflation seems to have relented of late but takes on added significance for the cost of fuel as the Winter draws nearer.

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