



Article MARKET COMMENTARY

Market round-up: 2 – 6 December

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

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This week just ended

'Tis the season as they say, and with Christmas fast approaching, the usual roll call of Christmas parties, catching up with friends and family or just keeping up with the festive sporting schedule could mean a few extra trips to the local pub or bar over the next month. So what terrible news it is then, that Guinness brewer, Diageo, announced this week that they are having to limit the

amount of the black stuff making its way to the UK's watering holes, owing to 'exceptional demand' over the past three weeks. With the drink rising in popularity with women and younger drinkers recently and not helped by the recent rugby internationals, supplies are now reportedly perilously low around the country.

The *brewed awakening* didn't just stop there this week, especially for Guinness drinking economists (of which there are a few), as weaker than expected Purchasing Manager Index number for the UK showed that the *hop-timism* felt during the summer after the general election continues to fade. Coming in at a slight expansionary reading of 50.8 for the dominant services sector, the survey showed that confidence regarding the outlook for business activity during the next 12 months dropped to its lowest since December 2022. Survey respondents also widely commented on the negative impact of rising wage costs on staff hiring plans and business confidence.

One man who remained *stoutspoken* throughout the week, was Jay Powell, Chair of the US Federal Reserve, speaking at an event hosted by The New York Times on Wednesday. It seems that with the US economy's ongoing strength, the central bank is afforded some restraint when cutting interest rates going forward, stating:

'The US economy is in very good shape, and there's no reason for that not to continue...The good news is that we can afford to be a little more cautious.'

With incoming President, Donald Trump, threatening to impose tariffs on many of America's major trading partners, the bank also sounded cognisant of the threat to the status quo, with Fed Governor, Adriana Kugler speaking at a separate event on Tuesday, mentioning that 'studying the specifics, when they come out, will be important, as trade policy may affect productivity and prices.'

Whilst not strictly big Guinness drinkers, political turmoil has taken hold across the channel it would seem, with the French government collapsing after MPs voted overwhelmingly in support of the motion against Prime Minister, Michel Barnier, just three months after he was appointed by President Emmanuel Macron.

Wednesday's vote was the first time a French government had been voted down by parliament in more than 60 years after the decision was made to controversially use special powers to force through his budget without a vote. On the back of the news, French government bond endured a heavy sell off, with investors switching to perceived safer German debt instead.

Last orders for the week came in the form of US Non-Farm Payrolls on Friday, showing 227,000 American joined the labour force over the previous month, above the 218,000 predicted. Average hourly wages also ticked up slightly more than expected, but not enough to stoke any inflationary worries quite yet. Whilst not quite stout of this world, the economic data coming out of the US has remained robust throughout 2024, with the world's largest economy, potentially unlike many consumers in the UK, *sippin' pretty* as we head into the new year.

This coming week

Approaching one third of the doors opened on the advent calendar, the coming week gives us an early update as to how many doors estate agents are opening up, as Tuesday sees online estate agent Rightmove provide its Housing Price Index data. The numbers usually act 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.

Much like when considering properties, bigger isn't always better in the investment world either, with the insights of smaller firms highly valued. The middle of the week sees the US National Federation of Independent Businesses releases its Small Business Index, the results of a survey which asks respondents to rate the relative level of economic conditions including labour markets, inventories and sales, capital spending, inflation, earnings and wages. Those participating are usually defined as an independent for-profit enterprise that employ between 1 and 250 people, not including the owners, making up the backbone of the US economy.

The middle of the week gives us more of an insight into how the US economy is faring, with inflation data also being made public. With this being the final set of readings released before the Federal Reserve's final meeting of the year in two weeks' time. Both pieces of data should carry extra weight as we will no doubt gain insights into both small firms and the central bank's views on the incoming president and his new policies, as well as the state of the overall economy.

It's over to Europe for the final parts of the week as not only do we receive monthly UK Gross Domestic Product, giving us some idea over how the economy has reacted to the first Labour Budget, under Rachel Reeves, but Industrial Production figures, allowing us to see quite literally what firms have been making of it all.

The end of the week should also see the European Central Bank (ECB) cut rates for the fourth time this year, over concerns of a pronounced deterioration in the mood of European businesses and political turmoil. However, whilst a rate cut is fully priced in, markets have been torn about the size of the move, pricing in a 20% chance that the ECB could actually opt for a larger move of 0.5%.

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