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Article MARKET COMMENTARY

Market round-up: 25 - 29 November

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

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This week just ended

Whilst the early 20th century German printer, Gerhard Lang, may not be a household name amongst the younger generation (or in fact most generations), by the weekend, his invention will have permeated most homes in the UK.

Today over 16 million advent calendars are sold in the UK before the countdown to Christmas every year, often housing an ever-increasing variety of goodies as the industry grows. Although Lang's original advent calendar didn't have any of the little doors to open as we're used to today, it instead was composed of two printed parts. One page contained 24 pictures to cut out, as well as a cardboard page on which there were 24 boxes, each with a poem composed by the man himself. Children could cut out one picture each day, read a verse and then glue the corresponding picture on it.

With all this talk of doors, the beginning of the week was key for showing us just how many those on the high street are getting through theirs, as the Confederation of British Industry (CBI) released its sales data on Tuesday. The survey of c.125 retailers showed potentially tougher times ahead as sentiment from well-known brands about their business situation over the next three months fell at the fastest pace for two years in November. Retail sales volumes also declined moderately in the year to November, with retailers judging sales to be 'poor' for the time of year, to a similar extent as the previous month.

Looking ahead to the all-important month of December, retailers expect annual sales growth to deteriorate further, with volumes set to remain below seasonal averages next month, albeit to a lesser extent. Interestingly, the gauge from the survey shows that the last time retailers felt this gloomy was back in November 2022, during the peak of the inflation shock. Commenting on the figures, the CBI said:

'The stark rise in Employers' National Insurance next year will hit retailers hard. And the planned increase in business rates for higher-value properties will add significant operational costs for distribution centres.'

With the make or break period for many retailers approaching - Christmas, and increasingly Black Friday, sales figures should prove to be crucial for many economists going forward in understanding how strong the domestic economy is.

Staying with the Black Friday event, a report later on in the week showed online trading was also poor before the big day, leaving retailers hoping there will be a big rise during weekend, when discounts increase alongside what will be payday for many workers and with the effects of Storm Bert subsiding.

It really was a door theme this week as Tuesday also saw US New Home Sales figures released, allowing us to get more of a handle on how the American property market is faring. Sales of new homes in the US slumped in October to the lowest in almost two years, with affordability challenges continually weighing on buyers. However, the numbers must be taken with a pinch of salt with Hurricanes Helene and Milton, which tore through parts of the Southeast, delaying sales in the nation's biggest housing region and dragging down sales overall. Sales in the South decreased 28% to 339,000, the slowest pace since April 2020.

It appears US Federal Reserve officials have a fair amount in common with advent calendars too, as it seems you never quite know what you're going to get from them day to day either, such has been the mixed messaging this year.

However, the release of the minutes from their last meeting are now starting to show signs of consistency with recent press conferences. The minutes showed Federal Reserve officials indicated broad support for a careful approach to future future interest-rate cuts as the economy remains solid and inflation slowly cools. 'Participants anticipated that if the data came in about as expected, with inflation continuing to move down sustainably to 2% and the economy remaining near maximum employment, it would likely be appropriate to move gradually toward a more neutral stance of policy over time' stated the minutes, echoing the sentiments we've been hearing since the Fed's last 0.25% rate cut a few weeks ago.

Perhaps the most important data release also came from the US this week, with Core PCE Price Index numbers being made public. Notable for being the Federal Reserve's preferred measure of inflation, the reading came in at 0.2% month-on-month, the same as for September. However, on an annual basis, the index rose 2.3%, accelerating from the 2.1% pace notched the previous month. Inflation within the services sector drove much of the monthly increase, as prices rose 0.4% from September, while goods prices ticked up by 0.1%. Food and fuel prices, two of the most impactful sectors for consumers, held relatively stable.

Whilst acting as no cause for alarm, the incoming US President's potentially inflationary trade policies could give the Fed something to think about going forward, meaning that much like Lang's aforementioned advent calendar, the days of consistently subsiding inflation could well be numbered…

This coming week

For anyone familiar with the French Republican Calendar, they will know that December appears within the months of Frimaire and Nivôse, meaning frost and snowy respectively.

Whilst you can't fault the French for being literal, especially after the weather we've been having, it is in Europe we begin the coming week, with a set of data that could well be in for a frosty reception. A flurry of activity arrives on Monday as a mass of Final Purchasing Manager's Index (PMI) readings arrives. Covering the Manufacturing sectors for Germany, France, an overall European composite, the data will also cover the UK and US too. 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.

The high street has been feeling the chill of late, with many of the latest Budget's policies having put consumers off spending for the immediate term. With the British Retail Consortium (BRC) releasing its Sales Monitor figures, we should see the effects of this come into focus. Although the figures lead the government released consumer inflation data by about 10 days, they can be narrower scope as they only include goods purchased from retailers who belong to the BRC. Nonetheless the figures should give us a decent update as to how the UK high street is performing and what we should expect from both upcoming retail sales and inflation numbers.

With many of us having to wrap up warm this week, the week itself will wrap up with a smattering of US employment readings, more specifically, US Job openings data followed by Non-Farm Payroll (NFP) figures. Both are important in their own way and together, help us build a comprehensive picture of how the employment landscape in the US is shaping up.

NFPs are highly regarded by the US Federal Reserve, we should expect heightened market volatility come the end of the week during its release. The data itself will be accompanied by Average Hourly Earnings, allowing us to gauge future inflation expectations as the more consumers earn, the more they tend to spend. It all combines to be a vital piece of data for the Federal Reserve and should take on added significance with the labour market having shown further signs of deterioration during the previous months, flashing potential recession warnings.

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