Article MARKET COMMENTARY

Market round-up: 3 - 7 February

With so many Brits reportedly missing the Self-Assessment deadline last week, Thomas Watts recaps a busy week and looks forward to the next with interest.

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This week just ended

There is nothing like leaving it to the last minute, a mantra exemplified by those 11.5 million filling out their tax returns during last Friday. Data from HMRC this week showed that an estimated 1.1 million people missed the deadline, with 31,000 completing the forms with just seconds to go.

However, with Donald Trump now in the White House, for investors there was also plenty of interest to declare this week, especially on Monday. Markets woke up to the news of a signing in of three executive orders the United States imposed 25% tariffs on Mexican and most Canadian imports and a further 10% on goods from China, effective the following day. Kicking off a potential trade war that many had feared may come to pass when he re-entered power.

Markets failed to mind the GAAP, slumping to their worst day of 2025 so far. Although not directed at Europe just yet, the continent's biggest car makers, which are highly vulnerable to trade duties, sank by more than 3%, while the region's technology shares were also among the major losers, falling over 2%. Domestic shares fared little better, with the blue-chip index falling 1.4%, while the pound dropped 0.4% after Trump told reporters on Sunday that while the UK was "out of line" when it came to trade, it may be able to avoid tariffs.

US markets did gain some poise later as Trump paused new tariffs on Mexico for one month after it agreed to reinforce its northern border with 10,000 National Guard members to stem the flow of illegal drugs.

One event that was very much *appreciated* by markets was a much-anticipated rate cut from the Bank of England (BoE) on Thursday afternoon. Almost completely factored in by investors, those on Threadneedle Street cut rates by 0.25% to leave the overall base rate at 4.5%, however, what wasn't *accounted* for was the dissenting votes from the Monetary Policy Committee, with a 7-2 split in favour of the move. The two dissenting votes were actually in favour of a larger 0.5% reduction, and one of those votes came from the previous arch-hawk Catherine Mann, a member who has continually voted not to cut rates at all.

During his conference after the announcement, BoE Governor, Andrew Bailey, said the general direction for inflation remained downwards and he expected to be able to cut rates further, "but we will have to judge meeting by meeting, how far and how fast."

Whilst giving its outlook on the domestic economy, the bank cut their forecasts for growth for 2025, halving them from 1.5% to 0.75%.

Data released earlier in the week, reaffirmed such *gross* predictions, with a survey of the manufacturing sector showed British factories reported another tough month in January as output, new orders and employment all fell, with companies hit by higher costs even before National Insurance contributions and the minimum wage go up in April.

The week was wrapped up with US Non-Farm Payroll data, a key metric for the American central bank to assess when gauging the strength of their economy. Data showed that although the unemployment rate in the US dropped to 4%, just 143,000 Americans joined the labour force during the previous month, less than the 169,000 anticipated, although average hourly earnings did pick up strongly, 0.5% compared to 0.3% predictions, maybe its not such an *accrual* world after all…

This coming week

Whilst love should be in the air towards the end of the week with Friday marking Valentine's Day, there is plenty for economists to feel amorous about this coming week, even though it could mean an early start.

With Chinese markets having seen limited trading over the last few weeks due to the observance of their new year celebrations, economic data for the country continues to be released at a rapid rate. Perhaps the most important of this will arrive in the early hours of Monday when the National Bureau of Statistics releases its inflation data. With four of the last five readings having come in below expectations, it will be interesting to see if price pressures are starting to build in the world's second largest economy. The data should also take on added significance as it will most likely be the final reading before any tariffs come into effect from the US.

Inflation could be the watchword of the week, with the US releasing its equivalent data later in the week. With many of Donald Trump's new policies on immigration and trade tariffs potentially inflationary for the US economy, it will be interesting to dig into the data before his new legislation really starts to take effect.

The early parts of the week could also prove crucial for monitoring the path of interest rates here in the UK, with two of the more influential members of the Bank of England's rate setting committee due to speak. Whilst Andrew Bailey is the Governor of the central bank and ultimately carries the can for the bank, it will be Catherine Mann, an external member of the Monetary Policy Committee, who's interview could be the most revealing. Having been against cutting rates for a while now, consistently voting not to cut during the bank's last 6 or 7 meetings, Mann, surprisingly switched her vote during last week, in favour of a deeper 0.5% cut than many of the committee. Hearing her views and the reason for the sudden change of heart will prove very interesting indeed.

The week will be rounded off with US Retail Sales data on Friday, which could be key in determining just how retailers are faring across the pond. With the US consumer appearing to remain extremely buoyant, a recent dip shown in consumer confidence survey figures could have a knock-on effect when these numbers are released.

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Risk warning

The value of your investments can go down as well as up and you may get back less than you paid in. Tax rules can always change in the future. Your own circumstances and where you live in the UK could have an impact on tax treatment.