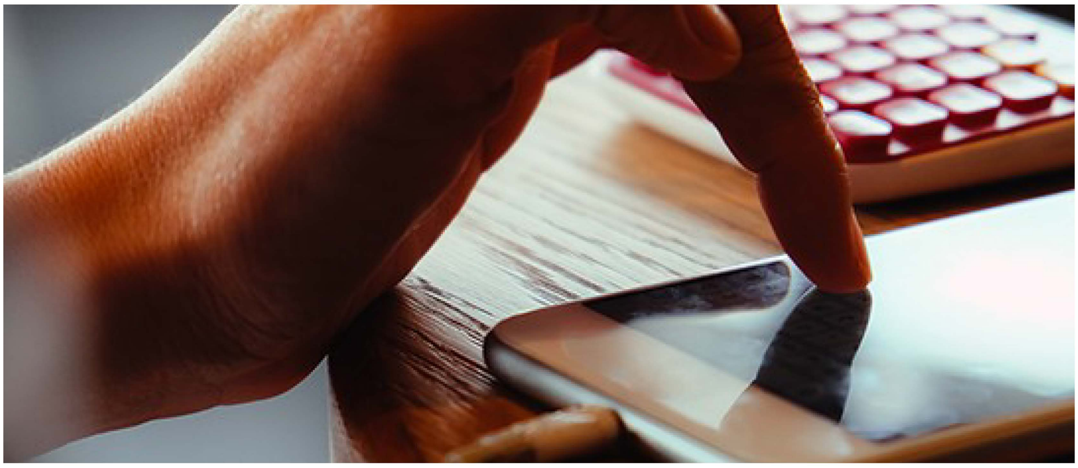

Article MARKET COMMENTARY

Weekly round-up: 3 - 7 March

Tom Watts recaps the past week's events and looks ahead to the next.

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This week

Stretching out over 415 yards and strictly open only to female contestants, each clutching a frying pan as they go, the Pancake Day race through the Buckinghamshire town of Olney can trace its routes all the way back to 1445.

According to folklore, the contest is inspired by a local woman who reportedly lost track of time while making pancakes. Upon hearing the shriving bell ring, she apparently rushed to the church service still in an apron and with a pan tightly in her hand. That much documented short dash through town is still recreated to this day, with hundreds lining the streets to cheer on runners, tossing pancakes as they go.

While the race to the front door of St Peter and Paul's Church in Olney got under way this week, it was global stock markets that were getting battered, with the US blue chip index seeing its largest one-day fall since mid-December and the tech heavy Nasdaq benchmark entering into correction territory (falling 10% from a record peak, also hit during December).

U.S. President Donald Trump said 25% tariffs on Canadian and Mexican goods would go into effect on Tuesday, with "no room left" to negotiate. Combined with soft US economic data also released during the beginning of the week, showing that although manufacturing was steady in February, prices at the factory gate jumped to a nearly three-year high and materials deliveries were taking longer, suggesting that tariffs on imports could soon hamper production.

Although news later broke that Trump had agreed to delay tariffs for one month on some vehicles built in North America after a call with the CEOs of various car manufacturers, US markets were kept stuck firmly in reverse throughout the week.

In the true spirit of a good pancake race, looking at the flip side, it was European markets that were buttering investors up the right way, with defence stocks powering European shares to a record. With news that that Germany's new government was considering setting up a defence fund for helping Ukraine, Germany's DAX stock index logged its biggest one-day jump since November 2022, closing at a record high. The good cheer for Europe also rippled across the English Channel, pushing the FTSE 100 to new levels.

The key parties in talks to form Germany's new government agreed to try to loosen fiscal rules for defence spending, creating a 500 billion euros special fund to boost the country's infrastructure. Under proposed plans, defence spending that exceeds 1% of gross domestic product will not be counted towards Germany's debt brake, which limits government borrowing to 0.35% of GDP, meaning defence spending will no longer be capped. However, financial markets also saw such negotiations as requiring the government to borrow a lot more, stoking a bond sell-off that characterised the second half of the week, with Bund yields seeing their biggest rise since the 1990s.

Refusing to get *whisked* away with the markets, the European Central Bank (ECB) cut interest rates as expected on Thursday, whilst keeping the door ajar for further moves if required. With rates now falling to 2.5% on the continent, a nod was given to slowing inflation and faltering growth, the bank commented that "monetary policy is becoming meaningfully less restrictive," moving from its previous guidance that rates remained restrictive."

The first Friday of the month also signals US Non-Farm Payroll data, a treasured piece of information for the Federal Reserve when judging future rate policy. Information released showed that 151,000 Americans joined the labour force over the month, slightly lower than the 159,000 forecast. The average hourly wage Americans also increased largely in line with expectations at 0.3% on a monthly basis. From the figures it seems that any talk of a slowing labour market for the time being, may just be *waffle*...

Next week

After a volatile start to the month, for those more suspicious investors, there could be more on the way as the coming week counts down towards the 15th March, better known as the Ides of March.

Shakespeare's famous line from the play Julius Caesar, in which the soothsayer warns the Emperor "beware the Ides of March," has cemented itself in culture, often seen as a harbinger of ill fortune, and yet, there is nothing really special about the day itself.

Unlike today, the ancient Romans didn't simply number their calendar days in order from the first of the month to the last. Instead, they counted backward in relation to three spaced out days throughout the month; the *calends*, *nones*, and *ides*.

With the Roman day of the month calculated by counting the days (including the starting and ending days) before the *Calends*, *Nones*, and *Ides*, the coming week actually begins on the 10th, or as the Roman's would say, five days before the Ides of March.

With this in mind, what better place to start the week than in Italy and on the continent more generally, examining European Investor Confidence on Monday. Surveying 6,600 investors and analysts, who are asked to rate the relative six-month economic outlook for the Eurozone, the data acts as a really broad and useful tool. investors are usually highly informed by virtue of their job, with changes in their sentiment potentially being an early signal of future economic activity.

From the Ides to the CPIs of March, Wednesday sees the US release its Consumer Price Index (CPI), the simplest measurements of price changes for goods and services and one of the most important pieces of data for central banks when determining future rate policy. The numbers could take on added significance as investors sweat over the effect new US President, Donald Trump's, potentially inflationary tariffs starting to have an effect on prices in the world's largest economy and should tie in nicely with US inflation expectation survey data released on Friday.

On the domestic front it should be "Friends, Brits, countrymen, lend me your ears" as the Office of National Statistics releases its Gross Domestic Product (GDP) figures on Friday. GDP is hugely important and acts as the broadest measurement of an economy's health and will be monitored carefully in both Westminster and at the Bank of England, hoping for any clues that the fragile economy is gaining momentum.

A sentiment surely echoed by Antony at the end of his famous speech in Julius Caeser, *"Now let it work. Mischief, thou art afoot, / Take thou what course thou wilt!"*.

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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.

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