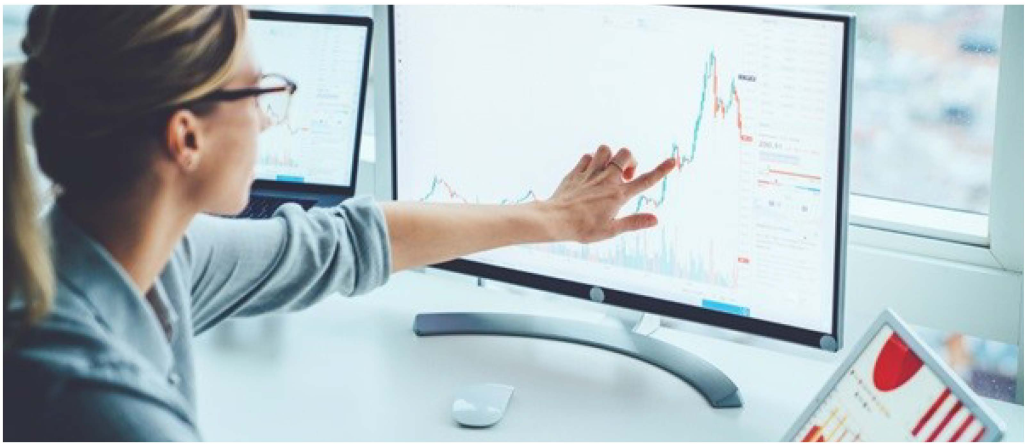
aberdeen

Home Weekly round-up



Article MARKET COMMENTARY

Weekly round-up: 24- 28 March

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

Author

Thomas Watts

Senior Investment Analyst

Duration: 5 Mins Date: 28 Mar 2025

This week

"If you build your car in the United States there is no tariff."

Just as investors were *gearing* up for a quiet week on the tariffs front, news emerged on Wednesday that quite literally sent markets into reverse, as US President, Donald Trump, gave the green light for the next stage of increasingly escalating trade wars.

The new 25% tariffs also will apply to major automotive parts imports, identified in Trump's proclamation, as "engines and engine parts, transmissions and powertrain parts, and electrical components," and will come into effect by the 3 April 2025. Unsurprisingly, Korean and Japanese markets, home to some of the world's largest vehicle manufacturers, suffered heavy losses on the news, as did European stocks, with shares in Europe's top carmaker Volkswagen, falling 2%. It wasn't just car manufacturers outside the US that needed to buckle up either, with General Motors and Ford skidding 7% and Ford 4% respectively.

For reference, almost half of the 16 million cars sold in the U.S. last year were imported, with a total value exceeding $330 billion.

Shifting down a gear, on the economic data front, weaker than expected domestic CPI was also released this week, offering the Bank of England (BoE) some respite for the moment. Consumer prices rose by 2.8% in annual terms, lower than the 3% predicted and lower than the 3% increase for January. Overall prices for clothing and footwear fell in the year to February for the first time since 2021, with children's clothing and accessories such as hats and scarves also having an impact on the reading.

Fuelling this was an unseasonably high number of clothing sales, with discounting usually dropping off in February as January sales end and spring ranges enter the shops, a phenomenon that failed to materialise this year.

On the news, sterling fell 33 cents on the dollar to below $1.29, as investors buckled up for another potential rate cut from the BoE in late Spring on the back of the data.

Hoping all of this will be in the rear-view mirror soon, Chancellor, , Rachel Reeves, delivered the Spring Budget on Wednesday afternoon, announcing £14 billion of cuts to public spending in order to restore the government's narrow fiscal headroom of about £9.9 billion.

With an economy badly *stalling* since Labour's Autumn budget, threatening her fiscal targets, Reeves was forced to perform a *U-turn* and trim the government's spending plans, giving some reassurance to investors. As Reeves spoke, the UK market sank but did recover ground later in the afternoon, led by energy and utility companies.

British bond investors also cheered lower than expected borrowing plans, but warned the government was likely to need tax hikes later this year if economic growth remains weak. The UK's Debt Management Office said it would sell £299 billion of gilts in the upcoming fiscal year, slightly below the £304 billion banks polled by Reuters had anticipated. Britain's 30-year Gilt yield fell as much as 7 basis points on the news, to around 5.32%.

Wrapping up the week, domestic retail sales switched to the fast lane, with British shoppers unexpectedly loosening their purse-strings last month, defying most forecasts for a drop in spending on the high street. On an annual basis, sales volumes for February were 2.2% higher versus expectations for a slowdown to 0.5% growth, driven on by household goods sales, which registered their largest rise since April 2021.

Accompanying data also showed British households saved more money as a proportion of their income at the end of 2024 than at any point in nearly 15 years, excluding the pandemic, showing that UK consumer could be far from *exhausted* just yet.

Next week

As March is marshalled out the door, the Spring months finally start to come in into view, in the form of April, a month whose birthstone is of course, the diamond. After a tough start to the year for markets, many investors will be hoping the month ushers in some sparkling returns rather than a carbon copy of what we've already seen this year.

With US President, Donald Trump, once again ramping up tariff rhetoric, this week's deadline of Wednesday evening should help us glean just what the state of play is in terms of a burgeoning trade war. With Trump having repeatedly threatened tariffs only to soften his stance at the eleventh hour, many economists will be expecting further drama before the final directives are signed.

Away from the geopolitical tensions, there are several key pieces of economic data being released during the coming week that should give us a handle on just how strong the global economy is.

A country that against all odds has escaped most of Mr. Trump's wrath so far is China, which is fast becoming a darling of the stock market for 2025 in America's stead. Monday sees just what they are making of all of it, quite literally, with manufacturing data released early on Monday morning.

Purchasing managers, by virtue of their job are well informed on how a company is operating with their views on hiring, inventories and sales, acting as a leading indicator of economic health. The report stems from a survey of 3,000 purchasing managers, asking respondents to rate the relative level of business conditions, with a reading of above 50 indicating expansion, and below, contraction.

From Thursday onwards, the week should take on a distinctly US employment theme, brought about by both 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 recently showing few signs of weakness in the US.

The information in this blog or any response to comments should not be regarded as financial advice. If you are unsure of any of the terminology used, you should seek financial advice. Remember that the value of investments can go down as well as up, and could be worth less than what was paid in. The information is based on our understanding as of 28 March 2025.

Back to top

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.

aberdeen