abrdn

Home Market round-up

Article MARKET COMMENTARY

Market round-up: 27 November – 01 December

Tom Watts recaps the week and takes a look ahead to next week.

Author

Thomas Watts

Investment Analyst

Duration: 4 Mins Date: 01 Dec 2023

This week just ended

Whilst the early 20th century German printer, Gerhard Lang, may not be a household name amongst the younger generation, by Friday this week his invention for children will have permeated most homes in the UK.

Lang's calendar didn't have any little doors to open, instead it 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.

Today over 16 million advent calendars are sold in the UK before the countdown to Christmas every year, often housing a variety of goodies as the industry grows. With the opening of doors in mind, it is apt that the first piece of economic data we had this week was US new home sales figures. Showing that sales of new US single family homes fell more than expected in October as higher mortgage rates helped to put off buyers even as builders cut prices – although admittedly this shouldn't last amid a persistent shortage of previously owned houses on the market. The supply of previously owned houses on the market is nearly 50% below its pre-pandemic level, according to the US National Association of Realtors, which last week reported that home resales plunged to more than a 13-year low during October.

Staying in the home of Black Friday sales, it appears it was an adventful/eventful start to the week for American shoppers. More than 200 million US customers shopped over the five-day event from Thanksgiving Day on Thursday to Cyber Monday, according to data, surpassing last year's record of 196.7 million. However, consumers spent an average of $321.41 on Black Friday-related purchases this year, lower than the $325.44 spent previously, showing that average spend per shopper did fall slightly.

It appears US Federal Reserve officials have a fair amount in common with advent calendars as it seems you never quite know what you're going to get from them day to day. And so it proved on Tuesday evening as a number of Fed officials spoke to the press, giving a range of views. Fed Governor, Christopher Waller, remarked that he is "increasingly confident" that the current level of central bank's policy rate is sufficiently restrictive and even hinted at the possibility of rate cuts in the months ahead.

However, in stark contrast, his colleague, Michelle Bowman, suggested another rate hike could be necessary to rein in inflation in a timely manner.

In what was a distinctly US data-themed week for markets, perhaps the most important release came on Thursday, with Core Personal Consumption Expenditures (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%, showing that consumer spending slowed somewhat over the month, following a brisk growth period during the third quarter. Though wages remain elevated, the pace of increase has slowed from earlier in the year as the labour market eases. It is worth noting that millions of Americans resumed student loan repayments last month, which will most likely curtail spending next year at a faster pace.

With that in mind, it seems that with spending forecasted to slow, much like the aforementioned advent calendar, the days of rampant inflation could well be numbered…

This coming week

With the countdown to Christmas now in full flow, many investors will be hoping for the much fabled "Santa-rally" - a phenomenon that describes a tendency for stock markets to end the year on a high, rallying during the final weeks of the year. Though not identified until 1972, the trend dates back to at least 1900. Although investors are not entirely sure what causes the rally, theories that explain it include end-of-year tax considerations, the investing of Christmas bonuses and just a general feeling of optimism and seasonal happiness amongst those in the markets.

What better way to get the party started than the British Retail Consortium's Retail Sales Monitor, released on Tuesday. With the Hight Street gearing up for its most important period, it will be interesting to see how those retailers belonging to the group are faring beforehand.

As well as a glut of Purchasing Manager Index readings from the world's major economy the following day, we also receive US job openings during the middle of the week. With a persistently strong labour market seemingly standing in between the Federal Reserve and cutting rates, if the data comes in weaker than expected we could see the first signs of a December rally. Job opening data often makes for fascinating reading, detailing the number of job openings during the reported month, excluding the seasonal farming industry, giving us an insight in to the health of the general labour landscape.

The data that could really spark a rally is kept until the end of the week, again focussing on the US labour market, with Friday bringing us Non-Farm Payroll data. Often considered one of the Fed's favoured pieces of information when determining their next rate move, we should expect heightened market volatility come the end of the week during its release. The employment 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.

Back to top

Riskwarning

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.