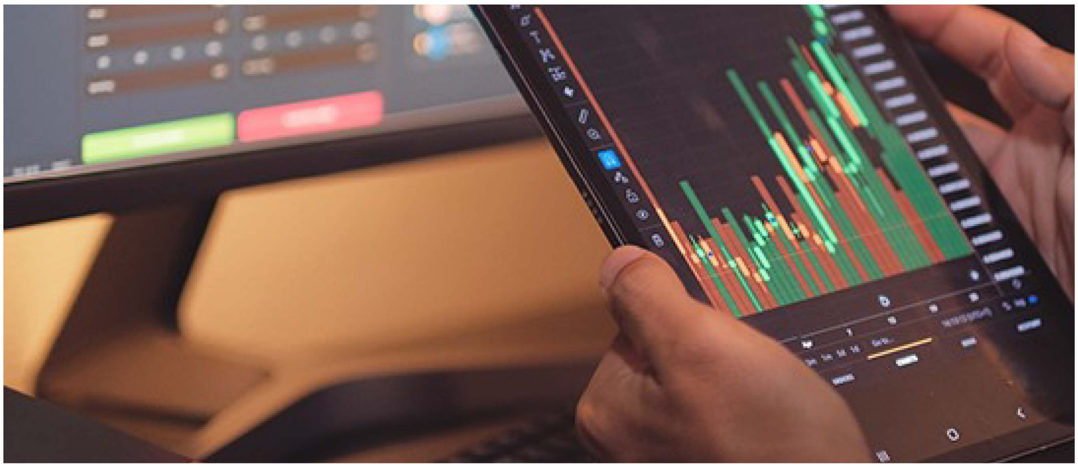

Article MARKET COMMENTARY

Market round-up: 18 - 22 March

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

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This week just ended

Usually when we think of frozen assets, it is generally viewed as a negative term, conjuring up images of parts of a business or an individual's portfolio that cannot be accessed or disposed of by announced it would be spinning off its ice cream unit, home to popular brands such as Magnum, Carte d'Or and Ben & Jerry's.

The ice cream division accounts for about 16% of Unilever's global sales and was met with investor cheer after the cost cutting announcement, sending the shares up over 5% on the day. Unilever said the business had less in common with its other consumer product lines because it needed a frozen goods supply chain and was more seasonal.

From a busy dairy to an even busier diary for investors this week, characterised by a slew of Central Bank announcements. Offering the first big scoop of the week on Tuesday, the Bank of Japan (BoJ). ended eight years of negative interest rates, declaring its first hike in 17 years, raising borrowing costs by 0.1%. Although it must be noted, such a move still does keep rates around zero in Japan, with a fragile economy forcing the central bank to take its time with any increases. Confirming this notion, the BoJ also said it expects "accommodative financial conditions to be maintained for the time being," not yet ready to signal when their next move could be.

Although the second central bank to give their views on interest rates this week was the US Federal Reserve, events in the world’s largest economy were certainly no second-dairy concern for markets. Opting, as widely expected, to keep rates untouched, the Fed did give some interesting forward guidance, with Chair, Jay Powell stating that "We want to be careful," reiterating a go-slow approach to rate cuts that has been reinforced by the economy's ongoing strength, leaving the central bank in no rush to ease monetary policy while the economy and the job market continue to grow.

The Fed’s updated quarterly economic projections also showed their key inflation measurement rising to 2.6% by the end of the year, compared to 2.4% in the projections issued in December. Nevertheless, 10 of the Fed's 19 officials remain cone-fident of 0.75% worth of rate cuts by the end of this year, a view first set in December and maintained despite recent stronger-than-expected inflation readings. With he much fabled "soft landing" coming more into view, US investors cheered the news, with the S&P 500 jumping 0.89% and the tech heavy Nasdaq leaping 1.25%.

Acting as desert this week, the third and final major central bank to take to podium was our own Bank of England (BoE). Speaking on Thursday, Governor Andrew Bailey declared that the British economy is "moving in the right direction" for the central bank to start cutting interest rates, although its rate setters voted 8-1 to keep borrowing costs at their 16-year high for March.

Earlier in the week, official data had shown that UK inflation had dropped further than anticipated, to 3.4%, an announcement that was "very encouraging and good news" according to those on Threadneedle Street. UK markets joined in the party that had started in the US the night before, with the large cap, blue-chip index rising by nearly 2% after the BoE's announcement, led higher by rate sensitive sectors such as property and retail.

From ice cream floats to stock floats, online community forum Reddit's shares received a far from chilly opening, rising 53% above their initial public offering price on their market debut on the New York Stock Exchange on Thursday, valuing the social media platform at $9.81 billion. Reddit's long-awaited entry as a publicly traded company has been in the works for more than two years after It confidentially filed for an IPO in December 2021, but due to a poorly performing market during 2022 and 2023 due to record central bank rate hikes, the float has been shelved up until now. Whilst the frenzy for US technology stocks might help Reddit get off a strong start, the company has yet to turn an annual profit, no doubt making it somewhat of a risk *six ways to sundae* for those investors that have already piled in.

This coming week

After what was a very busy week last week, investors will be hoping for relative quiet during what will be a truncated week due to the Good Friday bank holiday.

Whilst the search for easter eggs will be in full flow by the end of the week, investors instead will be on the search for any clues as to future Bank of England rate policy. The first hints should arrive on Monday as Catherine Mann, a member of the rate setting Monetary Policy Committee, is due to speak at the Annual Royal Economic Society Conference in Belfast. With such engagements often used to drop subtle hints about future policy, investors will scrutinise Mann's words for comments for references on a possible June rate cut.

The second half of the week should see investor gaze switch to the US, as the American Bureau for Economic Analysis releases its Final Gross Domestic Product (GDP) figures. Acting as the broadest measure of economic activity and the primary gauge of the economy's health, GDP measures the change in the inflation-adjusted value of all goods and services produced by the economy, making it a very useful tool for gauging where an economy stands. With the US economy also roaring ahead and seemingly avoiding recession, the numbers should go some way in helping us to understand just how probable the chances of a "soft landing" are becoming.

Although domestic markets will be closed on Good Friday, investors will be hoping for some good data out of the US, with monthly Core PCE Price Index numbers released. Predicted to make quite the impact on the markets after its release, the data differs from normal inflation readings in that it only measures goods and services targeted towards and consumed by individuals. CPI readings also only covers out-of-pocket expenditures on goods and services purchased. It excludes other expenditures that are not paid for directly, for example, medical care which is usually paid for by insurance in the US. These are, however, included in the PCE. Adding even more importance to the figures is that the data is reportedly the preferred piece of data for the US Federal Reserve, using it as their primary inflation measure.

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 at 22 March 2024.

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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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