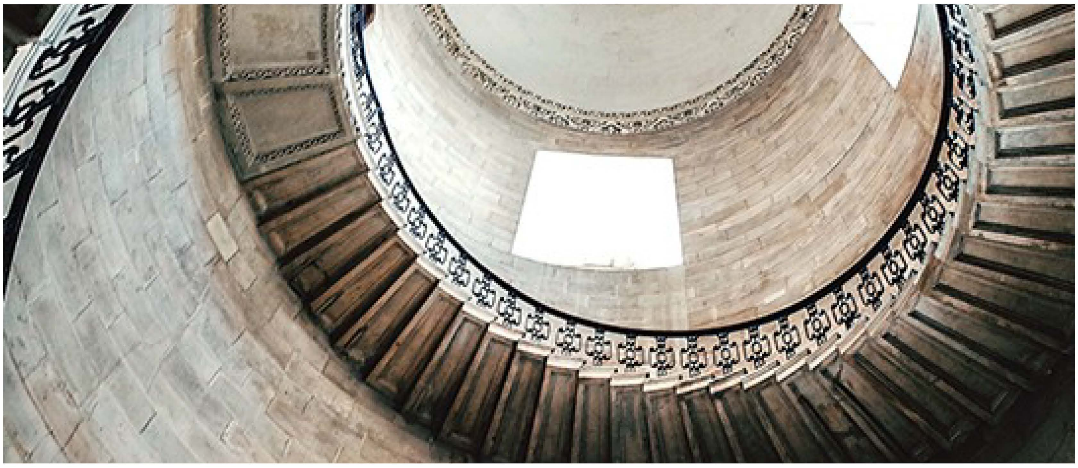

Article MARKET COMMENTARY

Market round-up: 22 - 26 April

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

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This week just ended

During a week that started with seeing close to 580,000 runners brave the London Marathon, it seems domestic markets took their inspiration from those brave souls who saw off 26.2 miles of all the capital had to throw at them.

Having been something of a running joke itself due to chronic underperformance over recent years, our very own FTSE 100 achieved a few new PBs this week, benefiting from a weakening pound and higher commodity prices. By Friday the index had hit a record for a fourth consecutive day, led by a jump of 3.5% from Natwest, after the British bank's first-quarter profit fell by a less than expected 27%. Heavyweight miner Anglo American also rose 16% throughout the week after it received a bid of £31.1 billion from its peer BHP Group. Even UK mid-caps were feeling the M&A fuelled love, up 1% on Friday, as UK technology company, Darktrace, rallied 19.3% after rival, Thoma Bravo, agreed to buy the cybersecurity company for about $5.32 billion.

Just as the week was warming up, Tuesday saw Purchasing Manager Index figures released that showed that private sector activity expanded for the sixth consecutive month in April as a robust recovery in service sector output helped to offset a marginal decline in manufacturing production. The highest reading in 11 months suggests gross domestic product (GDP) growth could now be around 0.4% on a quarterly basis, comfortably lifting the UK out of the recession it had fallen into during the end of 2023. Strikingly, the reading of 54 signals the highest rate of growth within the G7 group of developed nations, showing that despite much naysaying, the UK economy is indeed seemingly staying the course.

The US economy has really acted as the pacemaker coming out of the COVID pandemic, consistently showing signs of resilience, whilst those in Europe, particularly Germany and then to a lesser extent, the UK have proven to be backmarkers. However, US domestic product (GDP) data — the broadest measure of economic activity — was released during the middle of the week showing a sharp slowdown in the world's largest economy. Growing at 1.6% at an annualised rate, its slowest pace in nearly two years in the first quarter amid a surge in imports and a small build-up of unsold goods at businesses. However, when excluding inventories, government spending and trade, the economy grew at a 3.1% rate after expanding at a 3.3% rate in the fourth quarter, also dispelling the notion that government spending was fuelling the economy.

More worryingly for the US Federal Reserve, price pressures heated up by the most in a year, with a measure of inflation in the economy increasing at a 3.1% rate after rising at a 1.9% pace in the October-December quarter.

The term *take the money and run* seemed particularly apt towards the end of the week as the Japanese yen slid further against the US dollar. The Bank of Japan (BoJ) kept interest rates around zero on Friday and highlighted a growing conviction that inflation was on track to durably hit its target of 2% in the coming years, signalling its readiness to hike borrowing costs later this year. However, very few clues were offered on when that next hike will come. Instead the BoJ underscored its focus on keeping borrowing costs low, even at the cost of its currency devaluating further. The lack of clear guidance on the future rate hike path triggered a broad-based decline in the yen, pushing it down to a fresh 34-year low.

Waiting by the finish line this week was US Core Personal Consumption Expenditures (PCE) Price Index, reportedly the Fed's preferred measurement of inflation. Rising 0.3%, very much in line with expectations. On an annual basis, the data showed a 2.8% rise versus forecasts of 2.7%. The data acted as a boost to markets, who had witnessed a slew of much stronger than expected recessionary data, who still yearn for a drop in prices pressure in the short term. However, as any marathon runner will tell, it's what happens in the long run that counts…

This coming week

The coming week not only ushers in the beginning of the month of May but also firmly into the astrological sign of Taurus, coming from the word *Taûros*, Latin for "bull". Interestingly, the bestial sign of Taurus is associated with a raft of myths and bull worship from several ancient cultures, but many see the ancient Mesopotamians as the first users, who called it "The Great Bull of Heaven." With the domestic blue-chip index hitting several all-time highs last week, it will be investors praying to the most bullish god they can find to carry on the run, as we start the week off with a raft of domestic economic data.

With house prices within touching distance of all-time highs again, Nationwide's Housing Price Index (HPI) could prove to be a valuable insight. Detailing the change in the asking price of homes for sale on their books, the data should act as a leading indicator of the sector's health. The data will come freshly off the back of data from online estate agent, Rightmove, produced last week, showing the number of new sellers was 12% higher than a year earlier and the number of sales was up by 13% on its website. Demand was also strongest in the high-end segment, where asking prices in 2024 so far are up by the most since 2014.

Giving us a more complete view of how the UK consumer is feeling, the British Retail Consortium (BRC) releases its Shop Price Index numbers, detailing the change in the price of goods purchased at its member retail stores. The data however, still carries some weight despite having a narrower scope than official government data as it only includes goods purchased from retailers who belong to the BRC.

As ever, the first Friday of the month brings US Non-Farm Payroll data. A key piece of information when determining the US central bank's thinking on inflation, the employment data itself will be accompanied by Average Hourly Earnings, allowing us to more accurately gauge future demand expectations as the more consumers earn, the more they tend to spend. It all combines to be a vital piece of data for the Fed and should take on added significance, considering the extra impetus put on such data going forward from US central bank officials.

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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.