



Article MARKET COMMENTARY

Market round-up: 25 – 28 March

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

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This week just ended

In what has been a truncated week in domestic markets due to the celebration of Good Friday, there has still been plenty to keep those in the City busy. Not busy enough to still check in with social media however, as content rating and online forum behemoth, Reddit, enjoyed a stella debut week on the New York Stock Exchange. Helping to extend the strong run was the launch of

options on the stock during Tuesday, with more than \$1 billion added to the company's market value, doubling its share price in less than a week.

With this in mind, the first piece of real content for investors to check out was from the Confederation of British Industry as they released their realised sales figures on Monday morning. Asking 125 retail and wholesale companies in the retail arena to rate the relative level of their sales volumes, the data is key to enhancing our view of how the High Street is faring. Coming in at a reading of 2, indicating higher sales, versus estimates of -13, the data proved the perfect starter for the week's thread.

Not getting too many likes the day after was US consumer confidence data, showing a mixed perception over the short-term prospect for the world's largest economy. It seems Americans are still sanguine about their current situations but grew slightly more pessimistic about the outlook, with the sentiment gauge ticking down to 104.7 from 104.8 a month earlier. Though consumer confidence had been generally improving in recent months, persistently elevated prices and soaring borrowing costs are still weighing on the consumer's purchasing power. Furthermore, the gradual cooling of the labour market is also limiting optimism in the near term.

While respondents don't see inflation reaccelerating or much chance of a recession, the data showed us they appear to be increasingly concerned about the upcoming presidential election. A separate survey also released this week suggested that consumer sentiment is somewhat in a holding pattern as voters await November's outcome for the direction of the economy.

When it came to future rate policy in the US this week, it was Federal Reserve Governor, Christopher Waller, who was filling up the comments section. Often considered one of the more Hawkish members of the central bank's rate setting committee, he commented that "There is no rush to cut the policy rate" whilst giving a speech at the Economic Club of New York on Wednesday.

He did however quash fears that the central bank would need to keep raising rates, commenting that "Something would really have to dramatically change on the inflation front to think about it". Instead, he said, the question before the Fed is when to ease rates and "it's just a question of when you start."

It seems his words struck a chord with investors who agreed with the sentiment, sending markets steadily higher the following day. Much like a well-received economics piece on Reddit, it would seem sometimes investors just click...

This coming week

With markets in the UK, Europe and US all closed in observance of Easter Monday, the coming week should be slightly subdued. However, this won't stop the Chinese Federation of Logistics and Purchasing from hopping to it, releasing their manufacturing numbers for the Chinese economy on Monday.

With manufacturing still the largest part of China's economy, Purchasing Manager Index (PMI) data released early in the week should make for interesting reading, and could well set the tone for the coming days. PMI data is so well respected amongst economists due to its sheer breadth, surveying 3,000 purchasing managers and asking respondents to rate the relative level of business conditions including employment, production, new orders, prices, supplier deliveries and inventories. Purchasing managers often hold perhaps the most current and relevant insight into the company's view of the economy, and so their views are often interpreted as a leading indicator of future economic sentiment.

In what could potentially be an *egg-hausting* week for investors, it's off to Germany on Tuesday where the EU's largest economy will release it's prelim inflation numbers. With the European Central Bank moving increasingly towards a June rate cut,

Germany's inflationary reading should have a major impact on their thoughts – especially with the nation often considered to have the loudest voice within the bloc.

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 gauge future demand expectations more accurately 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 the eggs-perts at the US central bank.

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