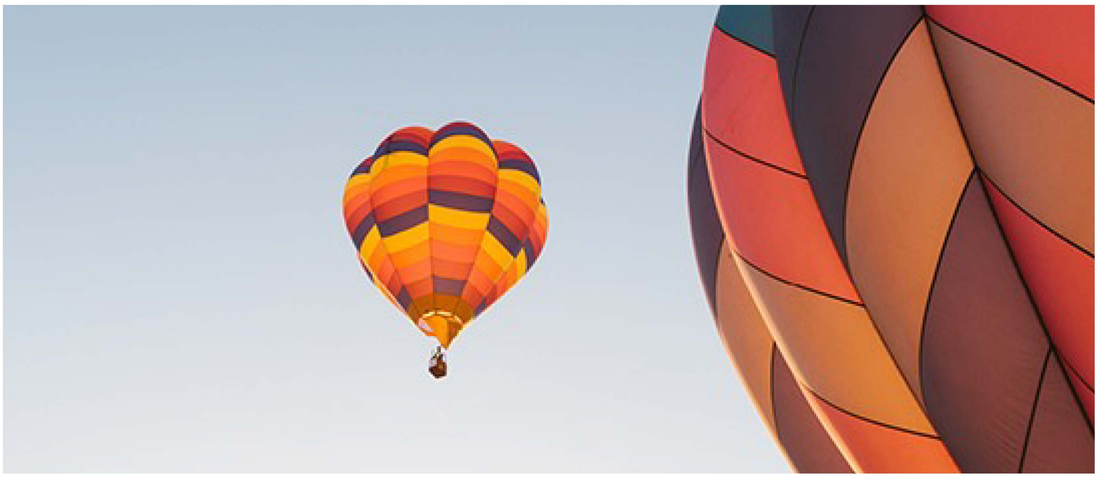
Home Weekly round-up



Article MARKET COMMENTARY

Weekly round-up: 10 – 14 March

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

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This week

With 5,000 bread rolls eaten, over 8,000 gallons of tea and coffee served and of course 220,000 pints of Guiness consumed over the week, the Cheltenham Festival returned this week, a positive feast of horse racing action for tweed and equine enthusiasts alike.

Not only does tea and Guiness trade hands at an alarming rate, but also wagers, with an estimated £500 million bet across the four days of the festival, and whilst it's unclear how many of those are successful, the figure isn't thought to be high.

With tariffs (or at least the threat of them) now characterising Donald Trump's brief second tenure at the White House, it seems that the US president is no longer horsing around, making those potential losses over in the west country look paltry.

Refusing to rule out a recession in the US due to his tariffs over the weekend, global stock markets fell at the first hurdle on Monday, with the broadest global stock index falling more than 2% for its biggest one-day drop since August while the technology-heavy Nasdaq led losses, ending down 4% on the day, for its steepest loss since Sept 2022. Overall, the US market has lost $4 trillion from the high it enjoyed during Mid-February. In the bond markets, US Treasury yields, which move inversely to prices, headed for their biggest one-day drop in almost a month, reflecting increased investor anxiety over an incoming downturn.

Not helping matters, US Commerce Secretary Howard Lutnick attempted to soothe fears, commenting that "there's going to be no recession in America", to the press, but just exacerbated fears by admitting tariffs would lead to higher prices for US consumers but Trump would not "step off the gas" when it came to them.

Whist tariffs of 25% on all aluminium and steel entering the US from all countries took effect on Wednesday, a plan to double taxes on Canadian metal imports to 50% appeared to be a complete non-starter, with Washington halting any plans hours after threatening them, after the Canadian state of Ontario proposed a price hike of 25% for the electric it provides to northern states in the US.

Seemingly making tariff threats on the hoof, Thursday saw Trump threaten the EU with a 200% import duty on alcohol entering the US. Writing on Truth Social, Trump said the tariff on EU alcohol imports would be "great for the Wine and Champagne businesses in the US".

On the back of the news, French luxury giant LVMH, which owns Hennessy cognac and several champagne houses including Dom Perignon, initially saw its shares fall by about 1.4%. the moves echoed shares in another French drinks group, Pernod Ricard, the owner of two champagne houses and Jameson Irish Whiskey, which dropped by 3.4%.

Whilst the week was dominated by tit-for-tat tariff news, economic data did manage to make some headlines, with US inflation figures, showing *stable* price rises on Wednesday. On a monthly basis, the Consumer Price Index (CPI) rose 0.2% last month, the smallest rise since October. An increase of 0.3% in the cost of shelter, which includes hotel and motel rooms in the US, accounted for nearly half of the rise but was partially offset by a 4% decline in airline fares, possibly showing weaker demand as corporations and consumers cut back on spending.

Interestingly, Egg prices, which have been driven higher by an Avian Flu outbreak in the US, increased a staggering 58.8% on a year-on-year basis in February.

Towards the final furlong of the week, UK Gross Domestic Product was released on Friday, the broadest measurement of economic health for an economy. The data showed that Britain's economy unexpectedly contracted in January, falling by 0.1% in January, largely pulled down by a sharp drop in industrial output compared with December.

With hopes the economy would have grown by 0.1% during the month, Chancellor Rachel Reeves is due to present new economic and fiscal forecasts in two weeks as part of her Spring Statement. With weak growth and higher borrowing costs eating into the slim margins set out in her October budget, the latest disappointment concerning the UK's economic data could prove to be a bit of a *mare…*

Next week

After another week in which proposed tariffs out of the US have largely defined market returns, investors will be hoping to focus on the more fundamental aspects of the global economy, with a host of important data and central bank appearances on the horizon, hopefully we will get just that.

Although there are several important data releases dotted about the week, such as US retail sales figures on Monday, the coming week could be defined as a story of three central banks, with the Bank of Japan (BoJ), US Federal Reserve and our very own Bank of England (BoE), setting their respective lending rates whilst also giving their views on the economies they steward.

With all three banks expected to maintain the status quo this coming week, Wednesday morning will see the major bank most likely to move rates soon show their hand, in the form of the BoJ. After a rate hike in January, those in Tokyo are likely to remain on hold for this meeting whilst monitoring the impact of previous rate hikes and other developments such as inflation, wage growth and US tariff policy.

However, various Japanese central bankers have commented recently that they could look to hike rates sooner than previously anticipated, with May being a possible option. The bank's forward guidance should therefore be crucial to gaining an insight into what we should expect going forward from a country that has found sustained inflation notoriously difficult to come by.

Next up with the Federal Reserve, a central bank that until recently was predicted to maintain rates throughout the year. However, after a serious a slightly weaker inflation and employment data, a 0.25% rate cut now seems to be back on the table for June at least. Much like their Japanese counterparts, it is expected that the bank will not make a big announcement this time round but instead look to pave the way for future changes to rates in the coming months.

Last, but no means least, is our very own BoE, due to address the media on Thursday afternoon. Seemingly on a cut-pause trajectory, it is fully expected that the central bank will take a breather after cutting last month. The only real uncertainty could be whether two or three members vote for a cut this time round, again giving us a strong indication as to what the bank will do going forward.

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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.