



**Article**   **MARKET COMMENTARY**

## Weekly round-up: 21 – 25 April

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

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Duration: 4 Mins

Date: 25 Apr 2025

## This week

With many still feeling the adverse effects of consuming mountains of easter eggs over the weekend, perhaps popular purveyor of all things chocolatey, Nestle's, announcement that steep price increases for some of their more famous products are on the way may have come at the right time.

The firm behind such famous confectionary as Toffee Crisp, Aero and Yorkie released their first quarter results this week to much fanfare, seeing a 2.8% growth in sales. Nestle has already raised the price of their products by 2.1% this year due to soaring cocoa prices and more tit for tat than Kit for Kat trade war tensions.

Whilst it may feel like we've all had our fill of chocolate recently, it was US President, Donald Trump, who took the biscuit during the beginning of the week. Having launched a scathing attack against Fed Chair, Jerome Powell, last week, the man in the White House announced his team would be evaluating whether they could legally fire the independent central banker.

Further casting doubts about the Fed's independence, Trump resumed his tirade, explaining that the U.S. economy is headed for a slowdown "unless Mr. Too Late, a major loser, lowers interest rates NOW."

With faith rapidly draining from the US market, the S&P 500 lost a further 2.36%, with the tech heavy Nasdaq losing 2.55% on the news.

Mellowing his tone significantly only two days later, Trump soothed fears the Federal Reserve could lose its autonomy with reassurances that he has "no intention of firing" Powell, allowing benchmarks to recoup much of the losses they had endured previously. Sweetening the deal was news that US Treasury Secretary, Scott Bessant, said the recently imposed tariffs placed on each other by the US and China were unsustainable, signalling he was open to easing trade tensions between the world's two largest economies.

On the economic data front, Purchasing Manager Index readings for the UK showed company activity weakened by the most in more than two years. Export orders fell at the fastest pace since the early months of the COVID-19 pandemic back in 2020, while costs faced by businesses grew at their fastest pace in more than two

years, as higher National Insurance Contributions and an increased minimum wage kicked in.

When it comes to the *crunch* however, the sharp drop in business activity did further cement expectations that the Bank of England will have to cut interest rates next month, with markets now fully pricing in a move for their meeting next month, increasing from an 80% chance at the beginning of the week.

Although slightly more expensive than they used to be by all accounts... Investors were in for a treat by the end of the week as the office for National Statistics released better than expected domestic Retail Sales figures, a crucial barometer for the high street. British retailers reported the best start to a year since 2021 with sales volumes up by 0.4% in March alone. For the first quarter as a whole, retail sales rose by 1.6%, with clothing and outdoor retailers said good weather helped sales last month, although supermarkets had a tougher time of it.

However, the numbers could end up being a bit of a fudge when we look at accompanying consumer confidence figures released simultaneously on Friday. The domestic Consumer Confidence Index fell to -23 in April from -19 in March, lower than expectations of a fall to -22.

Results from the survey showed that Households became much more downbeat about the outlook for Britain's economy, with the expectations index sinking to its lowest level since March 2023 buffeted by multiple cost increases and renewed inflation that all pointed to a *rocky road* ahead...

## Next 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 taurus, 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 markets having been on a bit of a bull run with a recent softening in US trade rhetoric, 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 in the UK pushing 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 numbers come hot on the heels of the government's own figures from last week, showing that house prices jumped by 5.4% in the year to February, the fastest rate in more than two years.

Giving us a more complete view of how the UK consumer is feeling as 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 become 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.



## 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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