



**Article**   MARKET COMMENTARY

## Weekly round-up: 28 April – 2 May

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

**Author**

**Thomas Watts**

Senior Investment Analyst

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## This week

With Americans reportedly eating an average 350 slices of pizza every second, it would take something pretty monumental to separate them from their beloved fast food. However, with the passing of US President Donald Trump's eventful first 100 days in office this week, for the US economy, it's been anything but a pizza cake, reflected in American takeaway favourite, Domino's Pizza's, first quarter numbers.

The announcement showed that restaurant traffic for Domino's slowed in February and March as consumer sentiment weakened, mainly due to Trump's erratic trade policy, fanning fears of a recession in the United States from consumers. The company's delivery business also took a hit as lower-income consumers tempered spending, with same-store sales falling 0.5%.

However, the news wasn't enough to deter the man in the White house grabbing his own slice of the action this week as Gross Domestic Product figures pointed to the world's largest economy contracting for the first time in three years during the first quarter, hampered by a flood of imports as businesses raced to avoid higher costs from incoming tariffs.

Admittedly, the numbers did grossly exaggerate the US economy's weakness, when examined more closely. Though consumer spending did slow considerably from the fourth quarter, the pace of growth remained relatively healthy. Businesses also boosted investment in equipment, mostly in IT and transportation.

With data out this week also showing a sharp drop in the President's approval rating surrounding his handling of the economy, Trump kneaded to find a scapegoat, coming in the form of the previous administration, "I didn't take over until January 20th. Tariffs will soon start kicking in, and companies are starting to move into the USA in record numbers. Our Country will boom, but we have to get rid of the Biden 'Overhang.' This will take a while, has NOTHING TO DO WITH TARIFFS, only that he left us with bad numbers, but when the boom begins, it will be like no other. BE PATIENT!!!" Trump posted on his social media page.

Much like when it comes to a good pizza, it's all about the topping, with Trump also stating on Wednesday that the US has already struck 200 trade deals that he has "potential" trade deals in the pipeline with India, South Korea and Japan and that there is a very good chance of reaching a deal with China.

On the domestic front, data showed that UK retailers have been making slightly more dough than the aforementioned Domino's Pizza of late, as the British Retail Consortium released its sales figures this week. The data showed sales volumes fell by the smallest amount since October this month, but shops expect conditions to worsen going forward. Although bolstered by the unseasonably warm weather, pushing consumers to sort out their summer wardrobe early, retailers remain pessimistic about the longer-term outlook due to the impact of Autumn Budget measures, persistently weak consumer sentiment and global economic uncertainty.

We all have to earn a crust though (although many seem to not be spending as much on them) and so it was fitting that the week was rounded off with US employment data, a major contributor to central bank thinking when considering the timing of rate cuts.

The US added 177,000 employees to the in April, compared with estimates for a rise of 138,000. The data proved mixed at best, as although more have joined the labour force than anticipated this month, average hourly earnings fell slightly, with the overall unemployment level staying at an elevated 6.2%. However, as we know from both Trump's social media page and Domino's Pizza this week...it's all about the delivery.

## Next week

Enjoying a shortened week here on domestic shores thanks to the Early May Bank Holiday, the UK should be not only basking in the glow of unseasonably warm early Spring sunshine but also a slew of economic data, with housing news on Tuesday to really warm economists up.

The early part of the week does see some domestic activity however, with high street lender, Halifax, releasing its House Price Index numbers, measuring the change of value for properties on its books. With the housing market about as hot as the recent weather, many looking to move house will be hoping no clouds on the horizon

as house prices push record highs here in the UK.

Whilst the data should give us more of an idea on various addresses up and down the country, there will only be two addresses economists will care about towards the end of the week, as both Andrew Bailey and Jay Powell, heads of the UK and US central banks respectively, speak to the media.

Wednesday evening will see Powell, Chair of the US Federal Reserve, will not only give his views on the US economy but also set borrowing costs going forward. Given Trump's recent comments towards Powell, threatening to sack him if he didn't cut rates whilst calling him a "A major loser", it will be interesting to see what the central bank chooses to do. Investors are currently not pricing in a move, seeing the Fed as waiting until at least the summer to cut rate by 0.25%.

This is in stark contrast to their peers on Threadneedle Street who are seen as virtually guaranteed to cut rates when they convene this coming Thursday. Interestingly, BoE Governor Andrew Bailey, speaking in Washington last week, after the International Monetary Fund downgraded UK and global growth prospects, said he was taking "very seriously" the risks posed by Trump's tariffs after the BoE's Monetary Policy Committee has taken what it calls a "gradual and careful" approach, only cutting rates only three times by 0.25% since August 2024.

As has been set out by the bank before, a tempo of cut-hold-cut could be adopted for the rest of the year, with another 0.75% of cuts on the table if the scenario plays out.

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