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Article MARKET COMMENTARY

# Weekly round-up: 19 - 23 May

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

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## This week

For those not clued in on all the latest chess news, the beginning of April saw undisputed chess grandmaster, Magnus Carlsen, start a game against a group of 140,000 people, each member having 24 hours to vote for their team's next move. After the inevitable twists and turns of any thrilling game of chess, it now actually looks like what was going to be a walkover by Carlsen is now moving closer to a draw, as his 140,000 strong person opponent could force a draw if it checks Carlsen's king one more time.

The world of investing has often been compared to a game of chess, with its tactical thinking and aim to be one step ahead, with that analogy certainly ringing true this week as investors *checked* a glut of economic data and news.

They say an Englishman's home is his *castle*, so it is apt then that the week started with online estate agent, Rightmove, releasing its latest House Price Index reading, detailing the change in the asking price of homes for sale on their books. The data showed that the average asking prices for a house in the UK hit a record high of £379,517 this month, rising by 0.6% (£2,335) from the previous reading. However, this was actually the smallest seasonal increase for May since 2016, with a surge in property listings putting a lid on price growth.

Rightmove also reported that buyer demand dipped in April, most likely influenced by recent stamp duty changes, while new seller activity jumped 14% on an annual basis. The number of available homes for sale continues to sit on a 10 year high, in turn creating competition between sellers and limiting growth in newly advertised property prices.

With the Labour party's handling of inflation during their administration *chequered* at best so far, Wednesday's Consumer Price Index numbers made for disappointing reading. Inflation rose solidly to 3.5% for April from 2.6% in March, the highest reading since January 2024 and the largest increase between two months since 2022, when inflation was sitting above 10%.

The rise was driven predominantly by a sharp rise in air fares (27.5%), partly due to Easter falling late this year. In April alone, services prices leapt 2.2%, the largest monthly increase in 34 years.

Chancellor Rachel Reeves, said she was "disappointed" by the inflation figures, which further reduced the chance of an interest rate cut from the Bank of England (BoE) in the coming months. Caught between something of a *rook* and a hard place, the stronger data may force the BoE into lowering borrowing costs later on in the year now, with the chances of a move in August, down to 40% from 60% after the announcement. Sterling also strengthened by 33 cents on the USD to almost reach $1.35 later in the week.

Making it all the way across the board, Friday brought us domestic retail sales figures, a useful gauge to see how the hight street has been performing. Now, to chess enthusiasts, a promotion refers to a pawn that makes it to the opposite side of the board and can become any piece the player wants, in the world of retail, the term means something entirely different.

It seems that recent sales and promotions attempting to entice us into opening our wallets have been working, as data from Friday showed retail sales volumes jumped in April by a much stronger than expected 1.2% monthly rise as the recent sunny weather boosted sales for food and outdoor equipment. In total, when compared with April 2024, annual retail sales volumes were 5% higher, the biggest annual increase since early 2022, showing that when the weather improves, consumer spending can be like *knight* and day…

# Next week

With higher than expected domestic inflation having made the majority of the economic headlines next week, economists won't have long to wait before the next gauge of price rises comes along on Tuesday morning, this time courtesy of the British Retail Consortium (BRC).

Releasing their Shop Price Index figures, a key measurement of the change in the price of goods purchased at BRC member  retail stores. The data should prove useful at it not only provides a feel for how the overall inflation level should look but also how the high street could react in terms of costs, promotions and sales.

Watching the data very carefully will be Clare Lombardelli, Deputy Governor of the Bank of England (BoE), who voted for a rate cut of 0.25% last time the bank convened a few weeks ago. With a three way split in the committee, varying from a 0.5% cut, a 0.25% cut and no cut at all, it should be fascinating to a member who got their way in terms of rate policy this time around.

The BoE's Deputy Chief is scheduled to participate in a panel discussion titled "Monetary Policy in a Global Economy" at the Bank of Japan's Institute for Monetary Policy and Economic Studies Conference, in Tokyo and will have her words scrutinised for any hints as to how she may be voting next month.

The week should be wrapped up with a dose of US insight, this time in the form of US Core PCE Price Index readings. Predicted to make quite the impact on the markets after its release, the data differs from normal inflation readings in that it only measures goods and services targeted towards and consumed by individuals. CPI readings also only covers out-of-pocket expenditures on goods and services purchased. It excludes other expenditures that are not paid for directly, for example, medical care which is usually paid for by insurance in the US. These are, however, included in the PCE.



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