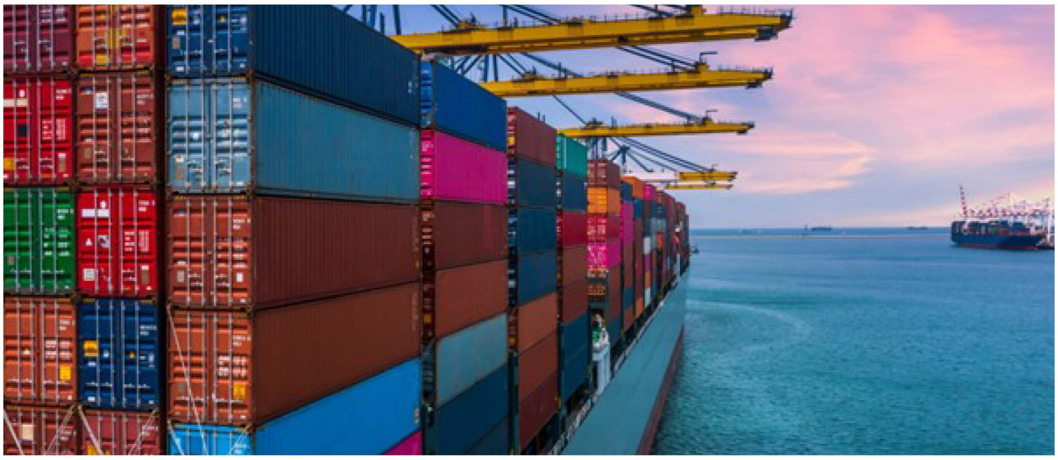
Home Weekly round-up



Article MARKET COMMENTARY

Weekly round-up: 2 - 6 June

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

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This week

As all the fashionistas out there will know, Christian Dior is one of the most iconic brands available. Dating all the way back to 1947, Dior's now legendary 'New Look' revolutionised post war fashion, with his famous silhouette of cinched-in waists, padded hips and voluminous skirts signalling a return to prosperity, glamour, and a rebirth of French couture after the German occupation of World War II.

With news breaking on Monday that Irishman, Jonathan Anderson, will now head up womenswear designs and haute couture in a sweeping overhaul of the famous French brand, it is apt that a European thread ran throughout much of the market news this week.

Bursting at the seams with data, the week saw the European Central Bank (ECB) cut rates on the continent by 0.25%, to 2%. This is its eighth such move over the past year. With inflation now just below 2%, ECB President, Christine Lagarde, commented that the central bank was now in a "good position", a signal that investors took to mean a pause in cuts for the next month at least. Whilst Thursday's move was seen as a *shoe-in* by markets, there is some difference of opinion over what could happen next: although the majority anticipate a pause, some market commentators expect a complete halt from the bank now.

It seems the latest fashion amongst investors is European equities, with the German DAX benchmark hitting record highs during the week. The German market has risen 22% this year so far, dragging the broader European index up 9%.

More good news came out of Europe's largest economy later on in the week, as German Factory orders significantly exceeded expectations, rising by 0.6%, against predictions of a 1.5% contraction. Largely driven by domestic orders jumping 2.2%, orders for German goods outside of the Eurozone actually fell by 0.9%, largely attributable to trade uncertainty surrounding Donald Trump's tariffs.

Next on the runway for the week's positive data was UK Service sector data. This is by far the largest component of the domestic economy. The report showed that May saw a renewed upturn in UK service sector output, helped by improving confidence among customers and fewer reports of tariff concerns. However, many firms noted that elevated business uncertainty and pressure on budgets from rising staffing costs continued to dampen demand.

Survey respondents also widely reported that they weren't replacing staff that had left during May. Job shedding has been recorded in each of the past eight months, although the latest fall in workforce levels was the slowest since November 2024. Many firms cited a negative impact on hiring plans from rising National Insurance contributions and a jump in minimum wage.

Coming in fashionably late on Friday afternoon was US Non-Farm Payroll data, measuring the number of Americans who had joined the labour force during the previous month. The data came in a little stronger than expected with 139,000 getting a new job, compared to the 126,000 predicted. The overall unemployment rate in the US also stayed at 4.2%, highlighting that, much like Dior's new Autumn/Winter wool knit collection, the US labour market is not *unravelling* just yet…

Next week

With all this fashion chat, the coming week gives us the perfect opportunity to check in on the high street and see how shops themselves are finding the current economic climate.

Tuesday sees the British Retail Consortium (BRC) release its Sales Monitor figures. Although the figures lead the government released consumer inflation data by about 10 days, they can be narrower in scope as they only include goods purchased from retailers who belong to the BRC. Nonetheless the figures should give us a decent update as to how the UK high street is performing and what we should expect from both upcoming retail sales and inflation numbers.

With many retailers remarking they will have their work cut out after the Labour Budget announcement, "work" will be the watchword here in the UK on Tuesday. With the UK labour market having proven remarkably resilient in the face of rising rates, the first half of the week will give us the opportunity to check one facet of the employment landscape for weakness, the Unemployment Claimant Count. Measuring the change in the number of people claiming unemployment related benefits during the previous month, the figures are crucial in understanding the strength of the overall market as the figures contribute strongly to the unemployment picture.

The ONS will also releasing Average Earnings Index data to give us a more comprehensive view of the domestic labour landscape. Not only will we be able to check on how much of the population is unemployed, but we will also get a picture of how much those that are in work are being paid.

Giving us a more comprehensive view of the domestic economy, later in the week the ONS will also release its monthly Gross Domestic Product data, the broadest gauge of economic health. With the UK economy having bounced back more quickly and strongly than many expected, both those in the City of London and Westminster will hope the good news continues.

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