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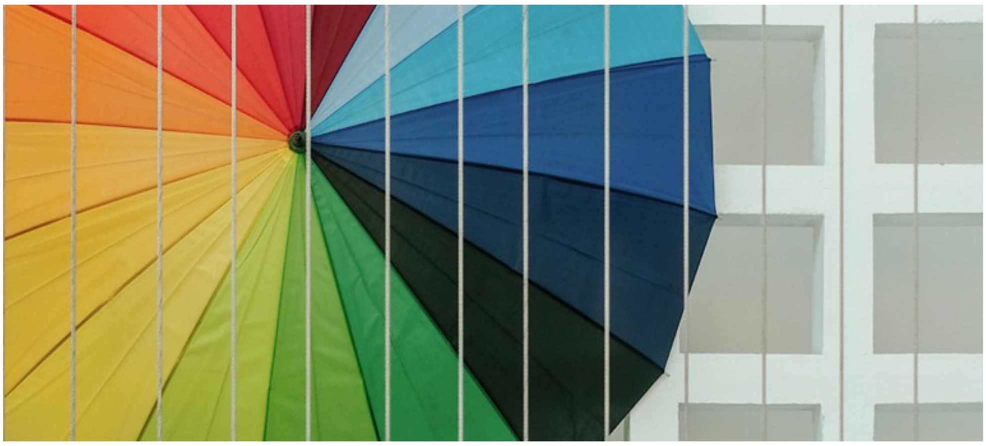

Article   MARKET COMMENTARY

Weekly round-up: 9 - 13 June

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

Author

Thomas Watts

Senior Investment Analyst

Duration: 4 Mins   Date: 13 Jun 2025

This week

For those watching the night skies this Wednesday, it could be argued that everything came to a complete standstill. Following a full moon sitting low in the sky on Tuesday, making it appear much larger than usual, the middle of the week saw its peak, caused by an event known as a major lunar standstill, a phenomenon which last occurred back in 2006.

Known colloquially as a "Strawberry Moon" due to its red tinge and arrival at a time when the fruit usually ripens, the week in markets took on something of a stellar feel, with various major headlines setting the tone, potentially for months to come.

Whilst there was a major lunar standstill in the skies over London this week, there certainly wasn't one on the ground, as delegates from the US and China met in the capital to thrash out trade talks. With news emerging on Wednesday that the first draft of a deal had been struck surrounding tariffs, US President, Donald Trump took to his social media platforms, appearing to be over the moon.

"We made a great deal with China. We're very happy with it, we have everything we need, and we're going to do very well with it. And hopefully they are too. Full magnets, and any necessary rare earths, will be supplied, up front, by China. Likewise, we will provide to China what was agreed to, including Chinese students using our colleges and universities."

However, there was barely a reaction from markets, with details of the actual deal remaining scant. Additionally, both sides still need to take the deal back to their respective governments for sign off.

There was no *spacing* out the big events of the week as Wednesday also saw US inflation numbers released. Coming in at 2.4%, slightly lower than the 2.5% predicted, a 0.3% increase in the cost of shelter, mostly rents, was the main driver of the rise in the reading, with food prices also rebounding 0.3% after dipping 0.1% in April.

The news was welcomed in most parts, apart from Donald Trump, who again took to his social media platform. Trump described the May inflation reading as a "great" number, but argued the "Fed should lower one full point (1%). Would pay much less interest on debt coming due. So important!!!"

However, with inflation expected to accelerate in the coming months on the back of the Trump administration's import tariffs, such stable readings could soon be *eclipsed*.

Going to the moon this week were domestic markets, with the UK blue chip index hitting an all-time high. Driven higher by mining stocks and strong results from Britain's biggest food retailer, Tesco, which reported a better than expected rise in underlying sales growth in its first quarter, whilst also winning market share from rivals.

Whilst investors have clearly been starstruck by the UK market of late, this has been against a backdrop of weakening economic data, exemplified by poor Gross Domestic Product figures this week. Data released this week showed that Britain's economy slowed sharply in April, reflecting uncertainty from US announcements of wide-ranging tariffs, combined with a slowdown in the property market as a tax break for property sales came to an end.

Waning by a larger than expected 0.3% in April compared to March, GDP saw the biggest monthly drop since October 2023, more than the 0.1% decline that was forecast. Chancellor Rachel Reeves branded the reading "clearly disappointing".

However, much like our friend the strawberry moon, with Britain so far being the only major economy to have agreed a trade deal with the US, and the end of a property tax break a one off event, many will be hoping that this latest reading could just be a *phase*…

Next week

Addresses could well be the watchword of the week as not only are we set to listen to a host of central banks give their views on their respective economies, we will also get some useful property data straight out of the gate on Monday morning.

Monday will give an idea of what addresses are selling as Rightmove provides its comprehensive House Price Index data. The numbers usually act as a leading indicator of the housing industry's health, as rising house prices often attract investors and spur industry activity. When a house is bought or sold, it creates a ripple effect across many different sectors, from solicitors and surveyors to DIY shops all cashing in, making the data both important and far-reaching.

After that, the coming week could be defined as a tale of two central banks, with the 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 uncertainty over US trade policy, the Labour Party's employment reforms, and increased National Insurance contributions yet to fully wash through the domestic economy, both banks seem to be in wait and see mode, with investors predicting no moves this coming week.

However, even if no rate cuts are being priced in by markets for this month, it is the forward guidance we'll receive that should prove invaluable. Markets are currently pricing in around two further 0.25% rate cuts for both central banks, the first of which for both could come during the late summer. Investors will listen carefully to both accompanying press conferences for any clues or hints dropped as to when either will feel comfortable about making a move on rates.

Aiding the Bank of England with their thoughts, the coming week will also see UK Inflation data released on Wednesday. With the reading having jumped significantly for April to 3.5%, many will be hoping that number starts to fall sooner rather than later.

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