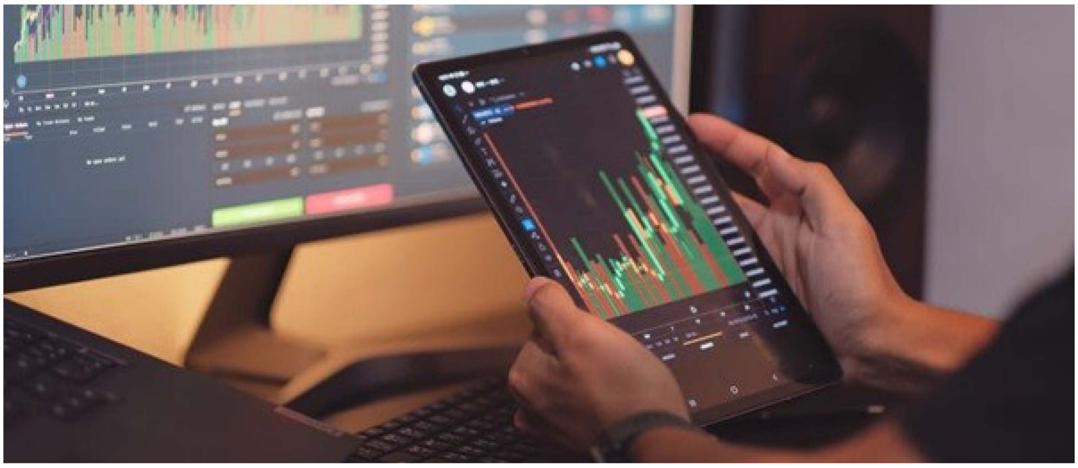

Article MARKET COMMENTARY

Weekly round-up: 16 - 20 June

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

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Key Highlights

This Week

Uk Economy Growth

The UK economy grew by 0.7% between January and March 2025, up from 0.1% in the last quarter of 2024, surpassing the predicted 0.6%. However, the Bank of England expects this growth to be temporary, with a projected annual growth of 1% for 2025.

Consumer Spending

Despite economic concerns, consumer spending increased in April, boosted by a late Easter and sunny weather, leading to a 4.3% rise in sales compared to the previous year.

Next Week

Housing Price Index

Rightmove will release its Housing Price Index data on Monday, providing insights into the health of the housing industry.

Inflation Data

The Office for National Statistics will publish the UK's latest inflation reading on Wednesday, which will be crucial for the Bank of England's future rate policy decisions.

This Week

The UK economy is "beginning to turn a corner", proclaimed Chancellor Rachel Reeves this week, encouraged by data showing that it grew my more than expected during the first quarter of 2025. Whilst the data should be taken with a pinch of salt, the Chancellor’s words did fit into the theme of corners this week, no matter what angle you look at it...

Between January and March, the UK economy accelerated by 0.7%, up sharply from an increase of 0.1% in the last three months of 2024 and ahead of the 0.6% predicted. On a monthly basis, in March alone, the economy grew unexpectedly, expanding by 0.2% from February and whilst undeniably strong, it seems the view that it wont last is hardly an *edgy* one. The Bank of England (BoE) have already commented that it expects the strong growth to prove only temporary with output likely to expand by 1% this year, accelerating only slightly to 1.5% in 2026.

So far, it seems that domestic consumers have remained largely unfazed by worries about the outlook for the economy. Data released on Tuesday showed that spending on the high street had increased during April, with a late Easter and sunny weather boosting sales of food, gardening equipment and clothing. With the weather also turning a corner last month as well, registering as the sunniest April in the UK since records began in 1910, prompting shoppers to refresh their wardrobes, with sales up by 4.3% compared with a year earlier.

Whilst you would have a job to call the data disappointing, having a job at all was the focus of many economists during the beginning of the week as a raft of domestic employment data was released from the Office for National Statistics. During the three months to April, data showed the number of vacancies dropped below a pre-pandemic level, falling by 42,000, the most in more than a year. Average weekly earnings, excluding bonuses, rose by 5.6% in the first three months of 2025 compared with the same period last year, the slowest increase since the three months to November last year, also showing signs of a very moderate slowdown in the labour market.

Borrowing slightly from *Dirty Dancing,* the phrase *no one puts Trump-y in the corner* comes to mind to describe the events of Monday morning. Global stock markets surged after news broke that the US and China had agreed to slash many of the steep tariffs imposed against each other that had threatened to tip the global economy into a recession. Under the 90-day truce period the two sides agreed to the following: the US will cut the extra tariffs it imposed on Chinese imports from 145% to 30%, while Chinese duties on US imports will fall from 125% to 10%.

Whilst the broadest benchmark of US stocks hit its highest since early March, before Trump's "Liberation Day", rising 2.52%, many were still left wondering what this meant for global trade going forward. The agreement doesn't look as *well rounded* as it first appears, as China still faces a 30% tariff once duties imposed before 2nd April are counted, including the two rounds of fentanyl tariffs imposed in February and March.

There is also no mention of the US in the original Ministry of Commerce announcement, which required all exporters to seek licenses before shipping seven types of rare earths between the two countries, meaning that it is not entirely unlikely that we could see the US and China *square off* again the future…

Next Week

After a busy week of tariff news, economic data and central bank press conferences, the coming week should offer some respite for investors, and with the current heatwave set to persist for days to come, maybe some well-earned rest in the garden is in order.

With that in mind, Monday will have us thinking about both houses and possibly gardens as online estate agent Rightmove provides its Housing 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.

The Office for National Statistics brings us the next piece of domestic data on Wednesday as the UK's latest inflation reading is made public. Measuring the change in the price of goods and services purchased by consumers, the Consumer Price Index (CPI) provides a major boon for the Bank of England (BoE) when deliberating over future rate policy. With the past two monthly readings both coming in below expectations and the central bank seeing a three-way split when deciding to cut rates last week, the latest inflationary reading should take on added importance.

Thursday should give us a better idea of how companies are seeing the global economy as a mass of Purchasing Manager's Index (PMI) readings are released. Covering both the Manufacturing and Services sectors for Germany, France, an overall European composite, the UK and US, there will be a lot to digest. The readings will give us an invaluable sense of the global economy at a company level with businesses being asked to rate the relative level of business conditions including employment, production, new orders, prices, inventories and supplier deliveries.

With all this talk of quiet week for investors, we won't just see who is buying the claim, we will also see what people will be buying in general as the week closes with UK retail sales. Acting as the primary gauge of consumer spending, a factor which accounts for the majority of overall economic activity, the numbers should their place in the sun on Friday afternoon.

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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