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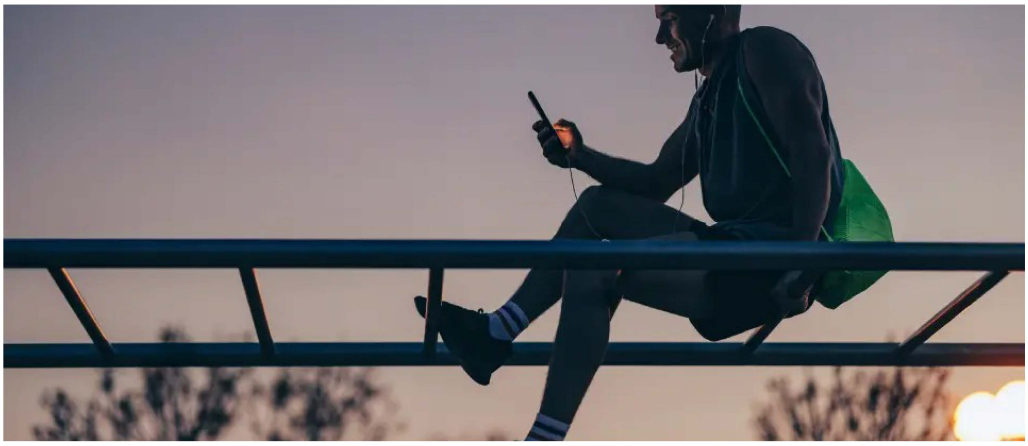

Article MARKET COMMENTARY

Weekly round-up: 15-19 September

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

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This week

With the kids now back at school and the UK's latest inflation reading announced on Wednesday, mid-September seems to be taking on a peculiarly meaty feel, with news of rising beef and veal prices, coupled with changing lunch box trends.

Data suggest that parents often start the first weeks of school with the best of intentions, with this period being the most popular point in the academic year to bring a packed lunch to school. Retail data released this week showed spending on yogurt rose by 26%, sliced cooked meats by 17%, and cheddar cheese by 24% from a month earlier. And while sandwiches are still a lunch box staple, featuring in over half of school bags, precooked meats are becoming more popular and seem to be taking share.

Whilst not directly correlated, inflation data released this week held steady at 3.8% in August. Breaking down the data, inflation for services, a marker closely watched by the Bank of England (BoE) as a gauge of domestic price pressures, slowed to 4.7% from 5%. The figures also showed petrol prices and the cost of hotels and restaurants were the biggest contributors to August's reading. That was offset by a slower rise in transport costs, particularly airfares which have been volatile in recent months.

Prices for food and non-alcoholic drinks, which the BoE sees as key for the public's inflation expectations, were 5.1% higher in August on an annual basis, driven by a c.25% rise in meat prices.

With steak prices high, the *stakes* were also high on Thursday, when the BoE met and decided to hold rates firm at 4%. This was in line with what had been expected. The real headline came in the form of news that the bank would slow the pace of its quantitative tightening programme, skewing sales away from long-dated gilts to minimise the impact on turbulent bond markets.

Policymakers voted 7-2 to slow the annual pace at which it unloads the gilts which it purchased during 2009 and 2021 to £70 billion from £100 billion, broadly in line with expectations. The BoE maintained its forecast that inflation would peak at 4% this month, before slowly falling to its 2% target by the second quarter of 2027, whilst nudging up its growth forecast for the third quarter to 0.4% from 0.3% for the UK economy.

The bank's rhetoric was in sharp contrast to their US peers at the Federal Reserve, who cut rates by 0.25% on Wednesday evening. Despite his ongoing beef with Donald Trump, Fed Chair, Jay Powell, still remained at his post to deliver the accompanying press conference. "There are no risk-free paths ... It's not incredibly obvious what to do," Powell told reporters at the end of the two-day policy meeting. "We have to keep our eye on inflation at the same time, we cannot ignore ... maximum employment."

Interestingly, in their updated projections, the Fed still see inflation ending this year at 3%, well above the central bank's 2% target, with unemployment sitting at a heightened 4.5%. However, their projections for economic growth were revised slightly higher to 1.6% from 1.4%, showing that despite a weaker labour market the US economy should be *Stroganov* to muddle through...

Next week

Whilst not arriving at quite the beginning of the week, at precisely 19:19 on Monday will mark the Autumn Equinox, the point at which the Earth's axis is perpendicular to the Sun, giving us nearly equal amounts of day and night all over the world. The word "equinox" is derived from Latin and literally translates to "equal night".

With this in mind, the coming days really do make up a week of two halves, as investors first look towards Europe and the UK, before then focusing on the US. Whilst Monday is quiet on the economic data front, Tuesday brings us a raft on data in the Manufacturing and Services sectors, as Europe and the UK (then later the US) release their respective Purchasing Manager Index (PMI) readings. PMIs are particularly useful for economists as they give an insight into how businesses see market conditions, as purchasing managers hold perhaps the most current and relevant insight into the company's view of the economy.

Staying on the continent, the following day gives us German

Business Climate data, the results of a survey of about 9,000 German businesses, all asked to rate the relative level of current business conditions, and expectations for the next 6 months. The data acts as a leading indicator of economic health, with businesses reacting quickly to market conditions, and changes in their sentiment can be an early signal of future economic activity such as spending, hiring and investment. Although the measurement has gradually crept up over the past two years, compared to the levels seen before the Russian invasion of Ukraine, business confidence in Europe's largest economy is still like night and day.

As the sun sets on another week, for those watching the US, Thursday brings both Quarterly Gross Domestic Product (GDP) and unemployment claims numbers, giving us a much more comprehensive picture of how the US economy is performing. Labour market data could prove particularly interesting after a string of weaker than expected readings for American workers. The numbers themselves will detail the number of individuals who filed for unemployment insurance for the first time during the past week, giving us a good gauge of how quickly companies are laying off workers and how easy it is for those who have lost their job to find a new one.

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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 UK could have an impact on tax treatment.