



WEEKLY BULLETIN

Strong earnings and slowing inflation drive markets

Key takeaways

Upbeat investor sentiment was underpinned by some strong quarterly earnings from financials and technology companies, as well as helpful inflation data and an interest rate cut in Europe.

UK economic data pleases as it surprises

The annual rate of UK inflation dropped to 1.7% during September, its lowest annual rate in more than three years. Below the Bank of England's 2% annual target, this was also better than market expectations. Key reasons for the change were lower petrol prices and airfares, as well as slowing services inflation. There was also an unexpected 0.3% rise in September retail sales compared with the previous month, versus forecasts of a decline. Stores selling technology products enjoyed a notable rise in sales according to the Office for National Statistics. Investors believe these updates increase the likelihood that the Bank will cut interest rates in November, and possibly again in December.

European Central Bank cuts interest rates again

The ECB's dual mandate to consider economic growth as well as inflation meant it also had to respond to disappointing economic data across the region, especially in Germany, where prospects are not expected to revive until next year. This contributed to the ECB's decision for the second consecutive month and for the third time this year to cut interest rates by 0.25%. Although annual inflation in the eurozone slowed to 1.7% in September, the ECB expects it to rise again before the end of the year. Despite this, the ECB is encouraged that the region should reach its 2% annual inflation target during 2025.

The gold price keeps climbing

The strong performance of gold so far this year appears at odds with the usual orthodoxy. Traditionally viewed as a hedge against rising inflation as its supply is almost completely fixed, the gold price is still rising although inflation is easing in the US and elsewhere, while central bank buying has also slowed. While the influences on the gold price are nuanced and numerous, one potential traditional driver is heightened geopolitical tensions, with fast moving events in the Middle East a particular concern.

Market moves

Despite a sell-off for European semiconductor company ASML, European shares ended the week higher in local currency terms, with Germany's Dax Index reaching an all-time high.

The Brent oil price fell 6% to \$73 per barrel, as Chinese economic data continued to disappoint and reports emerged that Israel will not target Iranian oil facilities in any future military strike.

Share prices rose in China as the central bank announced further support measures.

What to look out for this week

The US corporate earnings season will be in full swing throughout the week, with 143 of the largest US-listed companies set to announce their latest earnings and outlooks for the period ahead.

On Thursday, initial private sector survey data (Purchasing Managers' Indices), indicating the state of business trends for October will be released for Japan, Germany, the UK, and the US.

Again on Thursday, US weekly jobless claims will be released, as well as new home sales.

If you have questions about financial markets, or our investment services, please contact the Marketing team:

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