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Wealth & Asset Management

WEEKLY BULLETIN

Does US jobs market news herald interest rate cuts?

Key takeaways

Last week delivered signs that weakness is emerging in the US jobs market, while inflation continues to ease off.

- There were signs of weakness in the US labour market last week, as the unemployment rate edged higher to 3.9% (analysts had broadly expected the rate of joblessness to remain at 3.7% – January's figure). Average hourly earnings also fell slightly, and while the 'headline payrolls' figure (the number of people currently in employment in the US) was slightly higher than predicted, the figures previously given for both December and January were adjusted downwards. The market welcomed this mixed set of data as a potential herald of interest rate cuts at the US central bank.
- Meanwhile, the latest private sector survey data (the Purchasing Managers' Index, or PMI) was released. This is relatively forward-looking data, meaning that it can provide an indication of what businesses expect next. PMI results were mixed compared to expectations, but overall indicate that businesses still anticipate improving conditions ahead. PMI data also pointed to lower pricing for businesses: a potentially encouraging sign that inflation could continue to ease off.
- In Europe, economic data continued to show signs of promise, with the head of the European Central Bank (ECB) – Christine Lagarde – noting that inflationary pressures are easing. European inflation levels are expected to move closer to the 2% target throughout 2024 and 2025. The ECB decided to hold its benchmark interest rate steady at its latest policymaker meeting last week.
- Across the English Channel, the market reaction to the latest UK Budget was reassuringly sanguine. Indeed, the market has been supportive of (or ambivalent towards) most government spending announcements since the blip of the Truss/Kwarteng budget in September 2022. There has also been a fairly steady recovery in the sterling-dollar exchange rate since then.

Market moves

The US stock market faltered last week, driven primarily by weakness in the share prices of dominant technology businesses, such as semiconductor company Nvidia.

Elsewhere, stock market returns were broadly positive, with Europe and Japan delivering especially impressive performance.

Bond markets rose throughout the week (bond yields, which move in the opposite direction to bond prices, fell). UK government bonds were particularly strong.

The gold price jumped higher, perhaps responding to hopes for interest rate cuts on the horizon (as gold does not pay a yield to its investors, it typically benefits from lower interest rates).

What to look out for this week

A slew of economic data is due for release this week, from UK labour market figures to US inflation. Forecasters will be watching closely in an effort to predict the future course for the economy, and interest rates.

Market performance (as at 8 March 2024)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,196.8	0.0%	0.6%	0.1%
MSCI United Kingdom Mid Cap	1,322.6	0.2%	0.6%	-0.2%
MSCI United Kingdom Small Cap	382.3	1.5%	3.1%	-0.1%
MSCI World (GBP)	2,640.1	-1.2%	-0.5%	5.9%
S&P 500 (GBP)	5,123.7	-2.0%	-1.2%	6.6%
MSCI Japan (GBP)	1,685.4	0.7%	1.9%	10.6%
MSCI Europe ex-UK (GBP)	1,803.2	0.9%	1.6%	4.7%
MSCI Pacific ex-Japan (GBP)	1,635.6	0.8%	1.2%	-1.0%
MSCI Emerging Markets (GBP)	63,052.1	-0.6%	-0.2%	0.5%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,024.0	1.1%	1.3%	-2.3%
BoA Merrill Lynch Index-Linked Gilts	415.8	0.9%	1.0%	-3.7%
BoA Merrill Lynch £ Corporate	411.1	1.0%	1.1%	-0.5%
Commodities				
Oil (West Texas Intermediate, GBP)	$78.0	-5.3%	-3.3%	7.4%
Gold (GBP)	$2171.2	4.0%	4.1%	3.4%
S&P / GSCI (GBP)	3,540.1	-2.6%	-1.4%	4.7%

Past performance is not a reliable indicator of future results. The value of investments may fall as well as rise. All performance returns are in GBP, while all index levels are in local currency.

Important Information