



## CENTRAL BANKS CONSIDER TIMING OF RATE CUTS WITH RELEASE OF NEW DATA

This week strong private sector jobs numbers in the US showed that while the trend of disinflation was continuing, the strength of the labour market wasn't going to convince the Fed to start cutting rates just yet. Central banks are reluctant to ease policy since the tightening cycle began over two years ago and this week's jobs numbers confirm this. The private sector ADP employment report had its biggest monthly gain since July. Also, US non-farm payroll job numbers are expected to show steady gains in hiring. This is unlikely to change minds at the Fed's Federal Open Market Committee (FOMC).

However, the Fed's preferred inflation metric – the Personal Consumption expenditure (PCE) – is slightly above its target and it expects more progress to be made. In the UK, policymakers will be encouraged by positive data this week. Declining mortgage rates and shop price inflation as well as expectations of wage growth in UK businesses, now at a two year low, will ease policymakers concerns about sticky inflation.

### THE MARKETS THIS WEEK

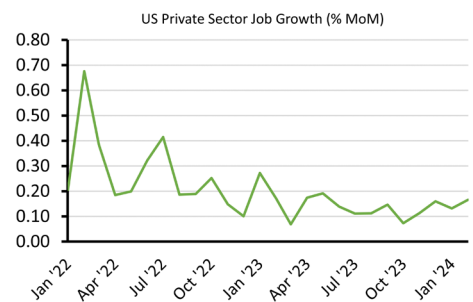
FTSE 100	S&P 500	Nikkei 225	MSCI Europe	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Iron Ore	GBP USD
-0.72%	+0.25%	-1.81%	-1.32%	-0.37%	0.08%	0.06%	+0.39%	+0.30%	+0.02%	-0.44%

#### US: JOBS GROWTH SHOW NO SIGNS OF LETTING UP JUST YET



Private sector hiring in the US was boosted by higher than expected demand for workers. In a sign of sustained resilience in the labour market, employers added 184,000 jobs in March, underlying the continued strength of the economy and marking the biggest monthly gain since July. Demand for workers in the trade, hospitality, leisure and transportation sectors underlined just how broad job creation was. The strong job numbers explains the Fed's reluctance to start cutting rates early. The reaction of equity and fixed income markets was muted.

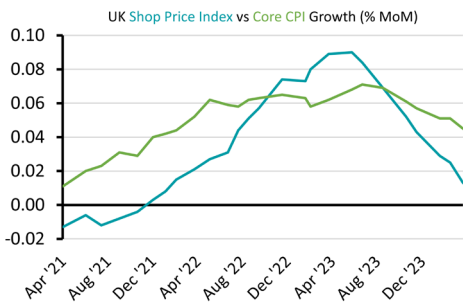
Fed Chairman, Powell, this week said its job of bringing inflation down was "not yet done". He emphasised "greater confidence" on price pressures easing was needed before rate cuts begin. The Fed's Personal Consumption Expenditure (PCE) metric is now within touching distance of its target. Headline PCE was 2.5% in February versus its 2% target. Non-farm payrolls due later today are also expected to show growth in hiring.



#### UK: MORTGAGE MARKET PERKING UP AND SHOP PRICE INFLATION DOWN

The mortgage market delivered more good news as approvals rose more than expected in February, hitting a 17-month high. This follows the trend in the housing market where mortgage rates have declined from the summer highs of last year. According to the Bank of England, UK mortgage approvals reached their highest levels since September 2022. UK shop price inflation also fell below 2% in March. This is the first time it has hit that threshold since December 2021. According to the British Retail Consortium, shop price inflation eased to 1.3% in March versus 2.5% in February.

This will be welcome news to policymakers as they consider rate cuts later this year. It will also be a relief to households and businesses that have tried to keep up with the cost of living crisis. For context, food inflation was 15% a year ago. The OBR has forecast that inflation will fall below 2% over the coming months so gilts could rally even further still.

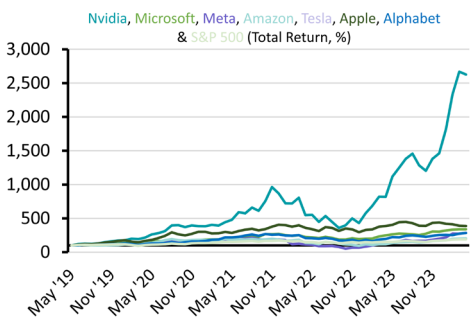


#### TECH: CAN TESLA STAGE A COMEBACK?



Tesla car sales disappointed between January and March. It delivered 20% fewer cars than the fourth quarter of last year. It has lost a third of its market capitalisation this year and is now worth half of its value in 2021. Whilst questions have been asked about the rapid growth in the seven largest companies (the Magnificent 7) that have driven the performance of the US stock market, concerns about Tesla have been more pronounced recently. Advances in artificial intelligence (AI), in particular, have provided a boost to companies with a presence in this area. How widespread this becomes remains to be seen and whilst these tech companies have ambitious revenue growth targets, investors will be keenly watching Tesla's performance and the wider Electric Vehicle (EV) market.

Another tech company, Google, announced it is considering charging for premium features in its search engine, powered by artificial intelligence. It has not yet spelt out how this would work but the aim is to capitalise on the AI trend by including AI-powered features.



Data sourced from the Office for National Statistics, British Retail Consortium, Yahoo Finance, US Bureau of Labor Statistics

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