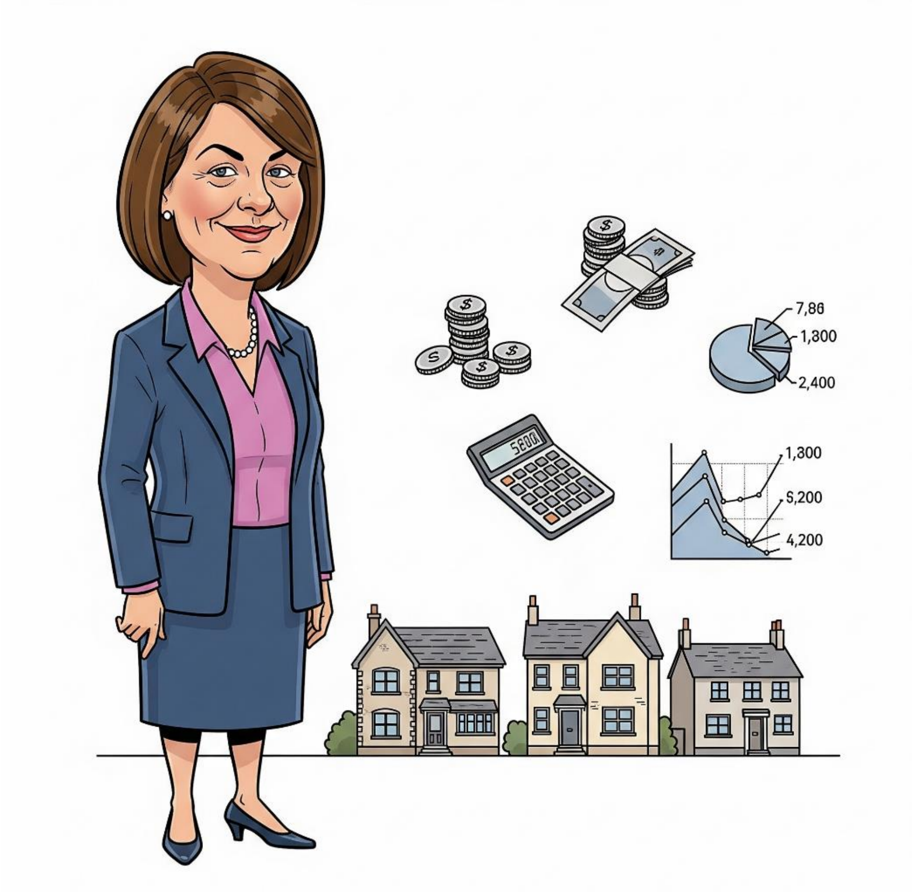
Rayner’s Guilt as Gilt Yields Soar & US Payroll Data Sours

Gilts spiked higher earlier in the week as concerns remain over the UK fiscal position, the Autumn Budget date was set for the 26th of November, just in time to ruin Christmas, and following a cabinet reshuffle which has given us a few more Blairites and a new Chief Economic Adviser in Baroness Minouche Shafik.

The week culminated with the resignation of Deputy PM Angela Rayner following a property tax scandal.



Bank of England Governor, Andrew Bailey, cautioned against over-focusing on the 30-year Gilt yield, noting that the government isn’t being funded at that end of the scale at this time, and while recent swings in this rate suggests that markets are more tetchy about the UK’s fiscal position than any other developed economy, the UK economy isn’t yet in as bad a shape as maybe the media suggests.

Strong services and composite PMI data this week alongside improving business sentiment, firm house price growth and retail sales growth all added to economic momentum and provided some cause for optimism. UK household saving rates have also been high, relative to the US for example, and could act as an ongoing boon.

With very little indication of anything concrete, the government needs to stop lingering in no man’s land and force some direction. Hopefully Baroness Shafik can provide some strategic assistance in this matter. The situation is still rescuable, so if they can get it in hand by November, bond traders think Gilts represent good value, and yields have gradually recovered into the weekend.

We would be concerned about another Liz Truss mini-budget style blowout, as things stand, so maybe the opportunity will be present again at the end of November.

Across the Channel there are also political uncertainties as France's PM, Francois Bayrou, faces a self-imposed confidence vote next Monday after introducing a sweeping four-year deficit-reduction strategy. Measures include extensive spending cuts, welfare freeze, and controversial moves like scrapping two public holidays.

The economic data in focus stateside this week was today's nonfarm payrolls. With employment data clearly weakening in recent months there has been increasing concern that the Federal Reserve may once again be failing to respond ahead of the data, this time to effectively stall a deteriorating economy.

Recent changes in immigration under the Trump administration have reduced the number of jobs the US economy needs to add each month to keep the unemployment rate stable, thus the 75,000 forecasted additions would be ample to maintain the status quo and help the Federal Reserve into another interest rate cut at their meeting in two weeks' time.

Data released today showed that only 22,000 payrolls were added in August, and the unemployment rate ticked higher, unsettling equity markets and turning Friday's positive momentum on its head.

There will now be calls for the Federal Reserve to cut interest rates by a double increment come the meeting later this month but, in the meantime, sentiment may suffer as investors weigh up the effects of economic weakness evident in the employment data against the positive effects of monetary stimulus which is yet to be confirmed.

Andrew Bailey has hinted at a potential end of quantitative tightening, and the negativity apparent in US employment data may be the catalyst for the Federal Reserve to consider the same. This could, in due course, be an additional boon to asset prices, particularly the bond markets.

With trump beginning the process of strong arming the Federal Reserve into cutting interest rates over the past three weeks, gold and silver have been the greatest beneficiaries and should continue to benefit from an apparently stalling economy. However, it is important to recognise that beyond jobs data, US economic data has been strong.

To add to Friday's pessimism, economist Joseph Stiglitz expects the fiscal gain from tariffs to subside in due course as trade pulls back. The US trade deficit grew substantially in recent months as importers frontloaded ahead of tariffs thus one would expect a lull in imports in the coming months as a result.

Trump's tariffs were declared illegal last Friday but this decision will go to the Supreme court who may repeal it – two thirds of the Supreme Court were instated by Republican candidates.

OPEC+ have been unwinding production cuts in recent months and are due to meet on Monday. Crude oil prices remain subdued, which is another reason to remain optimistic.

Where are markets up to?

The rolling 12 month % cumulative returns in local currency from various indices is shown in the following chart:

04/09/2024 - 04/09/2025 Data from FE fundinfo2025

Where are the portfolios up to?

The portfolio performance, net of fees, to close of business on Thursday is as follows:

	1 week	1 month	3 months	12 months
Cautious	+0.13%	+0.79%	+3.42%	+4.76%
Balanced	+0.16%	+1.31%	+5.03%	+6.71%
Adventurous	+0.20%	+1.81%	+5.93%	+8.08%

As ever, if you would like to discuss any aspect of your portfolio, please do not hesitate to contact us on service@blythefinancial.com.