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WEEKLY BULLETIN

Markets wobble under the weight of Trump's wrath

Key takeaways

From weaker economic data to fears about the reach of the US president, investors had plenty to contend with last week.

US employment news raises eyebrows

The latest US jobs report showed that employment figures had weakened in July. The report also lowered the previous two months' figures (reflecting more complete economic data). As the world's most influential economy, driven by the spending power of consumers, signs of weakness in the US jobs market are a cause for global concern. Share prices fell heavily on Friday, reflecting investor worries about economic growth.

Is the independence of US institutions under threat?

President Trump reacted very badly to the release of these official jobs market figures, going as far as to fire the Commissioner of the Bureau of Labor Statistics (BLS) – the body responsible for monitoring and releasing jobs data. While the BLS is not strictly an independent body, as a centre for statistics, it is usually insulated from direct political control. The president implied that the commissioner had manipulated the data, but there appears to be no evidence to suggest this.

The US central bank is also under fire

Meanwhile, based on the evidence available to them, the US Federal Reserve Bank (Fed) chose to hold interest rates steady at their current levels. The president, who has been putting pressure on the Fed to cut rates to stimulate economic growth, openly disapproved of the decision. Investors initially scaled back their expectations for interest rate cuts, but ramped them back up in response to the weaker jobs market data. In addition, one of the Fed's ruling governors has stepped down from her role, giving Trump the opportunity to appoint his own candidate as a replacement. Despite presidential appointments, the Fed operates as an independent institution, and markets have been unnerved by the president's attempts to influence its leaders.

Tariffs wars are still providing surprises

Most countries which had not managed to negotiate a deal with Trump had tariffs imposed upon them as the week ended. This included high tariffs on Taiwan (the world's leading producer of semiconductors – critical to the tech industry), and a hike to tariffs on Canadian goods. Switzerland (thought to have agreed a deal in principle) was hit with a tariff of 39%. The highest tariff was given to Brazil (50%) while the lowest appears to be reserved for the UK and Falkland Islands (10%). China has until 12 August to negotiate a deal.

Market moves

Reacting to a cocktail of factors, mostly stemming from the US, stock market prices fell very heavily on Friday.

The prices of government bonds rose in response to weaker economic data, reflecting investor nerves. (Bond yields, which always move in the opposite direction to bond prices, fell.)

What to look out for this week

As countries scramble to react to tariff deals, all eyes will be on the US to see what comes next.

The Bank of England meets on Thursday, and is expected to cut interest rates to support the economy.

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

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Important Information