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WEEKLY BULLETIN

Trump 2.0 is unlikely to mirror Trump 1.0

Key takeaways

The chances of a Trump victory in November have increased. Investors are now assessing the possible consequences, both domestically and internationally.

Trump trading

Investor attention is focusing more on the implications of a presidential victory for Donald Trump, the odds of which strengthened following the failed assassination attempt. Represented by the Russell 2000, smaller US companies have continued to rally, benefitting from the rotation out of the technology sector, the perception they would be key beneficiaries of tax cuts under a returning Trump presidency, and a greater probability of interest rate cuts by the central bank than the market perceived a few weeks ago. Elsewhere, the possibility of further US trade tariffs, more protectionism and tighter immigration policies could fuel domestic inflationary pressures. This would be negative for the price of the benchmark US 10 Year Treasury bond (bond yields move in the opposite direction to bond prices). It remains to be seen how President Joe Biden's decision not to re-run in November and his support for Vice President Kamala Harris alters the electoral dynamics.

Gold hits a record high

The metal is close to its all-time peak price of just under $2,500/oz and its near 20% return year-to-date has exceeded that for the S&P 500 index. Three catalysts have been fuelling this rise for the gold price: continuing purchases by central banks; expectations for US interest rate cuts in September; and more recently, heightened geopolitical tensions.

Expectations for lower US interest rates are contributing to weakness for the dollar against a basket of other major currencies, making gold (which is priced in US dollars) more attractive to international buyers.

Chances diminish of August interest rate cut in the UK

Headline Inflation in the UK for the year to June was 2%, marginally ahead of market forecasts for a slight easing to 1.9%. Core inflation, which excludes the more volatile effects of energy and food was 3.5% but within this, it was inflation in the services sector at 5.7% that would have concerned the Monetary Policy Committee at the Bank of England. Increases in hotel prices were a major contributor here, reflecting the popularity of the Taylor Swift tour as well as other events. For this reason, analysts now believe the Bank will hold off on a rate cut in August.

Market moves

The worst weekly performance for the S&P 500 and Nasdaq since mid-April. Friday's global technology disruption compounded another poor week for this sector.

'Earnings season' in the US got off to a satisfactory start, with the majority of S&P 500 companies reporting so far beating both sales and profit estimates.

In China, a top-level meeting of the ruling central committee ended with a muted reaction from international investors. Economic growth in the country slowed to 4.7% compared with last year.

What to look out for this week

'Earnings season' continues, with mega-cap technology stocks Tesla and Alphabet reporting during the week. UK companies including Vodafone, BT and AstraZeneca will also release quarterly results.

The release of US second quarter economic growth (GDP) and inflation data.

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

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Important Information