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Handelsbanken

Wealth & Asset Management

WEEKLY BULLETIN

US and European share prices rise, but Nvidia wobbles

Key takeaways

European stock markets recovered last week, but sentiment was weighed down by mixed economic data and President Emmanuel Macron's high-risk election gamble.

Eurozone political uncertainty affecting business confidence

Preliminary private sector survey data (the Purchasing Managers' Index, or PMI) released for June was weaker than expected in both the services and manufacturing sectors, perhaps reflecting the regional political uncertainty. While the data still suggested a degree of expansion, it was notably slower versus May's results. This lacklustre performance was felt in the major markets of France and Germany. Still, this survey data suggests that economic growth in the eurozone is likely to be positive in the second quarter of the year, while inflationary pressures are continuing to ease.

Still waiting for a UK rate cut

The Bank of England's decision to keep UK interest rates unchanged at last Thursday's meeting was in line with market expectations. Inflation, measured by the Consumer Prices Index (CPI), slowed to an annualised 2% in May 2024 (i.e. the central bank's annual target) for the first time in nearly three years, compared to 2.3% in April. Despite caution about what the Bank can discuss close to the 4 July general election, as well as higher-than-expected services inflation, markets broadly expect the Bank to cut rates in August.

Other central banks have already begun to act

While the UK general election may well have delayed the beginning of interest rate cuts in the UK, central banks across the English Channel have already begun to act. The European Central Bank and the Swiss National Bank have made rate cuts, and (in our view) others – including the UK – are unlikely to be far behind. Certainly, pricing in bond markets – which serves as a good indicator of investors' best guesses for future interest rates – suggests that investors expect rate cuts soon in other developed economies.

Market moves

While continental European stock markets staged a mild recovery, the pending French election and low expectations of a back-to-back European interest rate cut continued to pressure the euro.

The UK's FTSE-100 share index rebounded following five weeks of declines, but the pound ended the week lower against the dollar.

The US stock market rose to another all-time high, although investors were treated to the rare sight of artificial intelligence chipmaker Nvidia dropping by nearly 7% over two days. The stock remains up 156% year-to-date.

What to look out for this week

Geopolitics will be key driver of the market mood, with the first US presidential debate on Thursday, and the first round of French election voting taking place at the weekend.

In the US, the latest Personal Consumption Expenditures (PCE) price index will be released on Friday. This is the US Federal Reserve's preferred measure of inflation and will be an important indicator of whether the market's expectations for an interest rate cut this year remains on track.

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

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