

15 April 2024



Handelsbanken

Wealth & Asset Management

WEEKLY BULLETIN

Geopolitical tensions steal the headlines once again

Key takeaways

A spike upwards in geopolitical tensions in the Middle East caught the world's attention last week. In financial markets, heads were also turned by news of higher than expected US inflation.

US inflation higher than predicted, but still well below its peaks

Pricing pressures were stronger than expected in the US in March, with official data showing a 3.5% increase in inflation. This figure was driven by high prices in the services sector, with the costs of shelter (housing) and insurance among the key contributing factors. However, it's important to remember that while a reading of 3.5% was above most people's predictions for inflation in March, in relatively recent history US inflation reached a little over 9%.

Investors rethink the timing of US interest rate cuts

In the wake of these inflation updates, financial markets have been thinking again about the likely course for US interest rates from here. Investors are now sending signals that they expect the first interest rate cuts in the US to take place in September; as a reminder, markets had previously anticipated rate cuts in the spring or early summer, but now expect the US central bank to hold rates at a higher level for longer, in an effort to bring inflation lower.

No changes to interest rates in Europe

The European Central Bank held interest rates steady at their all-time high of 4%. The central bank's governing council indicated that rates would remain at this level until there were clear signs that European inflation had stabilised. President Lagarde noted that a minority of the council were already calling for rate cuts.

Anaemic but positive economic growth in the UK

According to the latest update from the Office for National Statistics, the UK economy grew by 0.1% in February. This was the second consecutive month of positive economic growth, though at these low levels it's fair to say that the news does not signal a period of stellar economic expansion.

A new, unwelcome chapter in Middle Eastern tensions

In the Middle East, geopolitical tensions jumped higher when Iranian forces seized an Israel-linked cargo ship with 25 crew members on board. Iran then took unprecedented direct action on Israel, including cruise missiles and drone strikes. Iran has accused Israel of carrying out a deadly attack on the Iranian consulate in Syria on 1 April (Israel has neither confirmed nor denied responsibility for this strike). Clearly, any escalation in military conflict is extremely alarming from both a humanitarian and global security perspective, but at the moment – like the rest of the world – we must wait to discover how the situation unfolds over the coming days.

Market moves

Financial markets had a challenging week, with both stock and bond markets generally falling.

A stronger US dollar largely offset US stock market losses for UK investors, as financial returns were flattered by being translated into the weaker UK currency.

Having risen in response to heightened geopolitical risks, the price of oil edged lower over the week. Sticking with commodity markets, gold continued its recent run of strong performance.

What to look out for this week

Events in the Middle East are likely to hold media headlines this week, and financial markets could be preoccupied by the potential knock-on effects of these events.

A spate of economic data is also due for release, including inflation news in the UK, economic growth data for China, and a retail sales update in the US.

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

marketing.hwam@handelsbanken.co.uk

Important Information

Handelsbanken Wealth & Asset Management Limited is authorised and regulated by the Financial Conduct Authority (FCA) in the conduct of investment and protection business, and is a wholly-owned subsidiary of Handelsbanken plc. For further information on our investment services go to wealthandasset.handelsbanken.co.uk/important-information. Tax advice which does not contain any investment element is not regulated by the FCA. Professional advice should be taken before any course of action is pursued.

- Find out more about our services by contacting us on 01892 701803 or visiting our website: wealthandasset.handelsbanken.co.uk
- Read about how our investment services are regulated, and other important information: wealthandasset.handelsbanken.co.uk/important-information
- Learn more about wealth and investment concepts in our Learning Zone: wealthandasset.handelsbanken.co.uk/learning-zone/
- Understand more about the language and terminology used in the financial services industry and our own publications through our Glossary of Terms: wealthandasset.handelsbanken.co.uk/glossary-of-terms/

All commentary and data is valid, to the best of our knowledge, at the time of publication. This document is not intended to be a definitive analysis of financial or other markets and does not constitute any recommendation to buy, sell or otherwise trade in any of the investments mentioned. The value of any investment and income from it is not guaranteed and can fall as well as rise, so your capital is at risk.

We manage our investment strategies in accordance with pre-defined risk and reward targets, which vary from strategy to strategy to suit a range of customer needs. Portfolios may include individual investments in structured products, foreign currencies and funds (including funds not regulated by the FCA) which may individually have a relatively high risk profile. The portfolios may specifically include hedge funds, property funds, private equity funds and other funds which may have limited liquidity. Changes in exchange rates between currencies can cause investments of income to go down or up.

Registered Head Office: No.1 Kingsway, London WC2B 6AN. Registered in England No: 4132340 wealthandasset.handelsbanken.co.uk