

17 June 2024



**Handelsbanken**

Wealth & Asset Management

## WEEKLY BULLETIN

# The US looks relaxed, but Europe is uneasy...

## Key takeaways

US investors took the central bank's inaction in their stride, but in Europe, markets sold off following the European parliamentary elections.

### No change yet to US interest rates

The US Federal Reserve (Fed)'s decision to leave rates unchanged on Thursday was not a surprise to markets. Yet Fed watchers noted the change in the accompanying statement, from the previous "lack of further progress" on inflation, to the latest "modest further progress...". Investors' latest expectations are for a single cut to interest rates this year, and a further four cuts in 2025. The Fed's unwillingness to move at its latest meeting might be partially explained by its decision to increase its 2024 forecast for core inflation (which excludes more volatile energy and food prices) from 2.6% to 2.8%, reflecting pricing pressures earlier in the year.

### Macron's gamble unnerves investors

The increase in support for right wing parties at the expense of the centre in the recent European parliamentary elections led to a sell off for both the euro and regional shares. With these parties more vocal about 'national sovereignty', some investors are concerned about the risks of less financial discipline in the eurozone. In France, President Emmanuel Macron's decision to call a snap national election is being viewed as a high-risk gamble. Should he lose, France could have a new president before the Olympics later this summer.

### Europe imposes higher tariffs on Chinese electric vehicles

Additional tariffs of up to 38.1% imposed by the European Commission (EC) on imported electric vehicles (EV) from China closely followed moves by the US, where tariffs quadrupled to 100%. The EC estimates that lower-cost Chinese EVs have increased their European market share from less than 1% in 2019 to 8% currently, and might reach 15% by next year according to some estimates. European car manufacturers, led by those in Germany, opposed the EC's move. With nearly one-third of their sales going to China, German car makers will likely be vulnerable to any retaliatory moves.

## Market moves

In the US, stock markets reached new highs, but returns were led by tech stocks and therefore very narrowly focused. However, softer US inflation news led to US bond prices rallying.

.....  
Eurozone shares and bond markets weakened in the face of heightened regional uncertainty.

.....  
The Japanese yen ended the week at almost a 34-year low against the US dollar. Investors were disappointed the Bank of Japan (BoJ) did not announce a rise in interest rates or government bond purchase activity.

.....  
In the UK, sterling has been a beneficiary of European political turmoil, and is almost at a two year high against the euro.

## What to look out for this week

.....  
Following the release of UK inflation data on Wednesday, the Bank of England is expected to keep interest rates unchanged. This means no rate cut before July's general election.

.....  
US May retail sales data on Tuesday and Friday's release of private sector survey data for June for a range of developed markets, including the US, UK and eurozone, will show how efforts to slow inflation are progressing.

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

[marketing.hwam@handelsbanken.co.uk](mailto: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](http://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](http://wealthandasset.handelsbanken.co.uk)
- Read about how our investment services are regulated, and other important information: [wealthandasset.handelsbanken.co.uk/important-information](http://wealthandasset.handelsbanken.co.uk/important-information)
- Learn more about wealth and investment concepts in our Learning Zone: [wealthandasset.handelsbanken.co.uk/learning-zone/](http://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/](http://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](http://wealthandasset.handelsbanken.co.uk)