

**WEEKLY BULLETIN****Will US stock market exceptionalism continue?****Key takeaways**

Investors continue pushing US share prices higher, as they believe both corporate and economic data supports the case for US exceptionalism, underpinned by its technology sector.

US shares shrugs off geopolitical spikes

All three major US indices – the S&P 500, the Nasdaq Composite and the Dow Jones Industrial Average – reached record levels during the week, ignoring the drama of the collapse of the French government and short-lived martial law in South Korea (a major chip producer). While the top 10 US companies comprise more than one-third of the value of the benchmark S&P 500, many investors welcome the strong performance of other domestic indices as supporting the case for a broadening out of the stock market rally, previously focused on ultra large technology businesses. The latest data suggests that the US economy continues to hold up, led by the services sector, leading analysts to expect that the US Federal Reserve Bank (Fed) will make one more cut to interest rates this year.

US jobs market stages a strong recovery

Job creation data for November showed a strong recovery following the previous month's weakness, which had been held back by stormy weather and strike action. While November's performance was in line with expectations, it was still a relief, confirming the weak numbers in October were a one-off exception, rather than pointing to a more structural weakness in the US labour market. Although the national unemployment rate increased marginally to 4.2%, this has been interpreted positively, as it suggests that wage and pricing pressures have yet to resurface. Analysts expect jobs growth to continue, but at a slower pace.

China bans rare mineral exports to US

The day after the US announced it would cut China's access to advanced memory chips, China's retaliatory move to ban exports to the US of several civilian and military 'dual-use' minerals is a reminder of the damage that 'tit-for-tat' tariff actions could lead to under the next US administration. One of these banned minerals is gallium, important for use in semiconductor and electronics manufacturing. With China producing 98% of global supply, the US classifies this mineral as critical for its own economic and/or national security. Other minerals on China's banned export list include germanium, employed in defence and space applications, and antimony, used in rechargeable batteries. While the US will seek to diversify its critical minerals supply, China's move is also a reminder of the inflationary implications of tariff barriers.

Market moves

By value, US shares now account for three-quarters of the MSCI World Index (which represents the global stock market) – a new all-time high.

Investors shrugged off the collapse of the French government with the STOXX Europe 600 index rising by 2.1% over the week. The Korean KOSPI index fell by 2.9% following the short-lived announcement of martial law.

Expectations the Fed will cut interest rates in December saw the value of the US dollar soften against a basket of major currencies including the euro and pound.

What to look out for this week

On Wednesday, US inflation data for November will be released.

On Thursday, the European Central Bank's monetary policy meeting is expected to announce cuts in interest rates. UK economic output for the three months to September will also be released.

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

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