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Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

Fearful investors send bond and share prices tumbling

Key takeaways

The ongoing threat of tariffs, and their potential impact on US and global growth, continued to spook financial markets last week. The question of how to fund higher European defence spending added to a heady cocktail of investor nerves.

Investors are worried that tariffs will hurt US economic growth

Given the likelihood that import tariffs on foreign goods will hurt the all-important US consumer (the driving force behind the US economy), and that 'tit-for-tat' tariffs on US exports would hurt US businesses, investors are increasingly wary about the prospects for growth in the US economy. As ever, investors have voted with their feet, sending both share prices and bond prices lower this week (bond yields, which move in the opposite direction to bond prices, have risen). The share prices of large US companies were among the week's worst performers. Bond markets were further impacted by fears about tariff-driven inflation in the future, and the possibility of a large number of newly issued government bonds entering the market in order to pay for recently announced European defence spending.

US interest rate cuts not expected until June

Against this backdrop of uneasiness, US inflation data released last week was slightly lower than expected, though not by much. The cost of shelter (mortgages/rent) remains one of the main upward pressures on prices in the US. Managing inflation is a key remit for the US central bank, the Federal Reserve (Fed), but the unpredictable spectre of tariffs is currently hindering the Fed's chances of accurately anticipating or responding to inflation levels. The Fed's leading policymakers meet this week, but financial markets expect no changes to US interest rates to be announced. Indeed, the persistence of inflation is expected to hold up the next interest rate cut until June.

UK economic growth looks anaemic

Meanwhile on home turf, data emerged that in January the UK economy had grown by slightly less than analysts had expected: growth in the first month of the year came in at -0.1%, rather than 0.1%. This comes on the heels of a surprisingly high December number, but overall the UK economy has been very anaemic on its way out of the COVID-19 crisis. This coming April, changes to the minimum wage and employers' national insurance contributions are expected to add a further drag to the UK's economic growth.

Market moves

The US stock market led the way down last week as nerves about trade tariffs continued to dominate the mood among investors.

Bond markets were also weak, partly due to fears that finding funding for higher defence spending in Europe would lead to newly issued bonds flooding into the market.

Meanwhile, the oil price continued to weaken, responding to fears about weaker global economic growth in the future (lowering the demand for energy).

A combination of inflation and growth fears boosted the performance of gold – a traditional investor 'safe haven', and a very strong performer in 2025 so far – pushing its price higher.

What to look out for this week

On Wednesday, the US central bank is expected to announce that it will keep interest rates at their current levels.

Throughout the week, German political leaders will vote on historic spending plans announced by its Chancellor-in-waiting, Friedrich Merz. The plans include substantial spending on defence and infrastructure.

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

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