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Handelsbanken

Wealth & Asset Management

WEEKLY BULLETIN

A noisy week for economic data

Key takeaways

In a busy week for economic updates, the US jobs market remained strong, and there were signs of easing inflation on both sides of the Atlantic.

- In the US, the latest data pointed to ongoing strength in employment markets. Job openings have risen, and new unemployment claims have remained very low. In addition, new jobs have been created more quickly than expected, with 850,000 new jobs added to the US economy over the past three months. So far, the jobs market has batted away the effects of sharp interest rate rises from the US central bank, designed to suppress economic activity and rein in inflation.
- We know that labour market data is a major influence on the US central bank's policy decisions. Of course, central bankers are also focused on inflation, and the most recent data updates in this area suggest that inflation is easing off. Private sector survey data (from the Institute for Supply Management) suggested that the prices paid by businesses may be falling. Labour costs have also fallen below expectations, and there are signs that supply chains are continuing to ease. This is welcome news for the world's most influential economy.
- In Europe, too, inflation appears to be heading in the right direction. Preliminary data suggests that inflation has dropped to just above 6% for the euro zone as a whole. High energy prices have been the main driver of inflation in Europe, and these have now begun to fall back, allowing inflation to begin to cool. (Food costs are another driver of inflation, but these are also showing signs of easing off.)
- It's worth noting that continental Europe has made huge progress in reducing its reliance on Russian gas, and has successfully rebuilt gas storage levels to fresh highs. With the UK recently enjoying high levels of wind and solar generation at home (thanks to sunny, breezy weather), this further lowers the demand for gas in the marketplace. European gas prices have declined by 92% over the past year or so. These lower gas prices are welcome, though they will take a while to flow through to household bills.
- Briefly revisiting the US, we note that the US 'debt ceiling' crisis has now been officially averted, with a spending agreement signed into law over the weekend. No doubt the debt ceiling debacle will be revisited once more in a few years' time, when the government's borrowing threshold is next reached.

Market moves

Most risk assets (like shares) fared well last week in local currency terms.

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Sterling rallied against the US dollar, hurting returns from overseas assets for UK investors.

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Bond yields eased back, and bond prices (which move in the opposite direction to yields) rose.

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The oil price fell, making West Texas Intermediate – one of the world's main benchmarks for the oil price – one of the worst performing asset types so far in 2023.

What to look out for this week

This should be a much quieter week for economic news, although a range of survey data is due for release, covering the US, Europe and China.

Market performance (as at 2 June 2023)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,176.1	-0.3%	2.2%	3.6%
MSCI United Kingdom Mid Cap	1,254.7	1.1%	2.2%	13.0%
MSCI United Kingdom Small Cap	371.2	2.4%	2.6%	4.2%
MSCI World (GBP)	2,248.0	0.4%	1.9%	7.6%
S&P 500 (GBP)	4,282.4	0.7%	1.8%	8.3%
MSCI Japan (GBP)	1,339.2	1.4%	1.8%	7.5%
MSCI Europe ex-UK (GBP)	1,634.4	-1.0%	2.1%	9.4%
MSCI Pacific ex-Japan (GBP)	1,573.7	-0.3%	2.0%	-4.7%
MSCI Emerging Markets (GBP)	59,359.6	0.0%	2.0%	0.1%
Bonds				
BoA Merrill Lynch Conventional Gilts	980.1	1.9%	0.3%	-3.1%
BoA Merrill Lynch Index-Linked Gilts	404.8	2.7%	0.4%	-5.6%
BoA Merrill Lynch £ Corporate	378.4	1.3%	0.2%	0.5%
Commodities				
Oil (West Texas Intermediate, GBP)	\$71.7	-2.0%	4.6%	-13.8%
Gold (GBP)	\$1963.3	-0.4%	-0.8%	4.3%
S&P / GSCI (GBP)	3,199.1	-1.3%	2.6%	-11.8%

Past performance is not a reliable indicator of future results. The value of investments may fall as well as rise. All performance returns are in GBP, while all index levels are in local currency.

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