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Handelsbanken

Wealth & Asset Management

WEEKLY BULLETIN

Hopes are multiplying for interest rate cuts

Key takeaways

Financial markets enjoyed another buoyant week, as the Bank of England hinted at interest rate cuts to come, US employment markets wavered, and global economic data delivered some upbeat surprises.

The UK economy has been stronger than expected

There was surprising news for the UK last week, as the latest figures on economic growth were higher than expected. Analysts had estimated growth in the first quarter of 2024 (January to March) at 0.3%, but according to figures announced last week, the UK economy actually grew by 0.6%. However, while the news was better than expected, it did not provoke a significant reaction from financial markets.

The Bank of England points to multiple interest rate cuts

Investors were more preoccupied by updates from the Bank of England. The UK's central bank opted to hold interest steady last week – at 5.25% – for the time being, but it was Governor Bailey's accompanying commentary which caught investor attention. While the head of the central bank was keen to point out that more evidence was needed for the Bank to begin cutting rates, he did point to encouraging news, and hinted that markets could see more rate cuts than currently expected later in 2024.

Cracks are showing in US employment data

Across the Atlantic Ocean, the US jobs market showed signs of cooling down. So-called 'jobless claims' (registrations for unemployment benefits) were higher than expected, with 'initial' (first-time) jobless claims at their highest levels since last summer. Continuing the trend of softer-than-expected economic data in the US, the latest consumer confidence figures were also weaker than anticipated. Responding to this spate of more unsteady economic news, financial markets began to predict two interest rate cuts in the US in 2024 (having previously lowered their expectations to just one rate cut).

Upbeat economic data around the globe

Beyond US shores, last week played host to a number of positive economic updates. Besides the UK's economic growth news, data released last week also included better than expected retail sales figures and softening inflation statistics in Europe, as well as upbeat private sector survey data in Japan, China and the UK.

Market moves

The optimistic mood continued for financial markets last week, with most asset types performing well.

Almost all major regional stock markets (with the exception of Japan) performed positively in sterling terms.

UK government bond prices were boosted by news that the Bank of England was leaning towards multiple interest rate cuts later in 2024.

What to look out for this week

In a quieter week for economic news, the one to watch is the US inflation update on Wednesday.

Large US-listed businesses will continue to release their latest earnings news, which could attract increased attention from financial market analysts.

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

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