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Wealth & Asset Management

WEEKLY BULLETIN

Are investors finally looking beyond US tech?

Key takeaways

Multiple themes preoccupied investors last week, but ultimately stock markets in Europe and Asia outperformed those in the US. Concerns about possible tariff disruption have faded for now, although the continuing stream of mixed economic data is weighing on consumer sentiment.

UK inflation surprises on the upside

The latest UK inflation reading of 3.0% year-on-year for January was a 10-month high, and above expectations. Specific reasons for this latest pick-up in inflation include airfares falling by less than usual in January after the peak December holiday season, as well as the higher costs for food and motor fuels. Continuing pricing pressures, combined with a lack of economic growth, present challenges for the Bank of England. It expects inflation to peak in the third quarter of 2025, reflecting higher global energy prices, before falling back to the Bank's 2% target.

Investors call Trump's tariff bluff

Investor fears that President Trump's tariff initiative will escalate into a global trade war have faded for now. Initial US tariff targets, Canada and Mexico, have seen their currencies recover following Trump's original threats, while Hong Kong's stock market (measured by the Hang Seng Index) has risen strongly, outperforming the US market (measured by the S&P 500) so far this year, despite the imposition of tariffs on China. However, investors are wary of complacency. A key indicator of business sentiment, the Global Composite Purchasing Managers' Indicator, has just registered its lowest reading in 17 months, while a US consumer sentiment reading for February registered a 10% decline versus January.

European share prices continue to rally

The degree of outperformance by European over US shares over the past three months has been significant, with the region's banking and resources sectors in particular rallying strongly. Reasons for Europe pulling ahead include a subdued EU stance on the possibility of reciprocal tariffs on the US, and hopes of a de-escalation/end to the Russo-Ukraine war. The US technology sector has also been a relatively weak performer so far this year, as investor sentiment has been adversely affected by the implications of China's lower-cost DeepSeek artificial intelligence (AI) model.

Market moves

Chinese technology shares listed in Hong Kong delivered their best weekly performance since 2020, thanks to better than expected corporate earnings and optimism about the AI sector.

The three main stock market indices in the US (S&P 500, Nasdaq Composite and Dow Jones) all ended the week lower, driven by losses in industrials, technology, energy and consumer sectors.

The gold price hit a record high during the week, helped by a weaker US dollar. It is the best performing major asset so far this year.

What to look out for this week

On Tuesday, German economic growth for the final quarter of 2024 will be revealed. It is expected to show a marginal improvement compared with the same period last year.

On Wednesday, UK chip firm Nvidia will release its final earnings update covering the last quarter of 2024.

On Friday, the US central bank's favoured measure of inflation – personal consumption expenditures ('PCE') – which excludes the volatile food and energy categories, will be released for January. This is expected to be 2.6% year-on-year, compared to the equivalent 2.7% in December.

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

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