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Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

A tentative 2025 start for markets

Key takeaways

Quiet trading over the holiday period gave investors time to dwell on the US central bank's latest comments on inflation. Multiple interest rates cuts in 2025 now seem less likely, preventing another so-called 'Santa Claus Rally'.

No 'Santa Claus Rally'

When shares rise in the trading period covering the last few days of December and early January, it's referred to as a 'Santa Claus Rally'. Historical data shows that these rallies occur almost 80% of the time. Yet the rally didn't materialise this time, and the weakness spread beyond the leading performing technology shares to cover the share prices of smaller businesses too. While thin trading during the holiday period can often distort price moves, it seems that investors are still dwelling on the comments made in December by the head of the US central bank, the Federal Reserve (Fed), suggesting a more restrained attitude to interest rate cuts during 2025. This reflects the bank's concerns that inflation will remain elevated, especially if a trade war materialises under President-elect Donald Trump.

A poor start to 2025 in China

In local currency terms, the benchmark CSI 300 Index (which replicates the performance of the top 300 stocks on the Shanghai Stock Exchange and the Shenzhen Stock Exchange) fell by over 5% in the first week's trading of 2025. This was its biggest weekly decline since October 2022. Despite some recent stimulus by the Chinese central bank, the excess in the property market has still not unwound, adversely weighing on consumer wealth, their confidence and ultimately, expenditure and consumption. There are also expectations of a trade war with the US. Chinese 10-year bond yields fell to record lows during the week (bond yields and prices move in opposite directions) as investors expect further cuts in domestic interest rates.

Natural gas prices remain well below historic highs

Colder-than-usual weather in northern Europe and the US, combined with lower wind energy generation, has pushed European natural gas prices higher. Ukraine's decision to end a gas transit deal with Russia is also expected to put pressure on prices, at least in the short-term. Since the outbreak of war, Europe has successfully pivoted away from Russian gas supply by importing from elsewhere, including from other longstanding suppliers such as Norway and Algeria. This helps to explain why, despite rising by as much as 50% during 2024, prices remain well below the levels reached following Russia's invasion of Ukraine in February 2022.

Market moves

The dollar has strengthened, with the euro at a two-year low against the currency, and the pound at an equivalent nine-month low.

The share price in electric vehicle manufacturer Tesla weakened after the company reported disappointing fourth quarter delivery numbers. Chinese rival BYD is regarded as a key competitor.

What to look out for this week

On Tuesday, December inflation data for the Eurozone will be published. Slowing regional inflation could see further interest rate cuts in Europe.

On the same day, the US ISM nonmanufacturing index for December will be a useful gauge for how well the US economy is performing.

On Friday, US December nonfarm payroll data will provide the latest data on employment levels and wages.

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

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