27 November 2023

Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

A game of give and take with the UK taxman

Key takeaways

Tax is not always billed as the most exciting topic, but last week's Autumn Statement ensured that it certainly held the headlines in the UK. Meanwhile, the latest survey data painted a muted picture for business activity in the UK and mainland Europe, and strength in the US currency hindered financial returns for UK-based investors.

- The Autumn Statement – an update on the UK government's economic plans – held the media spotlight last week. Chancellor Jeremy Hunt announced several tax cut measures as part of an effort to boost growth and lift investment in the UK economy (no doubt with half an eye on the next UK general election). You can find out more about these measures, and what they could mean for you, in our Autumn Statement update, released just before the weekend.
- It's worth noting that despite these apparent tax cuts, the tax income received by the UK government (as a share of the UK economy) is still on track to increase. This is partly due to the freezing of various tax thresholds in a high inflation environment: this will push many people into higher-rate tax brackets as wages and prices rise. The Office for Budget Responsibility has noted that the tax burden for individuals is now set to increase to its highest level since World War II within the next few years, alongside a steep fall in living standards.
- The latest private sector survey data in the UK and mainland Europe was also released last week. In the UK, the survey results pointed to private sector business activity hovering around neutral – neither expanding nor contracting. In Europe, there were signs of stabilisation following recent declines, though both manufacturing and service sectors still appear to be very weak.
- Turning to financial markets, in the wake of a strong start to November, global stock markets looked weaker from a UK vantage point. In reality, most major stock markets did make gains throughout the week, despite a shorter period of trading in the US due to the Thanksgiving holiday. However, weakness in the US dollar (and relative strength in the UK currency) hindered stock market returns from overseas, as financial returns were weakened by their translation into a stronger UK currency.

Market moves

Weakness in the US dollar took the shine off stock market returns for UK-based investors last week in an otherwise buoyant November.

Government bond prices were also weaker, impacted by better-than-expected private sector business survey data and market predictions for the journey ahead for interest rates. Corporate debt held up slightly better.

Commodity prices (including oil, and gold in sterling terms) were weaker over the week.

What to look out for this week

Among the slew of economic data due for release this week, the market's eye will be fixed on the release of personal income and spending data in the US. This data includes the all-important PCE (Personal Consumption Expenditures) price index, which is the US central bank's preferred measure of US inflation. Markets will place their bets on how the data could impact future interest rate setting decisions.

Market performance (as at 24 November 2023)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,147.5	0.0%	2.8%	4.2%
MSCI United Kingdom Mid Cap	1,231.4	0.5%	6.9%	12.6%
MSCI United Kingdom Small Cap	358.6	-0.2%	8.3%	2.3%
MSCI World (GBP)	2,362.1	-0.4%	4.9%	12.7%
S&P 500 (GBP)	4,559.3	-0.4%	4.7%	14.9%
MSCI Japan (GBP)	1,466.1	-1.5%	4.1%	10.0%
MSCI Europe ex-UK (GBP)	1,630.6	0.1%	6.5%	11.1%
MSCI Pacific ex-Japan (GBP)	1,525.2	-0.7%	3.0%	-6.7%
MSCI Emerging Markets (GBP)	59,517.1	-1.0%	3.2%	0.5%
Bonds				
BoA Merrill Lynch Conventional Gilts	981.4	-1.7%	2.1%	-2.9%
BoA Merrill Lynch Index-Linked Gilts	401.2	-2.5%	3.2%	-6.4%
BoA Merrill Lynch £ Corporate	390.0	-1.0%	2.5%	3.5%
Commodities				
Oil (West Texas Intermediate, GBP)	$75.2	-3.1%	-11.4%	-10.6%
Gold (GBP)	$2000.9	-0.4%	-3.6%	5.2%
S&P / GSCI (GBP)	3,450.4	-1.7%	-7.6%	-5.9%

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.

Important Information