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Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

Investors react to a chaotic cocktail of news

Key takeaways

In the UK, the Budget took the headlines. On the global stage, uncertainty continued to weigh on investor sentiment as the S&P 500 ended in negative territory for the second consecutive week, while bond yields rose.

The UK government steals the spotlight

In the UK, the first Autumn Budget by a Labour government in 14 years saw 10-year UK government bond yields rise to their highest level since May. This came in response to the largest increase in spending for decades, supported by new fiscal rules. Nevertheless, this was a modest reaction compared to the 'Liz Truss moment' of 2022.

Bond markets continue to reflect investor nervousness

In the US, the 10-year Treasury yield rose to a four-month high by the end of the week and bond prices, which move in the opposite direction to yields, fell. Investors focused on the likelihood of further upward pressure on the levels of federal debt, whoever wins the US presidential election, as well as persistent levels of core inflation. September's inflation reading of 2.7% (on an annualised basis) stood out when set against the Federal Reserve's recent decision to cut interest rates by 0.5%.

Some ultra-large techy companies stumble

Tech share prices had a rollercoaster week, beginning well, before sharp sell-offs for Microsoft and Facebook parent Meta, following their latest corporate earnings updates, contributed to the largest daily downward correction for US shares in two months. Investors also reacted negatively to Apple's earnings. In contrast Amazon rose sharply following its update and Google owner Alphabet also outperformed. Both the S&P 500 and tech-heavy Nasdaq Composite share price indices closed the week (and the month) in negative territory, with the S&P 500 ending its five-month consecutive run of gains.

US jobs growth stalls in October

Issued at the end of the week, the US Labor Department's October employment report was the last significant piece of economic data before Tuesday's presidential election. Job creation during the month ('nonfarm payrolls') increased by only 12,000, compared with consensus expectations of 113, 000 and an equivalent figure of 223,000 in September. Despite this, the overall national unemployment rate was unchanged at 4.1%. Two significant 'one-off' events helped explain the sharp slow-down: widespread strikes in the aerospace sector (workers not receiving a pay-cheque in this period counted as unemployed), and the impact of recent two hurricanes across the US Southeast and Florida, restricting working hours for many.

Market moves

The euro was the best performing major currency, supported by eurozone third quarter economic growth ahead of expectations.

Oil prices eased as oversupply concerns replaced geopolitics as traders' key concern.

Three-quarters of US companies in the S&P 500 that have already reported earnings have beat analysts' expectations, but this is the lowest level since the fourth quarter of 2022.

What to look out for this week

Private sector survey data indicating the state of business trends for the services sector in China, Europe and the UK, and the US, will be released throughout the week.

The US presidential election takes place mid-week, and will no doubt dominate news cycles.

On Thursday, the US Federal Reserve and Bank of England will announce their latest interest rate decisions. Eurozone retail sales for September will also be announced.

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

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