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**Handelsbanken**  
Wealth & Asset Management

## WEEKLY BULLETIN

# Markets left guessing when it comes to interest rates

### Key takeaways

Despite the sideshow of trade talks between the US and China, markets remained more interested in interest rate decisions among the world's leading central banks.

#### Warm early signs for US-China trade talks

The week began on a cooperative note, with progress reported on trade talks between two of the world's leading superpowers: the US and China. As part of the wider discussions, China also ended its competition investigation against Google, and negotiations over key businesses like TikTok and Nvidia picked up. Elevated tariffs between the US and China are currently subject to a 90-day truce, which is set to run out in November. If continued engagement ultimately leads to a more lasting truce, this could avoid US tariffs on Chinese goods jumping back up to the 145% rate seen earlier this year.

#### Despite US interest rate cuts, investors have been left without clarity

Last week also played host to a flurry of decisions from sixteen central banks, as policymakers around the world attempted to set interest rates at the right levels for their economies. Drawing the most attention internationally, the US Federal Reserve (Fed) cut its benchmark interest rate range down to 4%-4.25%. Investors had expected this US rate cut, following a disappointing jobs report, but were left feeling unclear about how many more rate cuts could follow this year.

#### The Bank of England navigates a challenging UK outlook

Annual UK inflation – measured by the Consumer Price Index (CPI) – held steady at 3.8% in August. Analysts had broadly expected this result, meaning that the market reaction to the news was muted. Business groups claimed to see more evidence of firms passing on higher costs from the government's hike in payroll taxes and the minimum wage back in April. Meanwhile, government borrowing came in significantly higher than forecast in August, leading to weaker UK government bond markets and a weaker pound. In the face of a tricky economic outlook, the Bank of England's leading policymakers opted to hold interest rates steady last week, continuing to tread carefully amid sticky inflation.

### Market moves

The US stock market hit a new all-time high in a positive week for most global stock markets. The UK market was among those lagging behind the pack.

It was a more challenging week for bond prices, with UK government bonds among the poor performers.

Continuing a dominant theme in 2025 so far, the price of gold rose over the week.

### What to look out for this week

All eyes will be back on the US, as investors look for clues about future interest rate cuts in planned speeches by key central bank officials throughout the week.

A range of economic data releases could also influence market views on this topic, especially the latest reading of the US central bank's preferred measure of inflation – Personal Consumption Expenditures, or PCE.

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

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