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Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

Investors remain on the lookout for falling inflation

Key takeaways

Ever alert to the potential for interest rate cuts, investors continued their determined lookout for signs of falling inflation around the world last week.

US inflation figures highlight a bumpy ride

In the US, the latest Personal Consumption Expenditures (PCE) figures showed that inflation had picked up marginally in February, moving up to 2.5% (from 2.4% in January). However, the 'core' version of this data, which strips out more volatile priced items like food and energy, fell slightly to 2.8% (from 2.9% in January). PCE is the US central bank's preferred measure of inflation, as policymakers believe that it better reflects the things that consumers actually buy, and that it provides a better gauge of long-term pricing pressures. While PCE figures remain above the central bank's 2% annual target rate for inflation, the head of the US central bank – Chair Powell – noted that the journey towards lower inflation can be bumpy.

Resilient US consumers, and mixed messages from employment markets

In other US economic news, consumer spending rose by more than expected in February's data, suggesting that consumers are holding up well. In US labour markets, 'initial jobless claims' (the number of people newly unemployed) decreased slightly; however, 'continuing claims' (the number of people experiencing ongoing unemployment) rose, perhaps implying that it is currently harder for people to find new jobs once they are out of work.

Falling European inflation could enable interest rate cuts

Meanwhile in Europe, there was evidence of falling inflation in the latest updates from Italy and France. This is especially notable in France, where inflation has been high since 2022. (As a reminder, lower inflation does not mean that prices are falling, but that the rate of price increases has slowed down.) Financial markets have taken this as a sign that the European Central Bank is more likely to cut interest rates in June.

Japan's currency weakened to a multi-decade low

Japan's currency (the yen) weakened to a 34-year low versus the US dollar last week. The Japanese Finance Minister has suggested that the government could take bold steps to strengthen the yen through some form of intervention in currency markets. Japanese markets are having an interesting year on the global stage, with this yen-based drama coming on the heels of strong Japanese stock market performance in the opening months of 2024.

Market moves

In a positive week for most major stock markets, share prices in Japan proved to be the main laggard.

Bond markets were fairly quiet, while in commodity markets gold and oil prices continued to make gains.

What to look out for this week

A range of inflation-related data is due for release in Europe this week. Markets will be watching intently to estimate the chances that European interest rate cuts will materialise in the coming weeks.

The next instalment of US employment market data is due for release on Friday.

Market performance (as at 29 March 2024)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,278.5	0.2%	4.6%	4.0%
MSCI United Kingdom Mid Cap	1,348.3	0.2%	3.0%	2.1%
MSCI United Kingdom Small Cap	390.8	1.2%	5.5%	2.3%
MSCI World (GBP)	2,693.6	0.1%	3.4%	10.0%
S&P 500 (GBP)	5,243.8	0.2%	3.4%	11.6%
MSCI Japan (GBP)	1,680.4	-1.1%	3.3%	12.2%
MSCI Europe ex-UK (GBP)	1,836.5	0.3%	3.8%	7.0%
MSCI Pacific ex-Japan (GBP)	1,628.6	0.4%	1.4%	-0.8%
MSCI Emerging Markets (GBP)	63,995.1	0.2%	2.7%	3.4%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,028.7	0.2%	1.8%	-1.9%
BoA Merrill Lynch Index-Linked Gilts	422.4	0.6%	2.6%	-2.2%
BoA Merrill Lynch £ Corporate	413.8	0.0%	1.8%	0.1%
Commodities				
Oil (West Texas Intermediate, GBP)	$83.7	2.3%	5.1%	16.7%
Gold (GBP)	$2214.4	1.7%	8.3%	7.5%
S&P / GSCI (GBP)	3,704.4	1.2%	4.9%	11.4%

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

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