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WEEKLY BULLETIN

The waiting game could be over

Key takeaways

Markets appeared to be holding their breath last week, waiting to see how trade talks would pan out between two of the world's biggest superpowers, with US-China talks ongoing over the weekend. Meanwhile, two leading central banks announced their latest interest rate decisions.

Policymakers at the US central bank are biding their time

On Wednesday, the US Federal Reserve ('the Fed') held US interest rates steady, in their current range of 4.25-4.5%. As part of the announcement, the Fed pointed out concerns about inflation flowing through to the US economy (due to tariff wars), as well as slowing economic growth. These two factors are effectively pulling the Fed in different directions – higher inflation typically calls for higher interest rates, while weaker growth encourages policymakers to set lower rates. Following this update from the Fed, bond markets signalled that investors still expect three interest rate cuts before the end of 2025, but now predict that these may come along later in the year than formerly anticipated.

The Bank of England: a house divided?

The Bank of England opted to cut interest rates on Thursday, from 4.5% to 4.25%, highlighting tariff concerns, lower inflationary pressures, and an unclear economic outlook. While the news itself was not groundbreaking, some information from behind the scenes was surprising. The Bank's leading committee of nine policymakers appeared divided on the decision, with five voting for precisely this level of rate cut, two wanting a bigger cut, and a further two not wanting to cut rates at all. Following this news, signals from bond markets indicated that investors had reduced their expectations for further rate cuts from the Bank later this year.

Trump's tariff war steals the show… again

Ordinarily, news from these two leading central banks might have held the media spotlight, but President Trump's global tariff wars have consistently dominated news cycles in 2025 so far. Last week was no exception, with a UK-US trade deal announced and trade talks between the US and China – hosted in Geneva over the weekend – capturing both media and investor attention. The outcome of the US-China talks has been well received: a steep reduction in tariffs on both sides over the coming 90 days. As we write, markets have been reacting positively to this outcome. One small caveat, though: while the newly agreed lower import taxes mark a significant reduction in global trade frictions, the new US trade deals agreed with both the UK and China still mean that tariffs will be higher than they were before Trump took office.

Market moves

Markets were in a largely upbeat mood last week, though this risk-positive sentiment faltered slightly on Friday, as investors waited for US-China trade talks to bear fruit.

While the US market was ultimately weaker over the week as a whole, most other regional stock markets performed positively. However, due to strength in the UK currency (meaning that returns were translated from weaker currencies into a stronger pound), these gains were not necessarily enjoyed by UK investors.

Gold performed well again, while inflation-linked bonds were weaker as investors attempted to account for inflation expectations (related to tariffs) in bond prices.

What to look out for this week

Negotiations could be the name of the game this week too, ranging from calls for Russia-Ukraine peace talks, to further potential tariff deals between the US and its global trading partners.

A range of monthly economic data covering April could reveal the early impact of a month of tariff wars. Areas to watch include inflation figures, retail sales updates and consumer confidence levels in the US.

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

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Important Information