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WEEKLY BULLETIN

Mind the gap: the US is catching up

Key takeaways

Investors were in good spirits last week, pushing share prices higher on the assumption that the low point for tariff wars is in the past.

The US: a burgeoning recovery in stock markets

US share prices continued to close the gap with their international peers last week, in the wake of a challenging period for the world's most dominant stock market. A president who appears increasingly open to trade negotiations, the assured independence of the US central bank, and better inflation news have all played a part in easing investor nerves on US assets. Last week, official figures showed that US inflation (measured by the Consumer Price Index, or CPI) had risen by 0.2% in April versus May. This brings annual US inflation to 2.3% – the lowest pace of price rises since the spring of 2021. While this is still slightly above the US central bank's target of 2%, it certainly indicates that interest rate hikes have done their job in bringing inflation to heel. Investors and economists alike will be watching closely to see if disturbances caused by President Trump's tariff wars do anything to change this picture.

The UK: struggling at home, renewing friendships abroad

UK businesses cut jobs for a third straight month in April, as tax increases, a national insurance hike and higher minimum wage took hold, while tariff concerns darkened the economic outlook. Wage growth slowed down by more than forecast for the economy as a whole, and the private sector specifically. Job vacancies also fell by the most in over a year, in a sign of weakening demand for workers. This picture should allow the Bank of England to cut interest rates by more than the market is currently anticipating. Separately, we were treated to some encouraging headlines about UK-Europe talks over the weekend, with the potential to repair some Brexit damage through agreements in areas like farming and fishing rights. This could pave the way for more progress between these ancient trading partners, and create more good news stories.

Europe: rising investor confidence ahead of a critical change

Investor confidence in the German economy rose by more than widely predicted last week, according to survey data (the ZEW Economic Expectations survey). As the initial shock from US tariff wars fades, investor attention is returning to the new German government's plans to boost public spending – a generationally significant event, marking a sea change in German government thinking. The survey in question was taken before the US and China agreed on a 90-day negotiation period, which could have improved investor feelings further, given Europe's reliance on Chinese demand.

Market moves

US stock markets enjoyed an upbeat week of performance, having lagged their international peers for much of 2025 so far.

A debt rating agency – Moody's – lowered its rating for US government debt from AAA to Aa1 following a period of review. In many ways, Moody's appears to have been simply playing catch up with another ratings agency – S&P Global Ratings – who made this move many years ago. Nevertheless, coming as it does atop tariff concerns, pushing US bond yields higher (yields move in the opposite direction to bond prices), it perhaps warrants a mention.

The price of gold fell, with investors appearing to sell to release profits from this strong 2025 performer. Gold is a traditional 'safe haven' asset in times of strife, so it follows that some investors would look to sell this asset as the market mood improves.

What to look out for this week

While geopolitical/trade developments have stolen the headlines from other economic news in recent weeks, in the week ahead investors are likely to pay close attention to the latest global private sector survey data – the Purchasing Managers Index (PMI) – due for release on Thursday. This information could give vital clues about the health of manufacturing and service sectors internationally.

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

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Important Information

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