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**Handelsbanken**

Wealth & Asset Management

WEEKLY BULLETIN

## More treats than tricks

### Key takeaways

Encouraging news for investors amid the Halloween festivities: a helping hand for the US economy, a US-China trade truce, and the world's first five trillion dollar business.

#### **An interest rate cut across the Atlantic**

The US central bank – the Federal Reserve (Fed) – cut interest rates last week. While this was a welcome development, the market reaction was relatively quiet, at least partly because the Fed's Chair, Jerome Powell, emphasised that investors should not automatically expect an additional rate cut next month. The Fed is in a challenging position, as it does not have access to the level of economic data it would usually consider when making interest rate decisions. (Official economic data is currently heavily delayed due to the ongoing US government shutdown.) Markets continue to believe that another rate cut will be forthcoming by the end of 2025.

#### **More economic support from the US central bank**

In a further act of support for the US financial system, Powell also announced the end of the Fed's 'quantitative tightening' (QT) programme, meaning that the Fed will no longer be trying to reduce the amount of US government bonds and mortgage-backed securities held on its balance sheet. This move is aimed at keeping the financial system liquid and operating smoothly, and could also support conditions for economic activity and growth. Markets showed limited reaction to the news, but it might ultimately prove useful for the prices of riskier asset types like shares.

#### **Friends again: a trade truce for two superpowers**

Following a meeting in South Korea, Presidents Trump and Xi agreed a one-year trade truce for the US and China. As part of this truce, China will postpone export controls on rare earths (crucial for the tech sector) for one year, and resume its large-scale purchases of soybeans, sorghum, and other agricultural products. In return, the US will cut its tariff rate on the chemicals used in the production of the drug fentanyl. We await clarity on some other key areas, including the export of advanced tech chips to China, and the sale of US TikTok operations. But while there is still plenty to discuss, the one-year timeline of this agreement should offer helpful clarity to businesses in both China and the US.

#### **The dawn of a five trillion dollar business**

Last week saw US tech giant Nvidia become the first company in history to reach a \$5 trillion valuation. This places the value of Nvidia above the value of the entire stock markets of Germany, Italy, France, the UK, and Canada combined. Within the G7 nations, only the stock markets of the US and Japan are larger than this single company.

### Market moves

It was a positive week for most major regional stock markets around the world, wrapping up an upbeat October overall.

The gold price pulled back last week, though gold remains on track to have its best year of performance since 1979.

### What to look out for this week

The US government shutdown continues, meaning that economic updates from government sources are thin on the ground. However, the Purchasing Managers' Index (PMI), which assesses business conditions in the private sector, will be released.

Importantly for UK readers, the Bank of England will announce its next interest rate decision on Thursday.

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

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