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Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

Solid US economic data contributes to a more positive week

Key takeaways

Generally solid US economic data and a strong performance from the technology sector led stock markets higher. In the UK though, it was a different story where data indicated a weakening economy.

Investors find the positives in US economic reports...

Investors took the positives from last week's economic news which pointed to consumer strength and inflation levels that, while not improving, did not give cause for worry. Core inflation – which excludes volatile food and energy costs – rose 2.9% over the year to June, compared to 2.8% in May. Additionally, both the New York and Philadelphia regional manufacturing indices bounced with stronger readings for orders and employment.

... but US interest rate path remains unclear

Alongside, there were further reports that President Trump was planning to dismiss the Chair of the Federal Reserve (Fed) the US central bank, though this was soon denied by Trump even as he maintained his call for the Fed to lower interest rates. There is a risk that Trump may try and continue to find a way to remove Powell ahead of the end of his term as Chair in May 2026. If he were to do so, and to appoint a successor who is seen to be soft on inflation and more likely to instigate faster and larger cuts in interest rates, it will likely be taken badly by financial markets, which would view the move as a loss of independence for the Fed.

Weakening economic activity in the UK

Economic data in the UK last week showed inflation moving up and a cooling in the labour market. The annual rate of consumer price inflation in the UK rose to 3.6% in June (from 3.4% in May), the fastest pace since January 2024. Inflation in the services sector, which is a key metric for the Bank of England when considering interest rate cuts, remained at 4.7% having been expected to ease. Weakening economic activity was highlighted by falling payrolls and rising unemployment in June, the fifth month in a row that payrolls fell, as the increased national insurance contributions introduced in April continued to feed through. While this puts the Bank in a slightly difficult position, consensus expectations remain for a cut in interest rates next month.

Market moves

Despite tariff uncertainty, US shares were boosted by both solid economic data and the technology sector, which rose on indications that Nvidia and others could resume chip sales to China. Shares in Japan and China also rose, but Eurozone shares fell slightly.

Bond yields rose (bond prices, which move in the opposite direction to yields, fell) with UK government bonds weaker after the unexpected news on inflation. In commodities, gold rose, while oil prices fell.

What to look out for this week

The key focus will be on the global flash Purchasing Managers Indices (PMIs) on Thursday. These are closely-watched market-moving economic indicators, covering more than 30 advanced and emerging economies worldwide. They are derived from monthly surveys of private sector companies.

The European Central Bank meets on Thursday and is expected to keep interest rates at their current level.

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

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