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Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

Markets are reading the signs and feeling optimistic

Key takeaways

Central banks in the UK and US opted to leave interest rates unchanged last week. However, markets interpreted other signals from leading policymakers as encouragement for interest rate cuts to come...

- According to data released by the Office for National Statistics on Wednesday, UK inflation fell to 3.4% in February (versus 4% in January), measured by the Consumer Price Index, or CPI. (As a reminder, this does not mean that prices are falling, but that the pace of price increases has slowed.) Core inflation – a version of the same data, but excluding the costs of food and fuel – also fell sharply.
- Lower UK inflation supports the suggestion that the Bank of England could reduce interest rates soon. However, the Bank's ruling committee made the decision to hold interest rates steady last week. Eight of the committee's nine members voted to keep rates at 5.25%, while one member voted to cut rates. This marks an ongoing shift in the committee's views: at the end of January, six members voted to hold rates steady and one voted for cuts, while two voted to actively hike rates.
- In the US, interest rates also remained unchanged following the central bank's policymaker meeting last week, as widely expected. However, Chair Powell made comments which implied that his central bank would look through the recent pick up in US inflation, believing that the journey away from high pricing pressures remains intact.
- Meanwhile, the Bank of Japan hiked interest rates for the first time in 17 years. As a result, Japan's negative interest rate regime has finally ended. The central bank also called time on its 'yield curve control' policy, which targeted longer-term interest rates through the purchase and sale of government bonds. Perhaps surprisingly, these actions had negligible impact on the standing of the yen in international currency markets.
- In other central bank news, the Swiss National Bank cut interest rates last week. While inflation in Switzerland is lower than elsewhere, this move could pave the way for interest rate cuts among the central bank's peers.

Market moves

Financial markets were upbeat last week, bolstered by a return to optimism around the likely course for interest rates.

UK government bonds had a strong week, regaining some of the ground lost so far in 2024.

In stock markets, Japan and North America led the way higher.

Having had a tough start to the year, the price of gold also continued its March rally.

What to look out for this week

Financial markets in many major economies will be closed at the end of the week for the Good Friday public holiday.

During this market closure, the latest data on personal income and spending in the US will be released. This includes the US central bank's preferred measure of inflation – PCE, or Personal Consumption Expenditures.

Market performance (as at 22 March 2024)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,274.2	2.7%	4.4%	3.8%
MSCI United Kingdom Mid Cap	1,348.1	2.3%	2.8%	1.9%
MSCI United Kingdom Small Cap	386.2	1.3%	4.2%	1.0%
MSCI World (GBP)	2,692.7	3.1%	3.3%	9.9%
S&P 500 (GBP)	5,234.2	3.4%	3.2%	11.4%
MSCI Japan (GBP)	1,740.0	5.3%	4.5%	13.4%
MSCI Europe ex-UK (GBP)	1,825.1	1.1%	3.6%	6.8%
MSCI Pacific ex-Japan (GBP)	1,618.4	0.9%	1.1%	-1.2%
MSCI Emerging Markets (GBP)	63,705.9	1.6%	2.4%	3.1%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,026.3	1.2%	1.6%	-2.1%
BoA Merrill Lynch Index-Linked Gilts	420.0	1.8%	2.0%	-2.8%
BoA Merrill Lynch £ Corporate	413.7	0.9%	1.8%	0.1%
Commodities				
Oil (West Texas Intermediate, GBP)	$80.7	-0.5%	2.2%	13.5%
Gold (GBP)	$2171.6	1.5%	6.4%	5.7%
S&P / GSCI (GBP)	3,639.2	1.0%	3.6%	10.0%

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