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Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

Politics at centre stage, but stock markets stay upbeat

Key takeaways

Politics returned to centre stage this week, as President Trump signed his latest ideas into law and – on home shores – the UK government limped its welfare bill through parliament. Meanwhile, international trade talks are pressed for time...

A Big Beautiful Bill and stronger employment markets in the US

On Friday, President Trump signed his now infamous ‘Big Beautiful Bill’ into law, after it was narrowly passed by Congress. The bill contains sweeping tax cuts and spending shifts, and the date – 4 July: Independence Day – was significant for a president who enjoys showmanship and grand gestures. Meanwhile, the mood among investors was boosted by news that US employment markets had surpassed expectations, adding nearly 150,000 new jobs to the economy in June. The figures caused investors to scale back their expectations for interest rate cuts from the US central bank, and boosted US share prices.

Labour’s welfare bill has caused political ripples

The UK government also won a vote in parliament, allowing a watered-down version of its new welfare bill to move on to the House of Lords for final approval. As a result, the long-running hole in government spending continues to expand, fuelling ongoing fires for the embattled Chancellor Reeves to fight. In some quarters, questions have also been raised about Prime Minister Starmer’s future, though financial markets would likely be very wary of change at the top. (This is because replacing Starmer could result in a more left-leaning prime minister, leaving bond markets very concerned about the government’s financial discipline.) In the immediate term, bond markets expressed their unease, with the yields on longer-dated government bonds rising and their prices, which always move in the opposite direction to yields, falling.

Trade deals are set to take over news headlines this week

The US reached a tentative trade deal with Vietnam last week. While Vietnam may not be a top-tier trading partner for the US, it has rapidly grown in importance in recent years, and could function as an alternative to China in certain global supply chains. The US is still in trade talks with a range of countries, including India, where an interim agreement could be wrapped up in the coming days. As a reminder, 9 July was previously set as a critical date in the trade talks calendar, marking the day when new, higher US taxes on imported goods (announced earlier this year) would come into force, unless new trade deals were reached. As we write, there is some confusion from White House sources about whether or not this deadline has been extended (to 1 August). On either timeline, major trading partners from around the world are rushing to negotiate with the US.

Market moves

Despite an uneasy week for UK bond markets, UK stock markets were relatively calm. The UK currency weakened compared to the euro.

US share prices rose, reacting to positive employment market news and promising trade deal developments.

What to look out for this week

All eyes will be on President Trump and his trade envoys this week, as key trading partners around the world make haste to strike tariff deals with the US.

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

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