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Handelsbanken

Wealth & Asset Management

WEEKLY BULLETIN

Economic slowdown fears are back on the menu

Key takeaways

Economic data released throughout the week came in lower than expected, heightening investor expectations of a slowdown in the global economy. Meanwhile, inflation concerns continue to preoccupy consumers.

- The latest reading of personal consumption expenditures (PCE) disappointed – this is a key consumer spending measure closely watched by the US central bank. With a reading of 6.3%, this data suggests that US consumers are pulling back from spending, as inflation expectations continue to rise. Meanwhile, survey data covering the US manufacturing sector (the Purchasing Managers' Index, or PMI) continued to point to growth ahead, but at a lower level.
- In the UK, manufacturing PMI data was updated, and revised downwards, dipping to a two-year low. New orders have contracted and output growth has slowed to a near-standstill, hindered by a range of factors including ongoing supply chain issues, the price and availability of raw materials, and reduced demand.
- A narrow stretch of water away, Europe's single currency region saw inflation increase to 8.6% in June, pushed higher by soaring energy and food prices. However, inflation did slow slightly in Germany, where jobless claims have risen for the first time in more than a year. Faced with growing pricing pressures, the European Central Bank remains committed to its plan to raise interest rates later this month, followed by another rate hike in September: President Lagarde announced that the bank needed to act "in a determined and sustained manner" in order to tackle inflation.
- Fanning the flames of inflation, China's slow economic recovery has continued to impact global supply chains, hindered by the country's zero-tolerance approach to COVID-19 outbreaks. Economic activity sped up in June as the latest big wave of population lockdowns began to lift, and last week saw authorities easing restrictions for travellers.

Market moves

Following a moment's reprieve, global stock markets returned to mixed performance last week. Asian and Japanese share prices led the way in sterling terms, but the US and UK markets struggled to make headway.

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Traditional safe havens like UK government bonds and the US dollar performed well, responding to an uneasy wider environment for investors.

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The oil price continued to falter (amid an otherwise stellar year) as fears surrounding supply chains and economic slowdown grew.

What to look out for this week

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A raft of economic data is due for release throughout the week, from monthly US jobless claims to more private sector survey data.

Market performance (as at 1 July 2022)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,071.0	-0.4%	0.0%	1.7%
MSCI United Kingdom Mid Cap	1,109.2	-1.6%	0.2%	-22.8%
MSCI United Kingdom Small Cap	364.8	-3.0%	-0.3%	-22.7%
MSCI World (GBP)	2,007.7	0.1%	1.7%	-9.6%
S&P 500 (GBP)	3,825.3	0.1%	2.2%	-8.7%
MSCI Japan (GBP)	1,127.4	1.2%	0.3%	-10.7%
MSCI Europe ex-UK (GBP)	1,406.5	-0.4%	0.7%	-14.2%
MSCI Pacific ex-Japan (GBP)	1,537.0	0.9%	-0.2%	-0.7%
MSCI Emerging Markets (GBP)	59,263.1	0.8%	0.4%	-7.6%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,171.2	1.6%	1.8%	-13.2%
BoA Merrill Lynch Index-Linked Gilts	522.4	0.9%	3.4%	-20.1%
BoA Merrill Lynch £ Corporate	406.4	0.6%	1.2%	-13.2%
Commodities				
Oil (West Texas Intermediate, GBP)	\$108.4	1.8%	3.7%	62.4%
Gold (GBP)	\$1797.5	0.8%	0.1%	12.3%
S&P / GSCI (GBP)	3,823.7	0.3%	2.7%	55.5%

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.

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