20 January 2025

Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

A great week for markets

Key takeaways

A rebound in financial assets, supported by a strong start to US ‘corporate earnings season’ and favourable data on inflation supporting bond prices. Outside the US, and despite a weaker economic outlook, share prices rose on hopes for further interest rate cuts.

A strong week in financial markets

Investor sentiment recovered during the week, with US markets benefiting from outperformance in the energy sector, as well as the positive reaction to strong quarterly results in the banking sector. While US stock market valuations are high, domestic companies have outperformed expectations over the past few years, reflected in consistent earnings growth per share. They could also continue to benefit from a lower tax and looser regulatory Trump presidency. Meanwhile, in the bond market, prices also rose (while yields, which move in the opposite direction, fell) as US core inflation in December was slightly lower than expected. This has strengthened hopes that the US central bank will be able to resume interest rates cuts during 2025.

European share prices close to a two-decade high

Despite the German economy shrinking for the second year in a row, and a bleak domestic outlook for 2025 should new US tariffs materialise, European shares rose during the week, with the EURO STOXX 50 index – which represents the shares of 50 sector-leading companies from eurozone countries – reaching its highest level since 2000. Likely catalysts for this positive sentiment include hopes the European Central Bank will continue cutting interest rates and that investors have been undoing some of their low positioning in European shares. The lower value of the euro is also helping the region’s exporters. Sentiment will be helped by improving economic data in key trading partner China, and hopes for a recovery in the global economy if interest rates continue to ease.

UK bonds and shares rise on hopes of lower interest rates

Against the backdrop of continuing poor UK data releases, including November’s low economic growth of 0.1% and the unexpected drop in December’s retail sales, investors reacted by interpreting ‘bad news is good news’ for cuts to domestic interest rates. Expectations have risen that the Bank of England will respond to the recent disappointing news flow by aggressively cutting interest rates this year. This led to a recovery in the price of UK government bonds (gilts) and shares during the week. Despite the rise in UK gilt prices, yields (which move in the opposite direction)

Market moves

Ranked by their market size, the top five shares in the S&P 500 Index (Apple, NVIDIA, Microsoft Amazon and Alphabet/Google) represent 29% of the index. This is the highest concentration of US market leaders since 1964.

The start of the earnings season in the US saw major banks report strong fourth quarter earnings, buoyed by a rebound in dealmaking and higher trading revenues.

Supported by the weaker level of the pound, the UK’s FTSE 100 Index reached a record intra-day high on Friday. Many major UK companies earn much of their revenue in dollars and benefit when this is translated back into a weaker pound.

What to look out for this week

On Tuesday, UK employment data for November will be released. Analysts expect no change to October’s 4.3% unemployment rate.

On Thursday, US weekly jobless claims will be announced, as will Japanese consumer price inflation for December.

On Friday, a key measure of business confidence, the Purchasing Managers’ Index for January, will be released in the US, UK and Germany.

On the same day, the Bank of Japan is expected to announce a 0.25% increase in interest rates to 0.5%.

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

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