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Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

Tariff news continues to drive investor optimism

Key takeaways

Tariff agreements and stronger economic data out of the US kept investors happy last week. In Europe, the central bank left interest rates unchanged, however, in the UK, there were more signs that the economy is weakening.

Tariff deals struck ahead of 1 August deadline

The US has reached significant tariff agreements with the Philippines (19%), Indonesia (19%) and Japan (15%), and over the weekend, the US and EU agreed on a trade deal which will see a blanket 15% on all EU goods imported into the US. That is the same rate as the Japan deal, and only half the 30% rate that Trump had threatened previously. Among the main trading partners, a trade deal has been agreed with UK, Japan and EU and talks are continuing with China in Stockholm this week. It is therefore looking increasingly likely that the US will soon have agreed frameworks with nearly all major trading partners.

US data remains robust

The global flash Purchasing Managers Indices (PMIs), which provide an indication of business conditions in developed countries, improved on average in July driven by the US and Europe with services conditions up but manufacturing down. However, price pressures remain elevated. Elsewhere, the June quarterly earnings session got off to a good start, with 34% of S&P 500 companies so far reporting results and 84% beating expectations. Strong profit growth was evident in the technology and financial sectors.

European Central Bank (ECB) keeps rates on hold

As expected, there was no change in interest rates from the ECB. Policy in the eurozone is in a good place with rates at neutral levels, inflation moving towards 2%, and the economy far from a recession. ECB President Christine Lagarde said that the central bank was in a 'wait-and-watch' situation, citing uncertainty caused by trade and tariffs. She reiterated the bank's determination to keep inflation at its target and its commitment to data-dependent decision-making.

UK economic activity continues to weaken

The UK flash PMI fell in July, signalling slower private sector expansion as new work declined and job cuts continued, evidencing a weakening labour market. A softer growth outlook increases the risk of a larger fiscal hole in the budget, leaving the Chancellor with little choice but to increase taxes in the government's Autumn Statement. However, taking money out of people's pockets is not going to help growth! Retail sales are already struggling; sales increased in June (compared to May), but the rise was lower than expected across the board, given the warm weather in June, which had been expected to boost consumption. Against this backdrop, the Bank of England is expected to cut interest rates at its next meeting on 7 August.

Market moves

Global stock markets were buoyed by the positive news on tariffs and the strong earnings reports from the US, in particular from financial and tech companies.

Bond yields were little changed, however, longer maturity bonds underperformed as concerns around fiscal sustainability persist. (Bond yields and bond prices move in opposite directions.)

What to look out for this week

US-China negotiations take place in Stockholm on Monday and Tuesday.

Interest rate decisions will be announced by the various central banks including the Federal Reserve (Fed) in the US and the Bank of Japan. Given the robust economic data in the US, the Fed is expected to keep rates on hold.

Other economic data highlights include Q2 GDP and the jobs report in the US, Q2 GDP and inflation in Europe, and PMIs in China. In corporate earnings, Microsoft, Meta, Apple and Amazon are among the companies reporting June quarter earnings.

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

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