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**Handelsbanken**  
Wealth & Asset Management

## WEEKLY BULLETIN

# Investors hope for rate cuts in their advent calendars

### Key takeaways

From arguably the most anticipated UK Budget of all time, to the growing potential for interest rate cuts in the US, there was plenty for investors to digest last week.

#### A much-anticipated UK Budget

After extensive speculation and no shortage of drama, the UK Autumn Budget was released last week, but not before its contents were leaked shortly before the Chancellor took to the dispatch box. At heart, this was a 'tax and spend' budget, with measures aimed at raising tax revenue, whilst – on the surface at least – trying to not stifle economic growth or stoke inflation. The Budget includes some active individual measures, designed to raise significant sums of revenue, but these will not enter the statute book until towards the end of the decade. This 'spend now, tax later' approach was largely taken well by investors, with bond markets soothed by news that government finances looked a little less under pressure.

#### Confidence levels have dipped among US consumers

Confidence among US consumers wobbled in November, according to the latest reading in the benchmark Consumer Confidence Index. In particular, according to feedback given by consumers, worries about finding employment were on the rise. Perhaps with good cause, as there are signs that the pace of layoffs may have increased in recent weeks, according to US payrolls processing firm ADP. Official retail sales data covering September (and delayed by the recent US government shutdown) showed that shoppers were also feeling downbeat.

#### But bad news can be good news...

We've said it before, but bad news can often be good news when it comes to central bank action. Signs of strain in the US economy mean that the US central bank (the Federal Reserve, or 'Fed') could make further cuts to interest rates in order to support the US economy. Stock markets enjoyed this idea, with share prices rising accordingly. It's worth noting that investors now expect rate cuts from both the Fed and the Bank of England in December, and that this is broadly accounted for in the prices of financial assets, including US and UK government bonds.

### Market moves

Stock market prices rose higher, with all major regional markets performing well.

In the UK, government bond prices rose following the UK Budget, with bond yields (which always move in the opposite direction to bond prices) falling.

Despite a pro-risk mood among investors, the price of gold (a traditional 'safe haven' asset) also rose over the course of the week.

### What to look out for this week

A range of economic data is due for release this week, including more information on US employment markets and an inflation update for the Eurozone.

Continued peace negotiations between Russia and Ukraine are also likely to capture the headlines.

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

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