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Wealth & Asset Management

WEEKLY BULLETIN

The worst week for US stocks since last March

Key takeaways

Weak data has raised fears the US may move into recession, irrespective of the anticipated US interest rate cut.

September proving the weakest month

The S&P 500 delivered its worst weekly returns since March 2023 on revived concerns of a pending US recession. Markets in Europe also ended the weak lower. The trigger was Friday's US jobs data showing a slowdown in the rate of monthly job creation, which led to a sell-off for technology shares. The more defensive market sectors, like utilities, real estate and consumer staples performed well, while the yield on the US Treasury 10-year bond fell to its lowest level since May 2023 (yields move inversely to bond prices). Shorter maturity bond yields (which are more reflective of interest rate expectations) fell proportionally more than longer maturity bond yields. Some investors regard this as a signal of a pending recession, based on historical patterns.

Investor sentiment towards China fast deteriorating

The world's second largest economy appears in trouble. China's recent manufacturing activity and retail sales data has been weak, while economic growth (GDP) between April and June was below analysts' expectations. All this is casting doubt on the government's 5% growth target for 2024. The impending US presidential election appears to have led to increased volatility in Chinese shares, as the possibility of a more damaging tariff dispute between China and the US raises its head.

Supply glut fears exacerbate oil price weakness

Despite a factional dispute in Libya leading to a halving in that country's oil production since the end of August, the oil price ended the week at its lowest level since 2022. Catalysts for the weakness included slowing oil demand globally (especially in China, the world's largest importer), disappointing US economic data as well as weak oil refining margins which could result in less crude oil being processed. In response to this and to try and support prices, the OPEC Plus cartel of oil producers has delayed by two months a production increase planned for later this year. Reports that the dispute in Libya is close to being resolved could release an additional 700,000 barrels per day onto markets, putting further downward pressure on oil prices.

Market moves

The latest July data shows German industrial production continuing to slip; over the year it is down by more than 5%. A major contributor is weakness in the automotive sector. Volkswagen is considering closing factories in Germany for the first time in its 87-year history.

Swedish carmaker Volvo has abandoned plans to go all electric (EV) by 2030. Major automakers are adjusting to a slowdown in EV demand.

Technology shares in the US sold off, partially on rumours that chip firm Nvidia could be the subject of a Justice Department antitrust investigation. This was denied by the company.

What to look out for this week

The UK's unemployment rate for July will be released on Tuesday.

Wednesday plays host to the latest US inflation data.

The European Central Bank announces its latest interest rate decision on Thursday.

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

marketing.hwam@handelsbanken.co.uk

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