30 September 2024

Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

# China revs up, taking share prices along for the ride

## Key takeaways

Financial markets turned their attentions to China last week, as Beijing's authorities pulled out all the stops to boost an embattled property sector and uneasy consumers. Meanwhile, inflation in the US and Europe continued its downward trend.

### Chinese leaders attempt an economic bazooka

Throughout the week, Chinese authorities have announced a new, coordinated programme of economic stimulus. The central bank enacted a range of interest rate cuts, including lower mortgage rates and a relaxation of the rules for second home purchases. The ruling political party later announced that it would also be increasing government spending and providing further support to the property sector. These moves come as part of a new effort to help the world's economic giant recover from a property market collapse which began in 2021. This, combined with factors like the handling of the COVID-19 crisis, has had knock-on effects for Chinese consumers, who appear to have lost faith in the nation's policymakers.

### European share prices are among the near-term beneficiaries

A mixed bag of private sector survey data suggested some growth in the US, while mainland Europe fell into contraction for the first time since early this year. Despite this, European stock markets hit new highs during the week, partly due to the anticipated boost to Chinese consumers as part of the economic stimulus outlined above. China is Europe's second most significant trading partner, and the share prices of European luxury goods firms performed especially well over the week.

### Inflation still appears to be easing back towards target levels

Inflation broadly continued its downward trend in September. In Europe, pricing pressures have in fact dropped below their 2% target. Across the Atlantic in the US, the latest reading of the PCE (Personal Consumption Expenditures) measure of inflation – which is the measure targeted by the US Federal Reserve (Fed) – was lower than expected, and only fractionally above the central bank's 2% target. With the Fed's attention increasingly turning to changeable US employment markets, and consumers waiting for further interest rate cuts, this will be taken as encouraging news.

## Market moves

Global stock markets rose again last week, with US and global shares reaching new record highs, responding to news of aggressive new economic policies in China.

Bond yields were mixed, with slight increases in the US, UK, and Japan but falls in Europe. (Bond prices and yields move in opposite directions.)

Despite an escalation in the Middle East conflict, oil prices fell with Saudi Arabia set to increase production and Libyan production returning.

Meanwhile, the gold price continued to hit new highs, and ends September as one of the month's top performers.

## What to look out for this week

US central bank chair Powell is set to speak later today at the National Association for Business Economics' annual meeting in Nashville. Investors are hoping for clues on the central bank's next steps following the interest rate cut earlier this month.

US employment market data will be announced on Friday.

Also in the spotlight will be an early look at inflation data in Europe.

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

marketing.hwam@handelsbanken.co.uk

## Important Information

Handelsbanken Wealth & Asset Management Limited is authorised and regulated by the Financial Conduct Authority (FCA) in the conduct of investment and protection business, and is a wholly-owned subsidiary of Handelsbanken plc. For further information on our investment services go to wealthandasset.handelsbanken.co.uk/important-information. Tax advice which does not contain any investment element is not regulated by the FCA. Professional advice should be taken before any course of action is pursued.

- Find out more about our services by contacting us on 01892 701803 or visiting our website: wealthandasset.handelsbanken.co.uk
- Read about how our investment services are regulated, and other important information: wealthandasset.handelsbanken.co.uk/important-information
- Learn more about wealth and investment concepts in our Learning Zone: wealthandasset.handelsbanken.co.uk/learning-zone/
- Understand more about the language and terminology used in the financial services industry and our own publications through our Glossary of Terms: wealthandasset.handelsbanken.co.uk/glossary-of-terms/

All commentary and data is valid, to the best of our knowledge, at the time of publication. This document is not intended to be a definitive analysis of financial or other markets and does not constitute any recommendation to buy, sell or otherwise trade in any of the investments mentioned. The value of any investment and income from it is not guaranteed and can fall as well as rise, so your capital is at risk.

We manage our investment strategies in accordance with pre-defined risk and reward targets, which vary from strategy to strategy to suit a range of customer needs. Portfolios may include individual investments in structured products, foreign currencies and funds (including funds not regulated by the FCA) which may individually have a relatively high risk profile. The portfolios may specifically include hedge funds, property funds, private equity funds and other funds which may have limited liquidity. Changes in exchange rates between currencies can cause investments of income to go down or up.

Registered Head Office: No.1 Kingsway, London WC2B 6AN. Registered in England No: 4132340 wealthandasset.handelsbanken.co.uk