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Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

Markets shake off threats of more rate hikes

Key takeaways

Financial markets continued their upbeat start to November last week, only briefly tempered by suggestions of further interest rate hikes to come.

- Spirits remained high in both bond and stock markets as last week began, but this was abruptly derailed on Thursday by comments from the head of the US central bank, the Federal Reserve (Fed). Chair Powell made public comments highlighting his limited confidence that the interest rate rises enacted so far would be enough to bring inflation down to the Fed's 2% target, unnerving investors.
- Powell's comments came in response to recent sharp moves down in government bond yields (as a reminder, bond yields and bond prices move in opposite directions, so government bond prices have risen as yields have dropped). With these moves, bond markets have been flagging their belief that interest rates are at/close to their peaks, in part supported by signs of weakness in US employment markets. Powell's open indication that the Fed may yet need to do more to bring inflation to heel (i.e. raising interest rates further), led bond prices to fall and bond yields to rise on Thursday, as well as upsetting stock markets.
- However, this unsettled market atmosphere didn't last for long, and on Friday both stock and bond market prices rose again. Bond prices returned to roughly where they began the week, while most major stock markets actively delivered positive performance over the week as a whole. This buoyant mood has continued through into the start of the new week.
- Meanwhile, economic data released over the past few days has painted a picture of a weaker global economy. In the UK, the latest economic growth update indicated that despite better-than-expected economic activity levels, the UK only narrowly avoided recession in the third quarter of 2023. In Europe, retail sales were weaker and inflation appears to be dropping sharply, but from a very high point. In China, whose economy has been marching to the beat of its own drum in recent history, deflationary forces appear to be at work, and export data remains very weak.

Market moves

Prices in bond and stock markets began the week buoyantly, before fears of further interest rate rises ahead created a rocky day on Thursday. Most major regional stock markets recovered to a position of strength on Friday, while bond markets returned to roughly where they began the week.

Technology share prices experienced their biggest positive move since May, while shares in developing economies also enjoyed an upbeat week.

Commodity price weakness continued, with the oil price now well below levels prior to the Israel-Hamas conflict.

What to look out for this week

A large selection of economic data is due for release this week, including inflation data, retail sales figures and wages data in the US. Analysts will be watching these updates closely, in light of recent comments from the head of the Fed.

On home shores, UK data set for release this week includes the latest inflation and retail sales figures.

Market performance (as at 10 November 2023)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,112.1	-0.5%	0.7%	2.2%
MSCI United Kingdom Mid Cap	1,189.0	0.3%	3.1%	8.7%
MSCI United Kingdom Small Cap	346.3	-0.5%	4.4%	-1.3%
MSCI World (GBP)	2,288.4	2.1%	4.3%	12.0%
S&P 500 (GBP)	4,415.2	2.8%	4.8%	15.0%
MSCI Japan (GBP)	1,429.6	0.8%	3.6%	9.5%
MSCI Europe ex-UK (GBP)	1,569.7	1.0%	3.2%	7.6%
MSCI Pacific ex-Japan (GBP)	1,507.7	-0.9%	2.2%	-7.5%
MSCI Emerging Markets (GBP)	58,047.3	1.5%	3.1%	0.4%
Bonds				
BoA Merrill Lynch Conventional Gilts	978.8	0.0%	1.9%	-3.2%
BoA Merrill Lynch Index-Linked Gilts	401.5	0.0%	3.3%	-6.3%
BoA Merrill Lynch £ Corporate	387.0	0.2%	1.7%	2.7%
Commodities				
Oil (West Texas Intermediate, GBP)	$77.2	-2.8%	-5.2%	-5.0%
Gold (GBP)	$1941.7	-1.2%	-3.3%	5.6%
S&P / GSCI (GBP)	3,467.0	-2.3%	-4.0%	-2.2%

Past performance is not a reliable indicator of future results. The value of investments may fall as well as rise. All performance returns are in GBP, while all index levels are in local currency.

Important Information

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