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Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

Riding the rollercoaster of tariff wars

Key takeaways

It was another dramatic week in international politics, mirrored by volatile performance in global financial markets. Despite the chaos of tariff proceedings, some positives emerged late in the week.

Trump's tariffs are a moving target for trade partners

Worldwide trade tariffs have been the big surprise reveal of Trump's second term in office, and his application of these taxes on imports to the US has been wildly changeable from the outset. As we write, a 10% universal trade tariff is being applied to goods entering the US, though some countries (like Mexico and Canada) are subject to more complex and variable trading agreements. China and the US are entangled in a tit-for-tat spat, with the average tax on goods going between the two nations now surpassing 140%. The rest of the world has been given 90 days to negotiate new trading terms with the US.

Key sectors have been offered reprieve, but not consistently

Select critical goods have been granted an exemption from US tariffs, but this is also subject to the very changeable whims of the White House. On Friday night, Trump announced a tariff exemption for electronics and semiconductors; on Sunday night, the president moved to a 20% tariff on electronics. Nevertheless, share prices in the Chinese technology sector appear to have responded positively to this update – rising in the opening trading hours of this week.

Financial markets are trying to work out how to respond

Global financial markets can move very quickly in response to developments in geopolitics and economics, so asset prices have been decidedly chaotic since the beginning of Trump's tariff battles. On Wednesday, when Trump dialled back some of his spicier tariff rhetoric and announced the 90-day negotiating window for most countries, stock markets shot higher. Bond markets have been harder to appease, and bond yields (which move in the opposite direction to bond prices) remain very high, including US government bonds ('Treasuries'). US Treasuries are normally a very stable asset, but have recently faltered, despite assurances from the US central bank that it stands ready to act to support the market if needed.

Meanwhile, other economic news is unfolding below the radar

Lost in the tariff headlines, positive economic growth data was a welcome surprise in the UK last week, with the economy expanding by 0.5% in February versus the previous month. Meanwhile in the US, inflation looked to be subsiding, with lower energy prices dragging down pricing pressures, as measured by the Consumer Price Index (CPI).

Market moves

An overall rise in US share prices masked dramatic stock market volatility throughout the week. Other regional stock markets around the world were weaker, as share prices struggled to keep pace with events on the international stage.

Bond prices have continued to fall. As a silver lining, the unsettling effect of this on the US establishment may have resulted in some of Trump's capitulations on tariffs (e.g. the 90-day negotiating window).

The oil price dropped further, while the gold price broke new highs once more.

What to look out for this week

Somewhat lost among the noise of tariff news, the latest 'quarterly earnings season' is underway, with large US-listed businesses reporting their results for the first three months of the year and updating their outlooks for the future. A number of large businesses – from Goldman Sachs to Netflix – will release their reports this week.

Economic data due for release this week includes activity data for the US and Europe, as well as inflation news in the UK.

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

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