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Handelsbanken

Wealth & Asset Management

WEEKLY BULLETIN

A quiet start to Trump 2.0 for markets

Key takeaways

A more subdued performance across markets despite fresh all-time highs in US and European stock markets. Bond markets were flat after a quiet period, while commodity prices weakened.

Tariff restraint supports market sentiment

Investors welcomed the new US administration with the first record closing high for the S&P 500. Expectations for a more business friendly tax and regulatory environment in the US were boosted by President Donald Trump's less aggressive tone on tariffs. News of a joint venture investment in US artificial intelligence (AI), known as Stargate, also helped technology shares (more on this below). The optimistic start in US markets was reflected overseas, with UK and German stock markets at near record levels. Share prices and currencies in Asia also rallied as the threat of a trade war receded, for now.

Artificial intelligence gets a boost

A US plan to invest \$500 billion in AI infrastructure was announced. Planned as a joint venture between ChatGPT founder OpenAI and technology investor Softbank, it will also include a number of high-profile names in the industry, such as Microsoft and Nvidia, who will help to build and supply the data centres that will house the chips used to power AI. Initially, \$100 billion will be invested in the project, with plans for a further \$400 billion over the next four years. While some details about Stargate funding are vague, the announcement just a couple of days into the new presidency highlights Trump's commitment to AI, what he calls the 'oil of the future'.

Trump pushes for lower oil prices

As in his first term, Trump called for lower oil prices, a move which he said would apply pressure on Russia and help to end the war in Ukraine. He urged Saudi Arabia and other oil producers to increase output. Although the oil price did react by drifting lower during the week, major oil producers (OPEC+) have a plan to start raising output from April 2025. Many analysts believe it may be difficult to see structurally lower oil prices; key player Saudi Arabia, for example, is estimated to have a breakeven oil price of just under \$91 per barrel – key benchmarks for the oil price, West Texas Intermediate (WTI) and Brent Crude, closed the week at \$74.66 and \$78.50 per barrel respectively.

Market moves

The Bank of Japan raised interest rates by 0.25% to 0.5%, their highest level since 2008.

Easing tariff tensions helped developing economy currencies deliver their strongest performance in 18 months against the dollar.

Eurozone business activity rose slightly in January, supported by the services sector. In contrast, the manufacturing sector continued to contract.

What to look out for this week

On Wednesday, the US central bank, the Federal Reserve, is expected to announce no change to interest rates at its first monetary policy statement in 2025.

On the same day, quarterly earnings updates will be released from some large technology companies including meta/Facebook, Tesla and Microsoft. Apple's quarterly update follows on Thursday.

Also on Thursday, US, German and eurozone Q4 2024 economic growth (GDP) will be released. The European Central Bank is also expected to cut interest rates.

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

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