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**Handelsbanken**  
Wealth & Asset Management

## WEEKLY BULLETIN

# Challenging week for US assets

### Key takeaways

Markets appear increasingly fatigued by President Trump's tariff threats amid rising concerns on the outlook for US debt.

#### US rating downgrade weakens demand for US government bonds

A weaker-than-expected auction of US government bonds (Treasury's) with a 20-year maturity, pushed longer-term bond yields higher and prices lower with the 30-year bond yield hitting its highest level since 2023. (Bond prices and yields move in opposite directions.) The weak demand for US Treasuries at the auction and the subsequent move in yields was partially attributed to credit rating agency Moody's downgrade of US sovereign debt at the end of the prior week. Investors were also unnerved after the House of Representatives narrowly voted in favour of Trump's latest tax bill that will extend the tax cuts from his first presidential term and raise the debt ceiling by \$4 trillion. Against a backdrop of higher bond yields, concerns about US Treasuries' safe-haven status, and US exceptionalism, investor focus is firmly on rising US public debt.

#### Another 'will he, won't he' tariff threat

Markets took a further hit at the end of the week after Trump threatened to place a 50% tariff on the European Union (EU) from 1 June. He said that the EU had "been very difficult to deal with", and that the "discussions with them are going nowhere!" However, the climb down was swift, with the announcement yesterday that the 50% tariff has been delayed until 9 July. There's a danger now that markets are becoming complacent around tariff threats and may not reflect the risk of both policy uncertainty and higher tariffs in the future.

#### Mixed economic data

A raft of economic indicators in a number of countries were released last week: data showed that business conditions in the US improved in May, but that the tariffs are driving sharp increases in input and output prices. Business activity also rebounded in May after a weak April. Elsewhere, higher-than-expected inflation data was reported in the UK, Canada and Japan, while in China, April's data for retail sales, industrial production and investment came in slightly weaker than expected. However, the pace of decline in property sales and home prices in China has slowed, while the trend in economic growth remains slightly up. Further policy stimulus from China's government is still expected to be needed to sustain growth as the Trump trade threat remains.

### Market moves

Both stock markets and bonds had a rough week coping with a downgrade to US debt, renewed worries about the US debt outlook, and more tariff threats.

In commodities, gold continued to rise helped by safe-haven demand, while the oil price fell to around \$60 per barrel.

### What to look out for this week

Inflation will be the key theme with preliminary May Consumer Price Index data for Europe released throughout the week, and in Japan and the US on Friday.

Consumer confidence indicators will also be released in the US, Germany and Japan.

Elsewhere, Nvidia, one of the so-called 'Magnificent 7' tech companies in the US, will release its earnings data on Wednesday. The company's share price has rallied around 40% from its low point earlier this year.

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

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