12 February 2024

Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

Do markets care about US presidential drama?

Key takeaways

US political drama held the media spotlight last week, with news headlines covering the current and former presidents. Behind the noise, financial markets remained preoccupied by the likelihood of interest rates cuts to come…

- Early in the week, a US appeals court denied presidential immunity to ex-president (and future presidential hopeful) Donald Trump over his alleged interference in the 2020 election. And as the week drew to a close, the spotlight turned to President Biden, with supporters forced to defend the president against growing concerns surrounding his mental acuity. This turbulence came in the wake of a damaging report from the US Department of Justice. Updates like this can certainly dominate news cycles, but our view is that near-term political noise rarely moves financial markets in a meaningful way.
- Indeed, investors remained more concerned with estimating the likely timing, pace and magnitude of potential interest rate cuts from the US central bank (the Federal Reserve, or Fed). Bond prices fell (and bond yields, which always move in the opposite direction to bond prices) rose over the week, as investors pared back their expectations for a rate cut at the Fed's next leading policymaker meeting in March.
- Sticking with interest rate news, the Bank of England's Chief Economist, Huw Pill, claimed that reducing interest UK rates was a question of "when not if", framing this as a future "reward" for ongoing declines in UK inflation. As a reminder, on 1 February the Bank opted to hold the benchmark UK interest rate steady at 5.25% for the time being.
- Crossing the English Channel and turning to mainland European news, the latest figures showed that German factory orders fell for the seventh month running in December. This marks the European manufacturing giant's longest ever downturn. Analysts will be watching closely to see if this Wednesday's inflation figures provide any further clarity on Europe's economic situation.

Market moves

Bond prices continued to move lower over the week in response to tempered expectations for interest rate cuts. Bond yields (which always move in the opposite direction to bond prices) moved upwards.

It was a record-breaking week for US stock markets, which continued to lead global share prices higher.

What to look out for this week

With lots of economic data due for release this week, highlights will include inflation figures covering the US, UK and Europe.

It should be a quieter week for market news in Asia, where much of the continent will be welcoming in the Lunar New Year. We wish a happy festive season to all who are celebrating the Year of the Dragon!

Market performance (as at 9 February 2024)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,170.9	-0.6%	-0.7%	-1.9%
MSCI United Kingdom Mid Cap	1,285.3	-0.5%	-1.2%	-3.1%
MSCI United Kingdom Small Cap	369.6	-0.6%	-1.6%	-3.5%
MSCI World (GBP)	2,573.1	1.3%	3.2%	4.6%
S&P 500 (GBP)	5,026.6	1.6%	4.6%	6.5%
MSCI Japan (GBP)	1,576.7	0.6%	-0.8%	3.9%
MSCI Europe ex-UK (GBP)	1,722.7	0.5%	0.1%	0.5%
MSCI Pacific ex-Japan (GBP)	1,600.1	0.0%	-0.1%	-3.5%
MSCI Emerging Markets (GBP)	60,658.3	0.9%	2.8%	-1.8%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,004.1	-1.0%	-1.8%	-4.2%
BoA Merrill Lynch Index-Linked Gilts	402.3	-0.8%	-2.0%	-6.9%
BoA Merrill Lynch £ Corporate	404.3	-0.5%	-1.1%	-2.1%
Commodities				
Oil (West Texas Intermediate, GBP)	$76.8	5.8%	1.5%	7.8%
Gold (GBP)	$2023.5	-0.3%	-0.7%	-1.8%
S&P / GSCI (GBP)	3,523.1	3.7%	1.6%	6.2%

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.

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