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Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

Conflict picks up, but investors calm down

Key takeaways

Conflict in the Middle East may have held the media headlines, but last week also played host to a collection of interest rate decisions from leading central banks.

New conflict sparked a surprisingly calm reaction from investors

Given the outbreak of fresh attacks between Israel and Iran, all eyes turned to see the reaction of Israel's most powerful ally: the US. On Friday, President Trump highlighted the possibility of negotiations, and implied a two-week timeline for his decision on joining the fray. This turned out to be somewhat misleading, as the US attacked three Iranian nuclear facilities over the weekend. Perhaps surprisingly, the reaction from financial markets as markets opened today (Monday 23 June) was relatively relaxed. The oil price had previously risen – as investors worried about changes to the available oil supply – but began to fall back again on Monday morning.

Central banks are still watching and waiting

Behind the front pages, many of the world's leading central banks announced their latest interest rate decisions last week. As most analysts had predicted, the US Federal Reserve Bank, the Bank of Japan and the Bank of England all opted to leave interest rates where they were, buying themselves more time to assess any economic fallout from President Trump's tariff wars. In Norway and Switzerland, central banks did cut interest rates – the former taking its first step down from high pandemic era interest rates, while the latter battles very low inflation levels.

Economic data will influence upcoming decisions

So-called 'hard' data on economic growth could provide the catalyst for central banks in the US and Europe to cut interest rates further. Hard data is the official evidence which measures important economic statistics like the number of people employed, or the total output of an economy. In our most recent Weekly Bulletin, we noted that the latest UK employment figures had weakened; the past few days have brought the news that retail sales in both the US and UK were also poor. These figures have arrived on the heels of already weak 'soft data', such as poor business sentiment, which is measured through surveys. Decision makers at the world's leading central banks will be watching the emergence of 'hard data' closely as they continue to mull over their next steps.

Market moves

Share prices in the UK and Europe were slightly weaker over the course of the week, but this should be seen in the context of a strong 2025 (so far) for stock markets in these regions.

The price of gold – the year's strongest performer – fell back a little, while the price of oil rose.

Bond markets made small gains, meaning that bond prices rose while bond yields fell.

What to look out for this week

The White House remains the 'one to watch', as the situation in the Middle East evolves and firm details of a US-China trade deal are yet to emerge.

Inflation data in the US and Europe is due for release at the end of the week. This includes the latest update to the Personal Consumption Expenditures (PCE) index in the US, which is the central bank's preferred measure of inflation.

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

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