

**WEEKLY BULLETIN****US markets end November at record highs****Key takeaways**

Shares in the US delivered their best month so far this year, buoyed by strong domestic data, and upside risks to growth from interest rate cuts and deregulation.

**Tariff threat to the US's largest trading partners**

US President-elect Donald Trump announced that soon after taking office in January 2025 he will impose tariffs on the top three countries supplying goods to the US, namely Canada, China and Mexico. Together these countries account for just over 40% of imports into the US. Trump has indicated he will impose a 25% tariff on all imports from Mexico and Canada, and an equivalent 10% on products from China. Linking the decision to the trafficking of illegal immigration and drugs into the US, the Mexican and Canadian dollars weakened on the news, but subsequently recovered. Additional US tariffs are widely expected to increase the price of goods for domestic consumers. It could also delay moves by the US central bank, the Federal Reserve, to reduce interest rates further.

**Dollar exceptionalism continues**

Despite some month-end weakness, the US dollar rose over November, with the result that the returns for the majority of non-dollar denominated risk assets (like shares) were negative over the period. The dollar's recent strength has been due to favourable US economic data and different interest rates versus international peers. Further support for the dollar comes from potentially growth-positive policies, including deregulation, for an economy that probably doesn't need further stimulus. At the weekend, Trump commented that any attempt by the BRICS (Brazil, Russia, India, China, South Africa) group of developing nations to try and replace the dollar as the world's main trading currency would result in retaliatory tariffs of 100%. This suggests that a 'strong dollar' policy will be a hallmark of the incoming administration.

**Adverse newsflow weighs on Eurozone assets**

The difference between French and German 10-year bond yields widened to their highest in more than a decade, while yields on French 10-year bonds rose briefly above those for the equivalent Greek government bonds. This reflected market unease as France's minority government tries to pass a tax-raising budget in the face of opposition from other parties. Elsewhere, Germany's Ifo Business Climate Index (which charts economic sentiment) weakened in November for the fifth time in six months, as the threat of US tariffs and a downturn in manufacturing (particularly cars) and a general election early in 2025 all weighed on investors. Shares across the Eurozone were little changed over the week and rose slightly during November, supported by expectations that the European Central Bank will likely cut interest rates in December.

**Market moves**

Despite the Thanksgiving holiday shortening the trading week, the US S&P 500 and the Dow Jones Industrials ended at record highs.

The euro slumped to an 18-month low against the dollar, reflecting the political uncertainty in France and the threat of US tariffs.

In critical news for caffeine fans, arabica coffee prices have risen to their highest level since 1977, and by 75% so far this year. Production in Brazil, the largest grower, has been affected by multi-year droughts reducing stockpiles.

**What to look out for this week**

On Wednesday, a key measure of business conditions – the services Purchasing Managers' Index (PMI) – will be released for China and the US.

On Friday, US jobs data will be released, as will US consumer sentiment data.

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

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