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**Handelsbanken**

Wealth & Asset Management

WEEKLY BULLETIN

## Markets brace for the impact of more Trump tariffs

### Key takeaways

An uneasy week for markets played host to more trade tariff announcements and unwelcome updates on US inflation and consumer confidence. Investors are braced for a week of further tariff news ahead...

#### Recent economic trends appear to be confirmed

The latest economic updates confirm the recent trends of green shoots of growth emerging in Europe, little change in the UK, and deterioration in the US. Previously, we had seen these patterns at work in share prices, but this now appears to be filtering through to economic data too. Optimism about Europe's prospects centres on forthcoming (and very unusual in modern history) German government spending, while pessimism on the US has been stoked by anxious consumers and businesses.

#### US inflation has risen, consumer confidence has fallen

Adding more unease to the US picture, news emerged last week that the US central bank's preferred measure of inflation – personal consumption expenditures (PCE) – rose at a stubborn pace in February. (In Europe and the UK, inflation fell, potentially giving the European Central Bank and the Bank of England room to cut interest rates if needed.) The release of the latest figures on US consumer confidence also highlighted an anxious mood. This information is critical, as US consumers are the primary driver of their economy's activity and growth. Since Trump took office early in 2025, consumer sentiment has nosedived, uncertainty about his policies has spiked, and business spending has begun to collapse. This is vastly different to the early days of his first term, and adds risks to the outlook for the US economy.

#### More Trump tariffs are on the way

Despite the negative impact of tariffs on the US so far, last week saw Trump sign a proclamation to implement a 25% tariff on cars imported to the US. Hours later, he also suggested further tariffs would be imposed on the EU and Canada if they worked together to cause 'economic harm' to the US. The auto tariffs will come into effect on 3 April, and will initially target fully assembled vehicles only. However, the scope will be expanded in May to include major automobile parts like engines and electrical systems. The US is the UK's biggest export market for cars (worth £6.4 billion of trade in 2023), meaning this could have considerable implications for the UK economy. The tariff situation remains very fluid and we will be watching closely.

#### The latest Budget in the UK

Sticking with the UK, last week Chancellor Reeves delivered the Spring Budget. Faced with a £14bn deterioration in the public finances, the Chancellor cut spending, trimmed welfare and attacked tax avoidance. Markets are watching closely for any potential tax hikes further down the line to shore up government funding. News that fewer (and more short-dated) UK government bonds than expected would be issued in the 2025/2026 fiscal year was taken well by bond markets.

### Market moves

It was a challenging week for riskier assets like shares, which underperformed, while commodities performed well.

Bond market performance was roughly unchanged over the week as a whole, but this headline figure masks the volatility in bond markets witnessed throughout the week, as investors struggled to absorb the latest economic and political news. In a better week for financial markets, European share prices paused for breath while the US saw a patch of welcome recovery.

### What to look out for this week

The week ahead plays host to plenty more economic updates, including the US jobs market report for March, a range of private sector survey data, and more inflation news.

International financial markets will remain watchful for the latest tariff updates from the White House.

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

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