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Handelsbanken

Wealth & Asset Management

WEEKLY BULLETIN

A good week for markets, while geopolitics heat up

Key takeaways

Stock market investors were reassured by tech company Nvidia's earnings results, confirming that artificial intelligence (AI) expenditure is set to remain strong. However, heightened geopolitical tensions contributed to higher energy prices and weighed on European markets.

Nvidia reports another set of blockbuster earnings

This dominant high-end chip maker, and the most valuable publicly-listed company in the world, delivered another very strong set of results, with sales and earnings growth once again exceeding analysts expectations. Crucially, the company was able to highlight the strong demand for its next generation AI chips, which are being purchased by companies such as Google, Microsoft and Meta. Despite this, some investors drew attention to the shrinking gap between the company's and analysts' revenue expectations for the final quarter of 2024, an indication that the company's interstellar growth may be easing. The shares ended the week little changed in price.

Geopolitical tensions push energy prices higher

Just ahead of energy peak season demand, European natural gas prices have risen to a one-year high, and are on track for their biggest monthly gain in more than a year. Oil prices also rallied strongly. While both natural gas and oil remain well below their all-time highs, the worsening geopolitical tensions in Europe, combined with US weather forecasts pointing to colder-than-usual weather on the way, supported higher energy prices. Should the price of energy continue trending higher, investors will once again be drawn to the inflationary implications and the prospects for future interest rate cuts.

Headline UK inflation data disappoints

With business sentiment already weaker since the July general election and the recent Budget, it took a further knock following the release of consumer inflation data for October, showing a rise to 2.3% on an annual basis from 1.7% previously, which was slightly above expectations. Upward pressure came from a lifting of the household energy price cap, as well as airfares and holidays, both of which are volatile components. Yet the less volatile core services inflation picture appears more encouraging, and has continued to decline.

Market moves

Traditional safe haven assets like the Japanese yen, gold, and German government bonds did well last week, responding to geopolitical fears.

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A key measure of business conditions across Europe, the composite Purchasing Managers' Index (PMI), fell below 50 in November in both the eurozone and the UK. A number below 50 signals a contraction in business sentiment.

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In the UK, the benchmark FTSE 100 Index delivered its best weekly performance since May, helped by the lower value of the pound against a still strengthening dollar, boosting the performance of major exporters.

What to look out for this week

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On Tuesday, US consumer confidence data for November will be released.

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On Wednesday, the US central bank's favourite measure of inflation, Core Personal Consumption Expenditures (PCE) for October will also be released. (Core PCE excludes the price effects of food and energy.)

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

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