



## WEEKLY BULLETIN

# US markets pause for thought

## Key takeaways

Global stock markets eased last week as the US digested news of a new chair for the Federal Reserve (Fed) alongside surprisingly strong producer inflation. Other markets gained while a strengthening US dollar signalled an end to the record-breaking run in precious metals.

### US market flirts with all-time highs

The S&P 500 Index of leading US stocks had powered to a new record high by Wednesday of last week, but the mood changed on Thursday as investors pondered disappointing earnings results from Microsoft, the previous day's hold in US interest rates and the looming prospect of another potential, if only partial, US government shutdown.

By Friday, investors were digesting both the news of stronger than expected US producer price inflation, a key indicator for the Fed, and the announcement of a very credible new Fed chair, namely former Fed governor Kevin Warsh. The prospect of a central banker regarded as being 'hawkish' on inflation – meaning in favour of raising interest rates – saw the dollar strengthen and US stocks weaken. It also brought an end to the recent run in gold and precious metals prices.

### Gold loses its lustre

The news of Kevin Warsh's pending appointment as the next chair of the Fed splashed cold water on the record run-up in gold and silver prices.

Much of the recent furore in 'safe haven' metals was triggered by President Trump's foreign policy and the geopolitical tensions to result. Still more was caused by the consistent attacks on the central bank by the Trump White House, which threatened the fundaments of Fed independence. The prospect of an 'inflation hawk' back at the Fed, and a rising US dollar, caused both gold and silver to sell off in what was described as a 'meltdown' in the metals market. Even so, by Friday's close, gold was still up 12% this year, while silver was over 40% ahead.

### Oil prices jump as US 'armada' weighs anchor in Middle East

Volatility in commodities wasn't limited to just metals. Global oil prices also jumped last week as President Trump's 'armada' arrived in the Middle East "to promote regional security and stability". This latest US sabre-rattling is part of Mr Trump's demands for Iran to abandon its nuclear programme.

The price of Brent crude had risen 2.5% by the close on Friday, following the president's mid-week demands for Iran "to make a deal". By Monday, oil prices were already easing once more with fears of a supply shock retreating after President Trump, whose administration is highly sensitive to a rising oil price, signalled a possible easing in tensions between Tehran and Washington.

## Market moves

Global stock markets retreated slightly due to losses in the US where investors digested news of a new Fed chair and higher than expected inflation for US producers.

It was another strong week for UK stocks which gained almost 1%. Asian stock markets were the top performers, with both emerging market and European stocks delivering modest gains.

A credible nomination for the chair of the Fed and a strengthening US dollar brought the recent 'tear' in precious metal prices to an abrupt halt. The gold price eased 0.4% while silver still gained 3% (despite falling more than 30% on Friday).

## What to look out for this week

The latest interest-rate decisions from the Bank of England and the European Central Bank are due on Thursday with both expected to keep rates on hold.

Global ISM manufacturing and activity numbers arrive from Monday. Thursday sees the latest US jobless claims while Friday brings January's US jobs report.

European inflation numbers are due on Wednesday followed by retail sales on Thursday. UK house-price surveys are out on both Monday and Friday.

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

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