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Handelsbanken

Wealth & Asset Management

WEEKLY BULLETIN

Investors run to keep up with global events

Key takeaways

There was lots for investors to keep up with last week, from economic news in the UK to further developments in US-China trade tensions.

Markets react to a period of slower growth in the UK

The latest jobs report in the UK showed that wage growth had eased off very slightly over the summer, slowing down to 4.7% in the three months from June to August. Inflation (measured by the Consumer Price Index, or CPI) is currently 3.8%, meaning that 'real' wage growth – the growth left for wage earners after accounting for a higher cost of living – is around 1%. Meanwhile, unemployment levels moved upwards very slightly, from 4.7% to 4.8%. At the same time, the UK economy grew very slightly in August. Signals from financial markets, by way of higher bond prices, indicated that investors think the Bank of England could cut interest rates in February (sooner than previously predicted) to support economic growth.

The end of an era for the US central bank

Sticking with central bank news, the head of the US Federal Reserve (Fed) also caught the markets' eye last week. Chair Powell announced that the Fed could soon end its 'quantitative tightening' (QT) programme – the process of lowering the amount of US government bonds and mortgage-backed securities it holds on its balance sheet. The Fed currently holds more than \$6trn of such assets, having purchased huge amounts to support the US financial system during the COVID-19 pandemic (when the total rose close to \$9trn). Investors were pleased to hear this news: coming alongside an era of interest rate cuts, the Fed ending its large scale asset run-off creates the potential for a supportive environment for economic growth. This could also be helpful for the prices of riskier asset types like shares.

Keeping up with US-China trade tensions

In an apparent attempt at deescalating recently renewed trade tensions, President Trump last week called high tariffs between the US and China "not sustainable". These latest remarks came as the prices of financial assets around the world, including cryptocurrencies, struggled to absorb the latest round of US-China trade tensions. Trump also noted that he still plans to meet Chinese President Xi Jinping for trade discussions in South Korea at the end of October. While we still expect wobbles along the way, overall both sides have incentives to compromise – China needs US shoppers to support its economy, Trump needs US voters in the 2026 midterm elections.

Market moves

Masking fluctuations throughout the week due to US-China trade concerns, stock markets ended the week modestly higher.

UK government bond prices rose, as investors looked for the likely winners amid sluggish UK economic news.

The price of gold rose again last week, and has now made gains of around 50% so far in 2025.

What to look out for this week

With the US government still in 'shutdown', huge amounts of important economic data have been delayed. All eyes are on the US central bank, which is expected to cut interest rates at its policy meeting at the end of this month.

In Japan, a new government is expected to be formed this week under Sanae Takaichi, who is on track to become Japan's first female prime minister.

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

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