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Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

# Stock markets are still thinking positive

## Key takeaways

Investors held on to their upbeat mood last week, heartened by respectable economic data and a return to US-China trade negotiations.

### Investors encouraged by signals from the US jobs market

It was a packed week for updates on the US jobs market, with a whole range of data released throughout the week. New job openings were more plentiful than expected, while unemployment held steady at 4.2%. Workers' pay grew by more than expected in May too, with average hourly earnings rising by 0.4% versus April, and by nearly 4% compared with May last year. However, new applications for unemployment benefits rose to an eight-month high. Overall, the US jobs market still looks relatively solid, which is an encouraging signal for economic health, despite some interesting details beneath the surface. For now, investors have focused on the good news, which they've signalled by lowering their expectations for further interest rate cuts from the US central bank later this year.

### Survey suggests slower – but not crashing – economic activity

Sticking with the US (the world's most influential economy), last week also marked the release of the latest large-scale survey data covering the private sector: the Purchasing Managers Index (or 'PMI'). Insights from purchasing managers working in US manufacturing pointed to ongoing contraction, while feedback covering the US services sector (a much larger part of the US economy) also fell. The latter was unexpected: new orders in the service sector fell to a two-year low, pointing to weakened demand for services. PMI results are often quite closely linked to subsequent economic growth data, adding to their credibility among analysts. Nevertheless, while the latest data certainly signals some slowing activity, we'd note that at present this looks more like a cooling down than a crash landing.

### China's leaders are determined to stop prices from falling

The dreaded spectre of deflation has reared its head in China, as consumer prices declined for the fourth month in a row in May. Deflation is risky because it can lead to a pattern of reduced spending and investment (as businesses and consumers wait for prices to fall even lower), ultimately hindering economic growth. Chinese leaders have been working hard to avoid this by stimulating the economy, trying to boost domestic consumption to offset the effects of the trade war with the US. So far, this doesn't appear to have taken hold. China's international efforts may have been more fruitful: Chinese exports to the US fell by more than a third in May, but exports to the rest of the world picked up sharply. Based on these figures, the manufacturing superpower – which restarts trade talks with the US this week – appears to be proactively engaging with other global trading partners too.

## Market moves

Most stock markets (except for Japan) performed well last week, responding to encouraging economic data.

UK government bonds performed strongly, while US government debt lagged behind.

Gold – among the world's very best performing assets in 2025 – enjoyed another strong week.

## What to look out for this week

China is set to re-enter the media spotlight this week, as fresh trade negotiations with the US begin in London.

Important economic data due for release includes UK employment figures and US inflation (measured by the Consumer Price Index, or CPI).

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

marketing.hwam@handelsbanken.co.uk

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Registered Head Office: No.1 Kingsway, London WC2B 6AN. Registered in England No: 4132340 wealthandasset.handelsbanken.co.uk