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Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

Investors don't want to hear about US political drama

Key takeaways

Markets enjoyed a cheerful week, with share prices charging upwards even as the US government ground to an unsteady halt.

A shutdown for the US government

The US government cannot legally spend money without approval by Congress. On 1 October, when Congress failed to pass a funding bill, the government went into 'shutdown'. This means that many government employees have now been furloughed (sent home without pay) and key government-run services are continuing only in limited form. Despite the potential costs to economic activity, markets have been unperturbed by the news. It's widely assumed that President Trump will be keen to avoid heading into the upcoming midterm elections without resolution.

Political parties struggling to find common ground

Government shutdowns in the US are not common, but not unheard of. Before last week's events, the most recent shutdown occurred during Trump's first presidency, and lasted for 35 days – the longest shutdown in US government history. In this instance, which began in 2018, the main topic of contention was funding for Trump's border wall with Mexico. This time around, the ruling Republican Party wants to extend funding for the government as a priority, with potential to make changes to healthcare and other subsidies later, while the opposition Democrats are calling for extensions to healthcare insurance tax credits to be an upfront part of any new funding deal or extension.

Limited news on the world's largest economy

Thanks to the government shutdown, the release of important US economic data (such as employment figures for September) has been delayed. However, some private sector survey data was released – the Purchasing Managers' Index, or PMI. This indicated that the US service sector narrowly avoided contraction in September, with a lower reading than economic analysts had expected.

Is Japan about to have its first female prime minister?

Over the weekend, news was announced that Sanae Takaichi had been elected as leader of the ruling Liberal Democratic Party – the largest in Japan's parliament. As a result of this internal party election, Takaichi is now the favourite to become Japan's next prime minister. A conservative with links to the right wing of her party, Takaichi is seen as pro-growth, and financial markets have welcomed her anticipated appointment. She would be the first woman to lead Japan's government.

Market moves

It was an upbeat week for riskier types of assets like shares. Stock markets in Europe, the UK and developing economies were all up, while the US dragged behind due to weakness for the US dollar.

Bond markets also made gains, albeit more modestly. UK government bonds (including those with returns linked to inflation) rose in market value over the week.

Precious metals have stolen the show for investors this year, and both gold and silver performed strongly last week.

What to look out for this week

Economic data focused on Europe due for release throughout the week includes retail sales and the latest German manufacturing figures.

The minutes of the most recent meeting among the leaders of the US central bank could provide interesting insight into divided opinions.

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

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