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Handelsbanken

Wealth & Asset Management

WEEKLY BULLETIN

Politics in the spotlight, from Washington to Paris

Key takeaways

Trouble across the English Channel caught international media attention last week, while an ocean away the US government remained in shutdown. In financial markets, the price of gold broke new records.

The French political scene is caught in a loop

Last week saw the resignation of France's sixth prime minister (PM) in two years... only for him to be reappointed days later. Sébastien Lecornu had resigned after just 26 days on the job, but was reappointed as PM by President Macron despite concerns that he will not be able to form a government. Macron is under increasing pressure to step down from the presidency, ahead of the end of his term in May 2027. French politics has been firmly deadlocked since last year's snap election. Markets, which dislike uncertainty and disapprove of France's high national debt levels, have responded by pushing up French government bond yields. This means that the cost of servicing the national debt is rising.

US-China trade wars are back on the menu

International trade concerns reappeared at the end of the week. China fired the first shot, by increasing export controls for five rare earth metals. The manufacturing superpower also placed restrictions on the export of the specialist technological equipment used to refine rare-earth metals, citing national security concerns. By way of response, US President Trump accused China of holding the world captive, and taunted that he was preparing a massive increase (to 100%) to the tariffs placed on Chinese products. He also claimed he would enact export controls on 'any and all critical software'. Markets responded badly to this reemergence of hostilities, with share prices falling after the announcements – the benchmark S&P 500 Index of US stocks experienced its steepest fall since April. On Sunday, Trump appeared to dial down his earlier rhetoric, turning to social media to announce, "Don't worry about China, it will all be fine!" We could see some further volatility in the short term.

Limited economic data with the US government still in shutdown

The US government shutdown continues, limiting the available information on the health of the US economy, as well as leaving around 750,000 federal employees on unpaid leave. As a reminder, the US government cannot legally spend money without approval by Congress; since 1 October, when Congress failed to pass a funding bill, the US government has gone into 'shutdown'. The Trump administration has also begun to lay off thousands of federal workers, aiming to put pressure on the opposition Democrats to make a funding deal. While the political noise of government shutdowns does not typically impact markets directly, we will be keeping a close eye on any economic fallout as a result of this disruption.

Market moves

The price of gold rose above \$4,000 per ounce last week, for the first time in history. This has been a standout year for gold, as investors seek out a safe haven in an era of turbulence and a weaker US dollar.

Fears of trade wars pushed share prices lower in most regional markets, while international bond markets held relatively steady.

What to look out for this week

Economic data due for release this week includes unemployment figures and an economic growth update in the UK, as well as inflation data in mainland Europe.

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

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