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Handelsbanken

Wealth & Asset Management

WEEKLY BULLETIN

Markets confused by latest US tariff drama

Key takeaways

Global stock markets made good progress as US shares bounced back last week but by Monday, Mr Trump's latest antics had left markets guessing once more.

Supreme Court upsets boat for Trump administration

Last week the US Supreme Court ruled President Trump had overstepped his legal authority when imposing his 'Liberation Day' trade tariffs. This rendered all US tariffs so far collected as illegal. Markets initially welcomed the news, but were thrown into confusion when Mr Trump retaliated with a new flat-rate global tariff of 15%, introduced under separate ('Section 122') powers. These come into force on Tuesday but, according to US trade officials, they won't disrupt the individual tariff deals already agreed.

US Customs and Border Protection has announced it will cease collecting the illegal tariffs, although there's been no discussion of what could amount to hundreds of billions in tariff refunds, or how the new regime will operate. Meanwhile, the EU stands poised to freeze its US trade deal.

Another bumper US earnings season

US earnings season enters the home straight this week with much-anticipated results from major technology names such as HP, Salesforce, Snowflake, Dell, CoreWeave and, most importantly, Nvidia.

So far, 85% of the S&P 500 Index of US companies has reported fourth quarter earnings. The 'blended growth rate', which combines actual and expected earnings, has hit 13.6%, which is far ahead of forecasts. This has lifted full-year expectations for US earnings growth to 13.5% in 2025, with earnings per share (EPS) now forecast to hit 14.3% in 2026.

Despite AI disruption and collywobbles over capex spending, earnings growth was led by the industrial and technology sectors. While industrial companies have so far delivered around 27% earnings growth, thanks to bumper defence and electrical equipment orders (against a forecast 3%), those technology stocks to have reported so far, enjoyed 25% earnings growth in the last quarter.

UK inflation still to benefit from 'mechanical' reductions

Last week's January figures saw UK inflation fall to 3% from 3.4% in December. Although this was the lowest headline reading in 10 months, 'core' inflation remains stubborn with service-sector inflation, a key driver of Bank of England policy, still running at 4.4%. This will make it more difficult for the central bank to deliver an interest-rate cut at its March meeting.

Meanwhile, UK unemployment rose to 5.2% last week, with youth unemployment running at 16.1%, its highest in over a decade. This argues in favour of a rate cut, as do several 'mechanical' reductions in inflation that we'll see in the coming months as last year's one-off additions, such as VAT on school fees, a hike in rail fares and rising utility bills, fall out of the annual figures.

Market moves

US stock markets bounced back after several weekly losses although Asia Pacific (ex Japan) shares were the top performers over the week.

Japanese shares were down slightly following a strong run in 2026 thanks to the optimism generated by Japan's recent snap election.

UK government bonds (gilts) delivered a small gain last week thanks to anaemic employment data and a weaker inflation reading.

What to look out for this week

The US data week sees factory orders alongside the Dallas Fed Manufacturing Index on Monday; the House Price Index and US consumer confidence numbers follow on Tuesday.

Donald Trump makes his State of the Union speech on Wednesday, followed by US jobless numbers on Thursday and producer price inflation (PPI) data on Friday.

Europe publishes its latest inflation print on Wednesday. French and Italian business and consumer confidence numbers also land this week, followed by UK consumer confidence data on Friday.

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

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