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BONHÔTE

Equity markets recover marginally

Equity markets bounced softly last week but bond yields gave up ground. A mixed bag of macroeconomic data and disappointing results from a number of US retail giants dampened sentiment about the state of the economy and rekindled hopes of a hiatus in the Fed's rate hikes.

Correspondingly, the yield on the 10-year Treasury dipped from 4.34% to 4.22% and yield on the German Bund from 2.70% to 2.55%.

On the other hand, at the Jackson Hole symposium at the end of last week, the Fed chairman warned that despite the slowdown in inflation, it was still too high for his liking. He therefore intends to maintain restrictive conditions in the coming months.

Fed to maintain restrictive conditions

US private sector growth slowed in August. The flash estimate for the composite PMI for the month was 50.4, down from 52.0 in July. With household purchasing power on the decline, the US economy continues to slow. Looking at the private sector as a whole, new orders fell for the first time in six months, while cost inflation accelerated. The Commerce Department reported a 5.2% plunge in US durable goods orders in July, in contrast to a 4.4% increase in June.

The US labour market remains robust, as evidenced by the latest unemployment figures. For example, initial jobless claims fell by 10,000 to 230,000 last week from 240,000 the previous week.

Economic slowdown in Europe

In Europe, the slowdown in economic activity was worse than expected in August amidst Germany's economic woes. Just look at the composite PMI, which sank to its lowest level since November 2020, at 47.0 compared with 48.6 in July. The services index dipped from 50.9 to 48.3, falling short of the estimate for 50.5. The manufacturing index was up from 42.7 to 43.7. The European economy as a whole is also being squeezed by the ECB's interest rate hikes, which are reducing demand for loans and curbing business investment, particularly in property, leading to a decline in construction activity. The slowdown in the US and the weaker-than-expected recovery in China are also weighing on the region's exports.

In China, the government is trying to address the difficulties facing the property industry as some developers begin to default on their debts. The measures taken by authorities to underpin economic activity appear insufficient so far, which is weighing down equity markets.

The S&P 500 ended the week ahead by 0.82% while the tech-heavy Nasdaq swung upwards by 2.26%. The Stoxx 600 Europe index edged up by 0.66%.

Key data

	USD/CHF	EUR/CHF	SMI	EURO STOXX 50	DAX 30	CAC 40	FTSE 100	S&P 500	NASDAQ	NIKKEI	MSCI Emerging Markets
Latest	0.88	0.95	10'956.90	4'236.25	15'631.82	7'229.60	7'338.58	4'405.71	13'590.65	31'624.28	971.04
Trend	→	→	→	↓	↓	→	↓	↓	↓	↓	↓
YTD	-4.33%	-3.53%	2.12%	11.67%	12.27%	11.68%	-1.52%	14.75%	29.85%	21.19%	1.53%

(values from the Friday preceding publication)

Swiss Market Index (SMI)

The SMI has temporarily climbed back above 10950 following a bullish cross on the MACD indicator. But this shift took place in negative territory, which significantly reduces the prospects for a trend reversal.

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