

# Off — to a busy start

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The official start of Donald Trump's second term in office was great news for financial markets last week, with the S&P 500 climbing to a new all-time high. Even Europe was able to follow in its wake, lifted by banks and luxury goods.

## Reassuring economic figures

One reason for these market performance is that economic statistics have been relatively reassuring. Another is the stronger-than-expected start to the results season. But Trump's much more conciliatory tone on tariffs is also a huge consideration.

Looking at economic indicators, December consumer prices were in line with expectations, rising by 2.90% in the US and 2.40% in the Eurozone, both relative to the same period 12 months ago. The labour market remains solid but without stoking prices. The PMIs also make reassuring reading. In the US, the composite and services indices edged down to 52.4 and 52.8, respectively. In contrast, the manufacturing PMI swung back above the 50 mark, breaking back into expansion territory. In Europe, composite PMI similarly reverted to above 50.

The question is whether Trump as president will be more conciliatory than the Trump the presidential candidate, or whether his attention has simply been diverted elsewhere for the time being. He has signed around 50 executive orders since his inauguration. Of this, 26 were signed on 20 January, a record for a president on his first day in the Oval Office.

As expected, he put pressure on the Fed (and indirectly, other central banks) by calling for a significant reduction in interest rates during his speech at the WEF in Davos. There is indeed a risk hovering over central banks, and that is their possible loss of independence.

## U-turn on tariffs

On 21 January, Trump announced plans to slap a 10% tariff on Chinese goods from 1 February (compared with 60% publicised during the election campaign). But on 24 January, following a discussion with Xi Jinping, he said he would prefer not to impose these customs duties, potentially indicating a review of the decision.

So far we have heard only announcements, proposals and executive orders. The instrument that would actually ratify the introduction of customs duties is a presidential proclamation published in the Federal Register. This would be following a consultation and would detail the goods concerned, the actual tariffs and the effective date. Everything else is simply noise.

All in all, the S&P 500 added 1.74%, the Nasdaq gained 1.65% while the Stoxx Europe 600 put on 1.23%.

The last week of January promises to be a busy one. The Fed is due to announce its monetary policy decision on Wednesday, followed by the ECB on Thursday. PCE inflation for December in the US will be released on Friday. Corporate earnings reports will be getting into full swing with the likes of LVMH, ASML and SAP reporting in Europe, and Microsoft, Meta, Tesla, Apple and Amazon in the US.

## Swiss Market Index (SMI)

The SMI has hit major resistance, leaving room for a brief period of consolidation that could drive the index back as far as 12111. Momentum remains positive on the RSI and MACD.



## 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	0.91	0.95	12'287.28	5'219.37	21'394.93	7'927.62	8'502.35	6'101.24	19'954.30	39'931.98	1'090.02
Trend	➡	⬆	⬆	⬆	⬆	⬆	⬆	⬆	⬆	⬆	⬆
YTD	-0.15%	1.20%	5.92%	6.61%	7.48%	7.41%	4.03%	3.73%	3.33%	0.09%	1.35%

(values from the Friday preceding publication)

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