

Supply bottlenecks easing

Overview

Markets consolidated last week as macroeconomic data out of the US showed that the spectre of inflation was still lurking in the background.

Bond yields continued edging up, with US 10-year yield now above 3.90% and the German equivalent upwards of 2.50%.

Economic activity stateside unexpectedly rebounded in February to its highest level in eight months. The composite PMI rose to 50.2 in February from 46.8 in January versus a forecast of 47.5. The upturn in economic activity was driven by a strong performance from the services sector. In contrast, manufacturing remained weak. The services PMI clocked in at 50.5 in February, up from 46.8 in January. In addition, US consumer spending rebounded more strongly than expected, rising by 1.8% in January month-on-month.

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Generally speaking, despite the drag from rising interest rates and the rising cost of living, the easing of supply constraints has led to an improvement in economic activity and a recovery in business leader confidence.

In this context, inflation has remained firm, with the PCE

index rising by 0.6% in January (versus +0.5% expected) and 5.4% on a 12-month basis, with an increase of 4.7% excluding food and energy.

US new home sales increased in January despite rising interest rates, but the median price of properties fell. Sales rose by 7.2% to an annualised rate of 670,000 units, up from 625,000 units in the previous month.

In Germany, year-on-year CPI was 8.7% in January, meaning that price increases have accelerated so far this year, with year-on-year inflation rate now estimated at 8.1% in December 2022. Core inflation also increased significantly from 5.2% in December to 5.6% in January.

Prices have accelerated so far this year in Germany

The S&P 500 ended the week down by 2.94% while the tech-heavy Nasdaq, more sensitive to interest rate expectations, dropped by 3.89%. The Stoxx 600 Europe index consolidated by 1.42%.

The week ahead will be marked by more earnings reports and, on the macroeconomic front, by the release of US durable goods orders, ISM manufacturing indices, services PMI indices and the ISM services index. In Europe, the flash estimate for Eurozone inflation in February will be released later this week.

Swiss Market Index (SMI)

Same situation as last week: the SMI is drifting close to 11270, which is a pivot point, but still has its sights set on 11500. The nearest support area is between 11020 and 10950.



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	0.94	0.99	11'181.77	4'178.82	15'209.74	7'187.27	7'878.66	3'970.04	11'394.94	27'453.48	971.87
Trend	↑	➡	➡	↓	↓	➡	➡	↓	↓	➡	↓
YTD	1.79%	0.26%	4.22%	10.15%	9.24%	11.02%	5.73%	3.40%	8.87%	5.21%	1.62%

(values from the Friday preceding publication)

Alibaba

The Chinese group reported slightly better-than-expected results for Q4 2022, although the pandemic-related restrictions left a dent in its financial performance. Despite supply chain disruptions and the pandemic-induced slowdown in consumer spending, Alibaba slightly increased its business revenues and significantly increased net profit (+69%) thanks to a drastic reduction in its cost base.

Alibaba stands to benefit fully from the reopening of the Chinese economy, which accounts for nearly 70% of total revenues. In addition, the cloud business should gain from the increasing adoption of artificial intelligence, which is a major consumer of computing power. A third data centre was opened in Japan last December to meet demand. New data centres were also opened in Germany, Thailand, South Korea and Saudi Arabia in 2022.

Fintech giant Ant Group is a major potential catalyst for the share price. Currently, Ant Group is waiting for the government to grant it financial holding company status. Jack Ma announced in July that he would relinquish control of the company. Since then, the government has been less harsh.

The financial position is strong with net cash of USD 85 billion (almost 35% of the market capitalisation). The stock is trading well below pre-pandemic levels.



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