

# Confidence plummets amid instability

## Overview

Equity markets performed disparately last week following concerns over the shuttering of two US regional banks and the crisis of confidence hitting Credit Suisse. US indices benefited from a recovery in tech stocks, but European counterparts were hit by their exposure to financials.

Bond yields eased, with the US 10-year yield back at 3.45% and the German equivalent at 2.10%.

US inflation continued to slow in February. The consumer price index (CPI) was up 0.4% month-on-month after rising by 0.5% in January. On a year-on-year basis, the index was up by 6%, marking its lowest level since September 2021, compared with 6.4% in January.

In another sign of slowing economic activity, the producer price index (PPI) in the US unexpectedly edged down by 0.1% in February after a 0.3% uptick in January, led lower by food prices and energy costs. On a 12-month basis, the increase was 4.6%, compared to 6% the previous month. All this points to some moderation in inflation.

Initial jobless claims fell in the week beginning 6 March fell by 20,000 to 192,000, down from 212,000 the previous week. In addition, the four-week moving average, which serves as a trend indicator for the labour market, dipped by 750 relative to the prior week to 196,500.

### *Equity markets performed disparately last week*

In Europe, inflation is not going way. The CPI rose by 5.5% year-on-year in February, in line with forecasts. In France, the index rose by 1.1% in February, taking the year-on-year increase to 7.3%, which was slightly higher than the expected 7.2%.

In response to these conditions, the ECB raised its benchmark policy rate by a further 50 basis points and hinted at more to come, despite concerns about the health of the global financial system.

### *SNB is due to announce decision on further monetary tightening this week*

The S&P 500 ended the week up 1.43% while the tech-heavy Nasdaq gained from lower bond yields to advance firmly by 4.41%. The Stoxx 600 Europe, dragged down by the banking sector, fell by 3.85%.

With the SNB due to announce its decision on further monetary tightening this week, the financial sector is likely to remain a key focus for market participants in the near term.

## Swiss Market Index (SMI)



The 10390 support was tested this morning, but it will be hard to hold given the state of technical indicators, which are extremely bearish. The main risk right now is that the SMI will close the gap around 10227.



## 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	0.93	0.99	10'613.55	4'064.99	14'768.20	6'925.40	7'335.40	3'916.64	11'630.51	27'333.79	951.56
Trend	➡	➡	⬇	⬇	⬇	⬇	⬇	⬇	⬆	⬆	⬇
YTD	0.21%	-0.18%	-1.08%	7.15%	6.07%	6.98%	-1.56%	2.01%	11.12%	4.75%	-0.50%

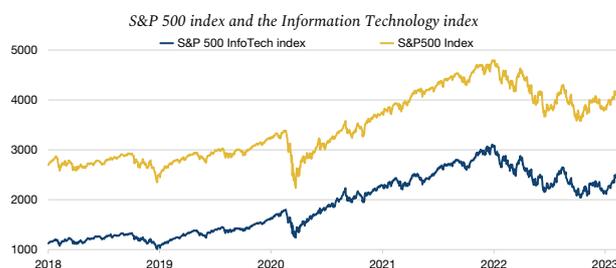
(values from the Friday preceding publication)

## Rebalancing of US benchmark indices

The S&P 500 infotech index has been rebalanced, and this will have a direct impact on sector blue-chips such as Microsoft and Apple because of the stocks removed. In detail, payment companies Visa, Mastercard and PayPal are being transferred to the financials index.

The S&P 500 infotech grouping is thus purged of a few tech stocks, and the giants will see their influence in the information technology index increase accordingly. Moreover, their increased influence will prompt managers of benchmark strategies to reallocate funds to positions in these two stocks to keep their tracking error intact. Over-representation of these two industry giants in the infotech index will make the risk of underperformance increasingly difficult to manage as it will become impossible for the tech sector to outperform the broad market if Microsoft and Apple are not resilient.

Even with this rebalancing, tech will remain by far the largest of the 11 S&P 500 sectors, with a weighting of 30%. More impressively, it is twice as large as the second-largest sector, healthcare, which accounts for 15% of the benchmark.



## Contact



**Julien Stähli**  
Chief Investment Officer (CIO)  
MBF Boston University



**Pierre-François Donzé**  
M. Sc. in Economics



**Karine Patron**  
MScF Université de Neuchâtel



**David Zahnd**  
MScAPEC Université de Neuchâtel



**Bertrand Lemattre**  
MScF Sciences Po Paris

Banque Bonhôte & Cie SA - 2, quai Ostervald, 2001 Neuchâtel / Switzerland - T. +41 32 722 10 00 / [contact@bonhote.ch](mailto:contact@bonhote.ch)

[facebook.com/banquebonhote](https://www.facebook.com/banquebonhote)

[linkedin.com/company/bonhote](https://www.linkedin.com/company/bonhote)

[twitter.com/alexvincent](https://twitter.com/alexvincent)

[instagram.com/banquebonhote](https://www.instagram.com/banquebonhote)

[youtube.com/banquebonhote1815](https://www.youtube.com/banquebonhote1815)

This document is provided for your information only. It has been compiled from information collected from sources believed to be reliable and up to date, with no warranty as to its accuracy or completeness. By their very nature, markets and financial products are subject to the risk of substantial losses which may be incompatible with your risk tolerance. Any past performance that may be reflected in this document is not a reliable indicator of future results. Nothing contained in this document should be construed as professional or investment advice. This document is not an offer to you to sell or a solicitation of an offer to buy any securities or any other financial product of any nature, and the Bank assumes no liability whatsoever in respect of this document. The Bank reserves the right, where necessary, to depart from the opinions expressed in this document, particularly in connection with the management of its clients' mandates and the management of certain collective investments. The Bank is a Swiss bank subject to regulation and supervision by the Swiss Financial Market Supervisory Authority (FINMA). It is not authorised or supervised by any foreign regulator. Consequently, the publication of this document outside Switzerland, and the sale of certain products to investors resident or domiciled outside Switzerland may be subject to restrictions or prohibitions under foreign law. It is your responsibility to seek information regarding your status in this respect and to comply with all applicable laws and regulations. We strongly advise you to seek independent legal and financial advice from qualified professional advisers before taking any decision based on the contents of this publication.