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US economy proving resilient

Equity markets have experienced modest consolidation in the past week. Despite worse-than-expected US macroeconomic data that had the potential to dampen investor sentiment in light of the Fed's resolute stance at its recent meeting, the persistent surge in oil prices continued to exert downward pressure on the market.

Bond yields remained on an upward trajectory, with the US 10-year yield approaching the 4.70% mark, while the German Bund momentarily surpassed the 2.90% threshold before retreating.

The US economy continues to grapple with the repercussions of monetary tightening, as evidenced by the stability of durable goods orders, which in August held steady with a marginal increase of 0.2% following a significant 5.6% decline in July. Strikingly, when excluding defence-related equipment, these orders contracted by 0.7%.

The gloomy economic environment is taking a toll on US consumer confidence, which experienced a more pronounced deterioration in September than anticipated. The confidence index plummeted to 103, compared to the 108.7 figure recorded in the preceding month.

Rise in consumer spending

On a more positive note, household consumption has been bolstered by wage increases, resulting in a 0.4% uptick in August, paralleled by a 0.4% growth in personal incomes.

Regarding inflation, PCE inflation for August recorded a year-on-year rate of 3.5%, marking a slight acceleration from the preceding month's 3.4%. However, when excluding food and energy, this rate saw a month-on-month decrease from 4.3% to 3.9%.

The US housing market remains under duress, as sales of new single-family homes in August fell more dramatically than anticipated, coupled with the 30-year fixed mortgage rate surpassing the 7% threshold, which has negatively impacted prospective buyers.

Meanwhile, in Europe, German inflation witnessed a significant deceleration in September, reaching its lowest point since the onset of the conflict in Ukraine. As anticipated, the consumer price index rose by 4.5% year-on-year in September, down from 6.1% in August. Excluding energy and food, the annual core inflation rate settled at 4.6%. Although still distant from the 2% target, the trajectory of inflation is showing encouraging signs.

Inflation slowdown in the Eurozone

In line with the slowdown in Germany, inflation across the Eurozone also eased in September, hitting a two-year low. The Harmonised Index of Consumer Prices (HICP) registered at 4.3% year-on-year, down from the 5.2% reported in August. When removing unprocessed food and energy, inflation decelerated to 5.5% from the previous month's 6.2%. This data may provide some assurance to the ECB that its rate hikes are making headway towards steering inflation back to its 2% target by 2025.

In this economic landscape, S&P 500 concluded the week with a 0.74% dip, while the tech-focused Nasdaq held steady with a minimal 0.06% change. The Stoxx 600 Europe index experienced a 0.67% dip.

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	0.92	0.97	10'963.50	4'174.66	5'386.58	7'135.06	7'608.08	4'288.05	13'219.32	31'857.62	952.78
Trend	↑	→	→	↓	↓	↓	→	↓	↓	↓	↓
YTD	-1.02%	-2.25%	2.18%	10.04%	10.51%	10.22%	2.10%	11.68%	26.30%	22.09%	-0.38%

(values from the Friday preceding publication)

Swiss Market Index (SMI)

At Friday's opening bell, the SMI set up a gap at 10917 points. It is plausible that this will be promptly filled before the SMI revisits 11050 points, ultimately aiming for the 11270-resistance level.

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