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BONHÔTE

US monetary tightening may have run its course

Equity markets witnessed a modest uptick last week, prompted by the Fed's somewhat mollifying remarks concerning its monetary policy. Nevertheless, the renewed geopolitical strains in the Middle East resulted in a surge in oil and gold prices, which subsequently influenced the trend.

Bond yields have softened. The US 10-year yield decreased to 4.60%, while the German Bund dropped below 2.75%.

In the US, minutes from the latest Fed policy meeting highlighted concerns about excessive economic tightening. This might indicate that interest rates won't be hiked in the upcoming November meeting. Such observations hint that bond yields are starting to relax in the coming months.

Regarding inflation, producer prices in September saw a rise, increasing by 0.5% in nominal terms and by 0.2% when excluding food, energy and trade services. Moreover, the consumer price index in September rose by 3.7% year-on-year, a rate consistent with August but slightly above anticipations. Discounting energy (-0.5%) and food (+3.7%), the 12-month inflation rate for the past month was consistent with predictions at 4.1%. Month-on-month, consumer prices went up by 0.4% in headline terms and 0.3% when excluding energy and food.

US inflation levelling off

The current inflationary climate is putting a damper on consumer confidence. This was evident in October with the Michigan consumer confidence index showing a figure of 63, down from 68.1 the prior month.

Conversely, the US job market remains robust. The tally for initial jobless claims was static in the week starting 2 October, standing at 209,000.

In Europe, the German annual inflation rate – after briefly surpassing 6% in July and August – settled at 4.5% in September. Even though this is the lowest reading since the onset of the Ukraine conflict, it's still too high for ECB council members to stomach. Month-on-month, Germany's consumer price inflation was 0.3%. In harmonised terms, German inflation was 4.3% year-on-year and 0.2% month-on-month.

Germany's 12-month inflation rate decelerates to 4.5%

In China, given the sluggish economic recovery, the government is contemplating enlarging its budget deficit. They plan to bolster economic activity by issuing debt worth 137 billion.

In the light of these events, the S&P 500 concluded the week with a modest 0.45% rise, whereas the tech-focused Nasdaq dipped by 0.18%. The Stoxx 600 Europe index appreciated by 0.96%.

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	0.90	0.95	10'900.30	4'136.12	15'186.66	7'003.53	7'599.60	4'327.78	13'407.23	32'315.99	951.31
Trend	→	↓	→	→	↓	↓	→	→	→	→	→
YTD	-2.40%	-4.21%	1.59%	9.03%	9.07%	8.18%	1.98%	12.72%	28.10%	23.84%	-0.53%

(values from the Friday preceding publication)

Swiss Market Index (SMI)

Each week seems the same as the last. The SMI continues to drift, oscillating between 10750 and 10950 points. Technical indicators appear frail, and the risk of descending below 10750 points is rising with each passing day.

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