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BONHŌTE

Downtrend fuelled by earnings reports and geopolitics

Equity markets continued consolidating last week as the US economy showed further resilience despite the effects of Fed monetary tightening. Added to that, corporate earnings reports and geopolitics combined to fuel the existing downtrend.

In bond markets, yields eased slightly but remained high, with US 10-year yield dipping towards 4.85%, while the German equivalent was stable around 2.80%.

Despite the string of interest rate hikes, US economic activity is barely faltering. Durable goods orders rose by a better-than-expected 4.7% in September following a 0.1% dip in August, demonstrating the strength of business expenditure. Excluding aerospace, these orders were up 0.5%, compared with a consensus forecast for a 0.3% increase.

US economic activity still robust

Initial jobless claims rose by 10,000 in the week beginning 16 October to 210,000, up from 200,000 in the previous week. Additionally, the number of people receiving regular unemployment benefit continued to rise – by 63,000 to 1,790,000.

Lastly, the US private sector is still dynamic, growing in October as evidenced by a composite PMI of 51 versus 50.2 in September.

In Europe, the ECB opted to keep its benchmark policy rates unchanged in the face of slowing inflation figures, as economic activity is deteriorating significantly.

Private sector activity in the currency bloc deteriorated more sharply than expected again in October in response to slackening demand. The composite PMI, covering manufacturing and services sectors, fell to 46.5 in October, its lowest level since November 2022, down from 47.2 in September. Additionally, private sector activity in Germany contracted for the fourth consecutive month in October. These data are likely to encourage the ECB to keep interest rates unchanged when it next meets.

ECB opts for no change in benchmark policy rates

In China, the government is concerned about the level of economic growth and last week took a step further in relaxing the deficit in percentage terms authorised to finance its economy. This will make it possible to raise more sovereign debt between now and the end of the year so that it can support the country's business activity by financing targeted spending.

The S&P 500 ended the week down by 2.53% while the tech-focused Nasdaq swung downwards by 2.62%. The Stoxx 600 Europe index gave up 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	10'323.71	4'014.36	14'687.41	6'795.38	7'291.28	4'117.37	12'643.01	30'991.69	919.78
Trend	→	→	↓	↓	↓	↓	↓	↓	↓	↓	↓
YTD	-2.37%	-3.66%	-3.78%	5.82%	5.49%	4.97%	-2.15%	7.24%	20.80%	18.77%	-3.83%

(values from the Friday preceding publication)

Swiss Market Index (SMI)

The SMI narrowly missed filling the gap at 10228, instead settling on support at 10320. The index lies in oversold territory. Technicals point to a likely short-term rebound.

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