

Investors moderately upbeat

Equity markets were slightly higher last week. The lack of major macroeconomic news and the long Thanksgiving weekend had a dampening effect on trading. A soft landing for the US economy remains the baseline scenario, keeping markets hopeful.

In bond markets, the yield on 10-year Treasuries rose slightly to 4.5%, while the German equivalent broke upwards of 2.60%.

On the economic front, durable goods orders plunged 5.4% in October, worse than the 3% or so forecast. In the highly volatile transportation sector, orders plunged 14.8%, with commercial aircraft orders down 49.6%.

Drop in durable goods orders in the US

The Leading Economic Index (LEI) for the US was down 0.8%, which was worse than expected, compared with a 0.7% drop in September. Consumers have become more downbeat about economic conditions, which could lead to a lower propensity to buy.

In the Eurozone, the economy is stuttering, although the rate of decline in economic activity has slowed this month to its lowest level for almost three years, despite the private sector being in poor shape. The Eurozone economy contracted by 0.1% in the third quarter.

The Eurozone flash services PMI improved from 47.8 to 48.2 in November, beating the estimate for 48.1. Demand has fallen for five months in a row, but the decline in October was even sharper. Manufacturing output has plunged further in November. Factories are cutting back on purchases of input materials, signalling a further slowdown ahead.

With business trends slowing across the board, companies have reduced staff levels for the first time since January 2021, as evidenced by the fall in the employment component of the composite PMI from 50.0 to 49.4.

This deteriorating macro picture supports the view that the ECB is likely to change its monetary policy stance in the coming months.

Worsening macro data in Europe

Against this backdrop, the S&P 500 ended the week up 1.13% while the tech-focused Nasdaq edged up 0.97%. The Stoxx 600 Europe gained 0.91%.

Looking ahead to the week ahead, data releases are likely to drive price action, particularly PCE excluding food and energy. Initial jobless claims and the US manufacturing PMI from the ISM will also be closely watched.

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 | 0.88 | 0.97 | 10'879.52 | 4'372.10 | 16'029.49 | 7'292.80 | 7'488.20 | 4'559.34 | 14'250.85 | 33'625.53 | 980.33 |
| Trend | ↓ | → | ↑ | ↑ | ↑ | ↑ | → | ↑ | ↑ | ↑ | ↑ |
| YTD | -4.53% | -2.48% | 1.40% | 15.25% | 15.12% | 12.65% | 0.49% | 18.75% | 36.16% | 28.86% | 2.50% |

(values from the Friday preceding publication)

Swiss Market Index (SMI)



Focal points at 10950 and 11065 have not yet been reached but some technical indicators are firm enough to suggest breakouts above these points in the short term.

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