

Performance slippage in job market

Equities continued appreciating last week in response to the steady slowdown in inflation and lower hiring in the US job market.

Bond yields were stable, mainly following the release of an unemployment rate in the US that was slightly better than expected. The US 10-year yield hovered around 4.25% and its German equivalent around 2.30%.

In October, the US job market sank to its lowest level since early 2021, hit by the fallback in economic activity caused by higher interest rates. Job openings dropped by 617,000 to 8,733 million.

The US private sector added a mere 103,000 new jobs in November versus expectations for 130,000. In addition, initial jobless claims continued to rise, reaching 220,000 in the week to 2 December.

In contrast, the US economy saw a bounce in non-farm payrolls in November over and above market expectations. The unemployment rate also dipped by 0.2 of a percentage point to 3.7% of the active population.

Job openings down in the US

On the economic front, services sector activity grew slightly in November, as measured by a composite PMI at 50.7, in line with the previous estimate and its October level.

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	0.95	11'071.77	4'523.31	16'759.22	7'526.55	7'554.47	4'604.37	14'403.97	32'307.86	975.01
Trend	➡	⬇	⬆	⬆	⬆	⬆	➡	⬆	⬆	⬇	➡
YTD	-4.81%	-4.30%	3.19%	19.23%	20.37%	16.26%	1.38%	19.92%	37.62%	23.81%	1.95%

(values from the Friday preceding publication)

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The US tertiary sector expanded more rapidly than expected in November. The ISM services index read 52.7, compared with 51.8 in October. This beat the expected 52.3.

In Europe, economic activity continues to contract sharply as demand for goods and services tails off. Inflation is likely to continue receding in coming quarters, but remain above the 2% target. The economic outlook is not encouraging. The Eurozone economy is due to enter recession in the fourth quarter before ticking upwards in early 2024. This deteriorating economic picture could coax the ECB into cutting rates as early as the second quarter of next year.

Economic activity contracting sharply in Europe

In China, the economic recovery has been slow to materialise. Services activity may be picking up but import figures are still on the weak side.

Reflecting strong gains by equities in November, the S&P 500 ended the week up by a timid 0.21%. Nasdaq gained 0.69%. The Stoxx 600 Europe index rose by 1.30%.

This week's central bank pronouncements will have a major impact on financial markets between now and the end of the year.

