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BONHÔTE

Solid macroeconomic data

Equity markets were on the whole static last week with the exception of US, which was buoyed by the unrelenting ascent of tech stocks. Cagey remarks about the speed of rate cuts by central bankers at Davos – together with solid macroeconomic data – had a dampening effect on stock prices.

That was enough to trigger a small recovery in bond yields. Last week the US 10-year yield climbed to 4.10% and its German equivalent rose to 2.30%.

In the US, initial jobless claims clocked in at 187,000 in the week starting 8 January, down 6,000 on the previous week.

By contrast, US household sentiment has improved sharply in January. The slower rate of inflation is genuinely a relief for consumers, as shown by the preliminary data from the University of Michigan's monthly survey. The confidence index based on this data jumped to 78.8 – the highest level since July 2021 – compared with 69.7 in December, whereas a smaller upswing to around 70 was expected.

US consumer morale has improved sharply this month

Conversely, the Empire State Manufacturing Index fell sharply to -43.7, compared with the expected reading of -5.

In Europe, Germany's inflation quickened slightly in December to 3.7% after several months of successive decreases. This was due to a rebound in energy prices. The harmonised price index similarly accelerated in December to 3.8% year-on-year. These data are likely to reinforce the ECB's cautious stance and temporarily put on hold the market's scenario of an initial rate cut as early as the second quarter this year.

In contrast, the sharp fall in producer prices in Germany for December is good news and suggests a future easing in bond yields. Month-on-month, factory gate prices fell by 1.2%, reflecting the sharp drop (-3.7%) in electricity-related costs.

Producer prices fell sharply in Germany

The members of the ECB Governing Council seem confident that inflation will revert to their 2% target, but they believe that several risks justify a rate hold so want to maintain a restrictive stance for now. Exceptional events such as the targeting of ships in the Red Sea are likely to frustrate the downtrend in inflation temporarily.

The S&P 500 ended the week up 1.17%, the Nasdaq gained 2.26% while the Stoxx Europe 600 gave up 1.58%.

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	0.87	0.95	11'150.52	4'448.83	16'555.13	7'371.64	7'461.93	4'839.81	15'310.97	35'963.27	970.91
Trend	↑	↑	→	→	→	↓	↓	↑	↑	↑	↓
YTD	3.16%	1.85%	0.11%	-1.61%	-1.17%	-2.27%	-3.51%	1.47%	2.00%	7.47%	-5.16%

(values from the Friday preceding publication)

Swiss Market Index (SMI)

The SMI remains in a drifting configuration. The resistance at 11270 still needs to be broken through. Momentum indicators are pointing to a market running out of steam in the short term.

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