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BONHÔTE

Solid gains by equity markets

Equity indices continued chalking up gains last week, lifted by solid corporate results and macro data substantiating the prospect of a soft landing for the US economy.

The US economy grew by 3.3% year-on-year in the fourth quarter, which was markedly better than the 2% that was forecast. Consumer spending – the powerhouse of the American economy – has remained resilient despite the dent to purchasing power from inflation and higher interest rates. What has happened in fact is that wage increases have offset the higher prices.

Faster growth in US economy than expected

In the labour market, 214,000 initial jobless claims were recorded in the week beginning 15 January, which was 25,000 higher than in the previous week.

Manufacturing output has lost traction. After surging by 5.4% in November, durable goods orders were flat in December. Excluding transportation, the increase was 0.6% whereas the market forecast was 0.2%. Durable orders excluding defence spending, which is seen as a bellwether of corporate investment trends, were up 0.5%.

In Europe, the ECB left its policy rates unchanged for the third consecutive month. The deposit facility rate was therefore stable at 4.0%. It is aware of the downtrend in core inflation but believes it too early to change course on monetary policy. But there was confirmation of rate cuts to come.

Concerning economic activity, the HCOB flash composite PMI for goods and services in the Eurozone was 47.9 in January, showing that business activity at private-sector firms was down for the eighth month in a row. However, this index was better than in December 2023, signalling the softest decline in overall business activity since July. While that is encouraging news, it does not represent a significant departure from the trends observed towards the end of last year.

Continued business downturn at private-sector companies in the Eurozone

In China, the government last week announced measures to support financial markets as a first step. However, investors still believe that a more comprehensive economic recovery plan is needed.

Among companies reporting earnings, the luxury goods sector stood out from the pack in Europe. There will be plenty of results reported this week, especially from among the tech titans. The Fed will also communicate on future monetary policy.

The S&P 500 ended the week ahead by 1.06%, Nasdaq by 0.94%, while the Stoxx Europe 600 surged by 3.11%.

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	0.86	0.94	11'390.13	4'635.47	16'961.39	7'634.14	7'635.09	4'890.97	15'455.36	35'751.07	985.10
Trend	→	→	↑	↑	↑	↑	→	↑	↑	↑	→
YTD	2.67%	0.96%	2.27%	2.52%	1.25%	1.21%	-1.27%	2.54%	2.96%	6.83%	-3.77%

(values from the Friday preceding publication)

Swiss Market Index (SMI)

The SMI at long last broke past 11270. The next resistance is at 11550. Some divergence can be seen on indicators pointing to a slower rate of gains, but the uptrend seems to be well and truly in place.

Contact

Julien Stähli
Chief Investment Officer (CIO)
MBF Boston University

Pierre-François Donzé
M. Sc. in Economics

Karine Patron
MScF Université de Neuchâtel

David Zahnd
MScAPEC Université de Neuchâtel

Bertrand Lemattre
MScF Sciences Po Paris

Banque Bonhôte & Cie SA - 2, quai Ostervald, 2001 Neuchâtel / Switzerland - T. +41 32 722 10 00 / contact@bonhote.ch