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BONHÔTE

Markets flirting with all-time highs

Last week equity markets again flirted with record levels amid a flurry of eagerly awaited inflation stats, which turned out disappointing in the US. The consumer price index had been expected to fall below the symbolic 3% mark for the first time since March 2021 and clock in at 2.9%. But a figure of 3.1% was reported instead.

Core inflation (excluding components subject to rapid price changes) slowed to 3.9% year-on-year, which was also above the forecast for 3.7%. Worse still, the core producer price index quickened to 2% in January (versus the forecast for 1.6%) compared with the previous month's revised figure of 1.7%.

The US economy is squeezing out inflation but not as quickly as before. And the Fed has stated time and again that it will not embark on monetary easing until it has more certainty that inflation is well and truly under control. This cautious stance, plus the latest bag of statistics, is prompting investors to review their timetables for the first rate cut.

Disinflation trend slower than expected

Retail sales fell by 0.8% in January versus December, indicating that US consumer spending is losing traction. Weekly initial jobless claims fell to their lowest level for a month, providing further evidence of a robust labour market. Jobs are still the Fed's biggest barrier to a rate cut.

The story is somewhat different in Europe. Eurozone inflation slowed from 2.9% (in December) to 2.8% (in January), while in Switzerland, it even plunged to 1.3%, slowing from 1.7% in the previous month.

Inflation continues to ebb in Europe

Bond yields rose sharply following the release of the economic data. The US 10-year yield climbed to 4.30%, up from 4.17% at the start of the week, while the 2-year yield reached 4.65% – its highest level in 2 months. The 10-year German Bund closed in on 2.40%. Investors had the choice of becoming gloomy or remaining optimistic. They clearly chose the latter, spurred on by their enthusiasm for AI. The results published by companies with links to AI, however tenuous, helped equity markets to recover last week.

Solid corporate results across the board, on both sides of the Atlantic, also supported markets. However, any release that fell short of the consensus or which was accompanied by the slightest disappointment in the outlook triggered a sell-off. The S&P 500 ended the week down 0.32%, Nasdaq down 1.10%, while the Stoxx Europe 600 was up 0.85%.

The week continues with more earnings releases, with Nvidia in the spotlight on Wednesday. Next week will see the release of Core PCE, the Fed's preferred inflation metric (29 February).

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	11'310.61	4'765.65	17'117.44	7'768.18	7'711.71	5'005.57	15'775.65	38'487.24	1'016.23
Trend	↑	→	→	↑	↑	↑	↑	↑	→	↑	↑
YTD	4.67%	2.21%	1.55%	5.40%	2.18%	2.98%	-0.28%	4.94%	5.09%	15.01%	-0.73%

(values from the Friday preceding publication)

Swiss Market Index (SMI)

The trend on the SMI is positive in the short term, potentially heading towards 11440. If that level were breached, the SMI could then challenge 11515.

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