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BONHÔTE

Minor tensions

Equity markets moved disparately last week. Stronger-than-expected US macro data cast doubt in investors' minds about the imminence of a US rate cut. Tech stocks dampened the trend in the US. In contrast, European equity markets edged up.

The issue is that US inflation is no longer ebbing. The consumer price index (CPI) actually gained 0.4% last month compared with January (+0.3%). Over 12 months, inflation clocked in at 3.2% after an increase of 3.1% in January.

Core CPI, which leaves out food and energy prices, was up 3.8% on a 12-month basis (versus 3.9% in January), which was higher than the consensus had been looking for.

Investors adjust rate-cut estimates

Logically, this information drove a rise in bond yields, with the US 10-year yield back at 4.30% and the German equivalent reaching 2.45%. Investors have been rejigging their expectations on future Fed rate cuts. Back in January, the market projected seven rate cuts. That number is now down to three. Tomorrow's meeting will probably lead to further adjustments, as Chair Powell is due to issue a relatively cautious message. The odds for a Fed rate cut in June are for now above 50%.

In the labour market, initial jobless claims have decreased slightly. Over a four-week period, the underlying trend points to stabilisation in claims – a sign that hiring remains intact.

Finally, producer prices in the US rose by 0.6% in unadjusted terms in February compared with the previous month, or by 0.4% excluding food, energy and business services. Over the past 12 months, they were up 1.6% on a headline basis (which far exceeded January's reading of 1%) and 2.8% excluding food, energy and business services.

Surprise uptick in US producer prices

Inflation has continued slowing in Europe. Germany's inflation rate, as measured by the consumer price index (CPI), came to 2.5% in February. This compares with 2.9% in January 2024 and 3.7% in December 2023. It is now back where it was in June 2021.

In China, signs of an economic recovery are appearing. Take for example industrial production, which grew more strongly than expected over the first two months of the year, increasing by 7% compared with the 5.3% forecast. In addition, retail sales were in line with expectations, rising by 5.5%.

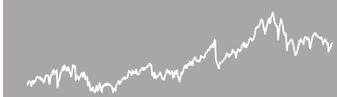
Against this backdrop, the S&P 500 ended the week off by just 0.13%, Nasdaq was down 0.70%, while the Stoxx Europe 600 edged up by 0.31%. There will be plenty of announcements from central banks this week, and tech darling Nvidia will be showcasing its latest innovations.

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	0.96	11'676.13	4'986.02	17'936.65	8'164.35	7'727.42	5'117.09	15'973.17	38'707.64	1'034.74
Trend	→	→	↑	↑	↑	↑	→	→	→	↓	→
YTD	4.99%	3.56%	4.83%	10.28%	7.07%	8.23%	-0.08%	7.28%	6.41%	15.67%	1.07%

(values from the Friday preceding publication)

Swiss Market Index (SMI)



Momentum indicators remain positive, but the SMI could drop to test initial support at 11505 before retracing its downswing.

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