Flash boursier N° 749
6 May 2024

BONHÔTE

Market less jittery

Market sentiment improved last week after the Fed reassured investors that it would not raise interest rates, recalling that US growth remains strong and there is no risk of stagflation. Similarly, jobs data helped to push bond yields lower and underpinned the rally in equities that began on Thursday with Powell's less hawkish message than expected.

This news gave a shot in the arm to fixed-income markets, with the yield on the US 10-year bond dipping to 4.50% and its German equivalent to 2.49%.

Lower inflation and cheaper energy combined to enable Germany to revert to a growth track. Economic activity grew by 0.2% in the first quarter of 2024 after contracting in 2023 as a whole.

Germany reverts to growth track

The Eurozone has also emerged from its technical recession thanks to GDP rising by 0.3% in the first quarter of 2024, putting an end to two previous quarters in decline. Inflation in April was static at 2.4%, but it continued to fall – dropping to 2.6% year-on-year from 2.9% in March – when excluding volatile price components.

Manufacturing output continued to shrink for the 22nd consecutive month. The harmonised PMI was 45.7. The sharp fall in new orders over the past four months is a sign of anaemic demand in the Eurozone. The European economy has been mired in stagnation for the past 18 months, suggesting that the ECB ought to cut rates in June.

Over in the US, the Fed left its benchmark policy rates unchanged, citing more persistent inflation than expected and a labour market that is still lacking people on the supply side. It also talked down the possibility of an imminent rate hike and stated that it would slow the pace of tapering starting in June to ease upward pressure on bond yields.

Fed leaves rates on hold

The Fed's reactions are still driven by data that is not really hinting at a slowdown in prices. The ISM manufacturing PMI dropped into contraction territory, clocking in slightly below expectations at 49.2 but with a robust price component. In contrast, new orders headed south. The services PMI also fell into contraction territory, to 49.4, but the price component was also stronger than expected.

In contrast, figures released on Friday showed that the job market was beginning to buckle under the strain. The US economy added fewer jobs in April than expected, clocking in at 175,000 compared with 240,000. Wage growth slowed by 0.2% month-on-month. The unemployment rate rose to 3.9% in April. This slowdown in the US labour market has been seen as good news by the markets, taking pressure off the economy and adding fuel to the fire for a Fed rate cut.

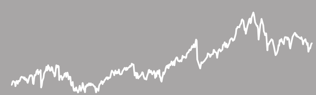
Last week the S&P500 rose by 0.55%, Nasdaq by 1.43%, while the Stoxx Europe 600 shed 0.48%.

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	0.91	0.97	11'272.95	4'921.48	18'001.60	7'957.57	8'213.49	5'127.79	16'156.33	38'236.07	1'061.45
Trend	→	→	→	→	→	→	↑	→	↑	↓	↑
YTD	7.54%	4.87%	1.21%	8.85%	7.46%	5.49%	6.21%	7.50%	7.63%	14.26%	3.68%

(values from the Friday preceding publication)

Swiss Market Index (SMI)



The range-bound SMI is currently testing the 11300 support. Upon a breakout to the downside, the focal point would be retracement to 11170. Resistance is situated at 11430.

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

Pascal Maire
MScF Université de Neuchâtel

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