

# Rate cuts on the horizon

Equity markets were hit by a wave of profit-taking last week, leading the main indices slightly lower – with the exception of Nasdaq, which was lifted by solid results from Nvidia.

In fixed income, yields were up slightly. The US 10-year yield reverted to 4.45% while the German counterpart broke upside of the 2.60% mark, on the strength of continued strong macroeconomic data out of the US.

In the US, initial jobless claims clocked in at 215,000 in the week beginning 13 May, down 8,000 on the previous week.

Looking at economic activity, growth in the US private sector accelerated sharply in May, as evidenced by the composite PMI climbing to 54.4 from 51.3 in the previous month.

## US data resilient

These solid stats and the continued cautious stance from some Fed committee members might have cast a cloud over a future rate cut.

But the release of the University of Michigan's confidence index showed that consumers expect prices to rise less quickly than they previously feared, which soothed concerns towards the end of the week about the Fed staying its hand.

In Europe, the economic recovery is gathering pace. The HCOB composite PMI for the Eurozone rose from 51.7 in April to 52.3 in May, marking the third consecutive monthly increase in private-sector performance. In addition to the solid showing from services, output levels in the manufacturing sector stabilised, notably in Germany.

## Economic recovery gathering pace in Europe

The economic outlook is improving at an ever-faster rate. Full-year GDP growth in the region of 1% now looks achievable for 2024. The ECB will be looking for any signs of continued wage growth, although this is unlikely to change its plans. It could, however, prompt it to keep rates on hold for a while after the June cut.

All in all, the S&P 500 ended the week stable at 0.03%, while the tech-focused Nasdaq gained a more impressive 1.41%. The Stoxx 600 Europe edged down by 0.45%.

With central banks' policy announcements around the corner in June, the coming week will be marked by the release of price data, in particular the flash estimate for German inflation in May and US PCE inflation in April.

## Key data

	USD/CHF	EUR/CHF	SMI	EURO STOXX 50	DAX 30	CAC 40	FTSE 100	S&P 500	NASDAQ	NIKKEI	MSCI Emerging Markets
<b>Latest</b>	0.91	0.99	11'931.70	5'035.41	18'693.37	8'094.97	8'317.59	5'304.72	16'920.79	38'646.11	1'082.98
<b>Trend</b>	➡	⬆	⬆	➡	⬆	➡	➡	⬆	⬆	➡	➡
<b>YTD</b>	8.69%	6.81%	7.13%	11.37%	11.59%	7.32%	7.56%	11.21%	12.72%	15.49%	5.79%

(values from the Friday preceding publication)



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