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BONHÔTE

Nvidia lifts markets to dizzy heights

Last week was bereft of macroeconomic data, so the focus shifted to corporate earnings. And Nvidia did not disappoint. Despite sky-high expectations, the group surprised the markets by posting revenues surging by 265%, which sent the tech industry and the rest of the market higher. Several equity indices even set new records.

The current infatuation with AI-related stocks is reminiscent of the dot-com boom in 2000 and 2001, especially since the US Leading Indicators Index fell by more than expected in January, dipping 0.4% versus the expected drop of 0.3%. This followed on from a 0.1% dip in December and was due to a lower number of hours worked in manufacturing – indicating that the US economy is slowing.

The US Department of Labor announced 201,000 initial jobless claims for the week beginning 12 February, which was lower than the revised figure for the previous week but short of the 216,000 forecast.

Signs of economic slowdown in US

The minutes of the FOMC meeting did not contain any surprises. Fed brass believes that the risks to the FOMC's employment and inflation targets are becoming more balanced. But at the same time, they reiterated that the economic outlook is uncertain and they remain "highly attentive to inflation risks".

In the Eurozone, the consumer price indices came in perfectly in line with expectations to show static inflation at 2.8% year-on-year. Inflation dipped by 0.4% month-on-month. Although these figures are encouraging, they are still too high to warrant a cut in benchmark policy rates at the next ECB meeting on 7 March, we think.

Inflation levelling off in Europe

The HCOB Composite PMI Output Index for the Eurozone clocked in at 48.9 in February – up from 47.9 in January but still below the 50 mark. This shows that there are major disparities between sector and country trends, and the economy remains particularly fragile in manufacturing, especially in Germany.

Still, the Eurozone's sharpest economic contraction since 2013 is finally showing signs of easing. Job figures reveal a degree of optimism among private-sector companies, with hiring accelerating in February compared with January.

On the bond market, the US 10-year yield eased to end the week at 4.25% while the German counterpart was at 2.36%. The S&P 500 ended the week up by 2.28%, Nasdaq by 2.23%, while the Stoxx Europe 600 gained 1.09%.

The week ahead is likely to provide more details on the Fed's and ECB's next rate moves. Data releases are eagerly awaited.

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	11'496.76	4'872.57	17'419.33	7'966.68	7'706.28	5'088.80	15'996.82	39'098.68	1'028.31
Trend	➡	⬆	⬆	⬆	⬆	⬆	➡	⬆	⬆	⬇	⬆
YTD	4.70%	2.64%	3.22%	7.77%	3.99%	5.61%	-0.35%	6.69%	6.56%	16.84%	0.45%

(values from the Friday preceding publication)

Swiss Market Index (SMI)

The robust resistance at 11505 held up last week as it repelled the challenge mounted by the SMI. Divergence is showing on the RSI, which could suggest consolidation towards 11320.

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