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BONHÔTE

Central banks in more confident mode

Equity indices stalled at the end of last week, having earlier hit record highs. Profit-taking on tech stocks weighed particularly hard on the market trend.

As expected, rate setters hinted at possible rate cuts as early as June.

Take for example Jay Powell, who told the House of Representatives that it would be appropriate for the Fed to ease monetary policy this year. He added that he was still acting cautiously, highlighting the uncertain economic climate and the lack of assurances that inflation would soon return to the 2% target.

Fed again sounds cautious note

The US labour market remains robust. Private-sector companies added 140,000 jobs in February, which was slightly less than expected. Based on non-farm payrolls, 275,000 jobs were added last month, up from 229,000 in January.

Initial jobless claims were stable in the week ending 2 March, at 217,000. The unemployment rate rose to 3.9% in February, up from 3.7% the previous month.

Growth in average hourly earnings slowed to 0.1% in February after rising by 0.6% month-on-month in January. This was lower than the consensus forecast of 0.3%. Year-on-year, the increase was 4.3%, down from 4.5% the previous month and in line with the consensus forecast of 4.4%.

Growth in US service sector activity was weaker than expected in February, according to the monthly Institute for Supply Management (ISM) survey released on Tuesday. It also showed that hiring was on the decline. The index was 52.6, down from 53.4 in January.

Here in Europe, as expected, the ECB kept its benchmark interest rates at their current levels, stressing that even though inflation is slowing faster than expected, it is not yet time to ease policy.

It also lowered inflation expectations and trimmed growth forecasts, more confident that the inflation target will be met. Recent macroeconomic data have pointed to a slowdown in inflation and stabilisation in economic activity. The services sector even recorded a slight uptick in growth last month, for the first time since July.

Inflation slows and economic activity levels off in Europe

Bond yields eased as US inflation lost traction, with the US 10-year yield reverting to close to 4% and the German equivalent dipping towards 2.25%.

Against this backdrop, the S&P 500 ended the week down by 0.26%, Nasdaq by 1.17%, while the Stoxx Europe 600 edged up by 1.14%.

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	11'647.14	4'961.11	17'814.51	8'028.01	7'659.74	5'123.69	16'085.11	39'688.94	1'037.09
Trend	➡	➡	⬆	⬆	⬆	⬆	➡	⬆	➡	⬆	⬆
YTD	4.29%	3.36%	4.57%	9.72%	6.34%	6.43%	-0.95%	7.42%	7.15%	18.60%	1.30%

(values from the Friday preceding publication)

Swiss Market Index (SMI)

The next resistance is 11735 followed by 11935, which is a major technical benchmark.

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