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BONHÔTE

Inflation showing signs of slowing

Equity markets were last week boosted by macroeconomic data showing a weakening US economy and by a minor slowdown in inflation, which in turn triggered an easing of bond yields. The US 10-year yield fell back below 4.40% while the German counterpart reverted to below 2.50%.

The rise in US consumer prices decelerated slightly in April month-on-month, edging up by 0.3% following a 0.4% increase in the previous month. Year-on-year, inflation was at 3.4% following 3.5% in March.

In contrast, producer prices for April rose by 2.2% year-on-year, in line with forecasts, following an increase of 1.8% in the previous month. This was even worse on a monthly basis, as the PPI delivered a stronger-than-expected acceleration of 0.5% month-on-month following a contraction of 0.1% in March. The Labour Department reported that the 0.5% headline increase worked out as 0.4% when excluding food, energy and business services.

Price rises lose some traction

Elsewhere, manufacturing activity in New York State – as measured by the Empire State Index – fell more sharply than expected, dropping from-14.3 in April to -15.6 in May.

On the jobs front, initial jobless claims fell by 10,000 to 222,000 in the week beginning 6 May. Even so, the labour market is showing signs of running out of steam with the four-week moving average, which is representative of the underlying trend, up by 2,500 on the previous week.

Fed chair Jerome Powell has said that he expects inflation to continue to ease throughout 2024, as it did last year, even though his confidence level decreased amid the resurgence of price growth during the first quarter. Therefore, a rate cut in the near future is still a definite possibility.

Slight easing in the US job market

In Europe the harmonised consumer price index (HCPI), calculated using Eurostat methods, came in at 2.4% year-on-year, in line with expectations. On a month-on-month basis, inflation was slightly lower than expected, at 0.6% versus an estimated 0.8%.

All in all, the S&P 500 ended the week up 1.54% while the tech-focused Nasdaq was up 2.11%. The Stoxx 600 Europe gained 0.42%.

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	0.99	12'037.99	5'064.14	18'704.42	8'167.50	8'420.26	5'303.27	16'685.97	38'787.38	1'099.79
Trend	➡	➡	⬆	⬆	⬆	➡	⬆	⬆	⬆	⬆	⬆
YTD	8.03%	6.39%	8.08%	12.00%	11.66%	8.28%	8.88%	11.18%	11.16%	15.91%	7.43%

(values from the Friday preceding publication)

Swiss Market Index (SMI)

The SMI surged by 7.4% in 10 days of heavy trading. After 2 weeks blazing a trail, it could now pause for breath and revert to testing 11900, potentially before setting off again for the next focal point at 12310.

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