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BONHÔTE

Two sides of the Atlantic = two stories

European markets were hit hard last week as political uncertainty sowed chaos. The CAC 40 shed more than 6%, wiping out its year-to-date performance. Meanwhile the DAX fell by 3% and the Euro Stoxx 50 dropped by 4.20%.

Despite the rise of the far-right in Europe and the concerns this has raised, inflation data from the Eurozone's two largest economies supported the ECB's decision to cut interest rates.

In Germany, the harmonised CPI stood still at 2.8% year-on-year in May, in line with expectations. In France, the same indicator improved marginally to 2.6% year-on-year in May but lost some momentum month-on-month, slowing to 0.1% versus 0.2% in April.

Turmoil in European equity markets

In the US, the mood was quite the opposite as the markets continued their record-breaking run, driven even higher by AI-related stocks and a batch of encouraging macroeconomic figures.

Firstly, some good news emerged on the inflation front, with consumer prices holding steady in May compared with April. Year-on-year, CPI stood at 3.3% versus 3.4% in April. Excluding food and energy (the more volatile price components), core inflation was also better than expected.

Producer prices fell by 0.2% in May compared with April but rose by 2.2% year-on-year. Happily this was less than expected, considering the forecast for 2.5%. Import prices also eased, by 0.4% in May compared with 0.9% in April. Next up, the rise in unemployment figures to a 10-month high reassured investors. These data all support monetary easing by the Fed and will therefore help risk assets.

US inflation on the right track

Additionally, the Fed has kept rates as broadly expected in the face of more stubborn inflation, despite more encouraging recent figures. As with the ECB, the Fed revised up its inflation forecasts, to 2.6% in 2024 (from 2.4% in March) and 2.3% in 2025 (from 2.2%). Thankfully it confirmed its growth forecast at 2.1% this year.

The big news from this meeting was not so much the outcome but the number of rate cuts that the various members of the Fed's FOMC committee foresaw, which now stands at just one this year compared with three at the last meeting.

In short, indices behaved differently, with the S&P 500 gaining 1.58%, the Nasdaq rising by a massive 3.24% while the Stoxx Europe 600 fell by 2.39%.

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	0.89	0.95	12'044.59	4'839.14	18'002.02	7'503.27	8'146.86	5'431.60	17'688.88	38'814.56	1'076.89
Trend	↓	↓	→	↓	↓	↓	↓	↑	↑	→	→
YTD	5.77%	2.58%	8.14%	7.03%	7.46%	-0.53%	5.35%	13.87%	17.84%	15.99%	5.19%

(values from the Friday preceding publication)

Swiss Market Index (SMI)

The SMI is hovering around a pivot point at 12050. Initial support can be seen between in the 11950-11980 range. An upside breakout above 12180 would provide momentum to reach 12310.

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