

Markets regain their footing

Equity markets recovered from the previous week's slump following a strong showing by tech stocks.

Bond yields stood still, with the US 10-year yield holding around 4.25% and the German equivalent near to 2.40%.

Last week the Swiss National Bank cut its benchmark policy rate for the second time in a row (to 1.25%), partly to cool off the Swiss franc, which had strengthened on the political uncertainty besetting Europe. However, the SNB only had the leeway to make this rate cut in the first place because inflation had continued to ease on a quarter-on-quarter basis.

SNB notched down benchmark policy rate again

The US economy continues to shine. Industrial production recovered in May, rising by 0.9% after stagnating in April. This was better than the consensus, which was looking for an increase of 0.3%.

In addition, the PMI showed that business activity has continued to expand in June, at a stronger pace than expected. The S&P Global Services Index for this month rose to 55.1, its highest level since April 2022.

In contrast, consumers continue to feel the pinch, as shown by retail sales, which rose by only 0.1% month-on-month in May. Excluding the automotive sector (vehicles and parts), which tends to be volatile, retail sales dipped by 0.1% last month, which was the same as in April.

Initial jobless claims were slightly higher than forecast, but this does not represent a significant deterioration.

Eurozone inflation was higher in May on a 12-month basis. The Harmonised Index of Consumer Prices (HICP) was 2.6% versus 2.4% in April. Month-on-month inflation remained at 0.2% in May, in line with forecasts.

Economic activity slows in the Eurozone

A slowdown can be seen in Eurozone economic activity. The Flash PMI slipped to 50.8, its lowest level for three months, compared with 52.2 in May. Manufacturing output dropped sharply to 46 from 49.3 in May, marking a sharp deterioration in business activity amid an accelerating fall in new orders.

The results of the European elections have raised serious concerns, while the early dissolution of the French National Assembly has further clouded the picture, with fears centring on the economic policies of the new government. As a result, many companies are putting orders and investment on hold.

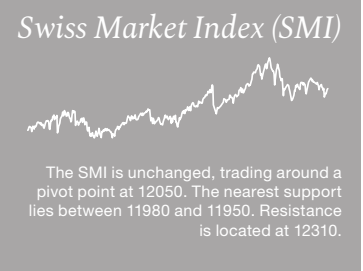
In France, economic activity even fell for the second month in a row – more sharply than forecast. In Germany, the plunge in manufacturing activity, which halted the uptrend seen in recent months, is more worrying.

Stock indices ended the week in slightly positive territory, with the S&P 500 up 0.57%, the tech-focused Nasdaq gaining by 0.12% and the Stoxx 600 Europe putting on 0.79%.

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	0.96	12'012.87	4'907.30	18'163.52	7'628.57	8'237.72	5'464.62	17'689.36	38'596.47	1'086.93
Trend	➡	⬇	➡	⬇	⬇	⬇	➡	⬆	⬆	➡	⬆
YTD	6.27%	2.94%	7.86%	8.53%	8.43%	1.13%	6.52%	14.57%	17.84%	15.34%	6.17%

(values from the Friday preceding publication)



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