Flash boursier N° 758
8 July 2024

BONHÔTE

Rate cut on the way in the United States

The equity markets resumed their ascent, drawing strength from the prospect of the first rate cut in the US cycle following on from the publication of weaker-than-expected macroeconomic data.

Ten-year US Treasury yields pulled back to 4.30%, while German Bund yields held stable at around 2.55%.

Last week's US statistics showed that the PCE, the Federal Reserve's preferred inflation metric, has slowed to 2.6% year-on-year from 2.7% in April. While the trend is moving in the right direction, it remains almost half a point above the 2% target set by the Federal Reserve.

The labour market is showing signs of running out of steam

In terms of jobs, the labour market showed signs of losing steam. New job creation has plateaued over the past few weeks, as evidenced by the latest figures for June. The unemployment rate rose by 0.1 points and now stands at 4.1% of the active population.

What's more, weekly unemployment claims edged higher, providing another sign of deterioration in the US labour market.

The same patterns are evident in service sector activity, with the ISM index confounding expectations by contracting for the second time in three months.

This rather mixed US macroeconomic picture has increased the chances of an initial rate cut by the Fed in September (from 65% to 74%) and sparked an easing in US bond yields.

Nonetheless, Federal Reserve officials indicated in the aftermath of these numbers that they would need time before lowering their rates. To sum up, the chances of monetary policy being eased are increasing and providing support for the equity markets.

Prospect of monetary policy being loosened is increasing

In Europe, the manufacturing sector took a turn for the worse in June, with demand weakening despite lower prices. Industrial output sank to a six-month low.

Eurozone inflation continued to ease, as expected by the consensus, and the Harmonised Index of Consumer Prices (HICP) was at 2.5% year-on-year in June.

A narrower measure of price increases that excludes food, energy, alcohol and tobacco held firm at 2.9%.

The series of cuts in eurozone rates initiated by the ECB is likely to continue. We remain positive about risk-on assets in the medium term.

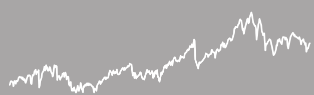
Overall, the S&P 500 index gained 1.54%, the tech-heavy Nasdaq index rose by 2.7%% and the Stoxx 600 Europe climbed 1.02%.

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	0.90	0.97	12'006.14	4'979.39	18'475.45	7'675.62	8'203.93	5'567.19	18'352.76	40'912.37	1'104.88
Trend	➡	➡	➡	➡	⬆	➡	➡	⬆	⬆	⬆	⬆
YTD	6.43%	4.53%	7.80%	10.13%	10.29%	1.76%	6.09%	16.72%	22.26%	22.26%	7.93%

(values from the Friday preceding publication)

Swiss Market Index (SMI)



The SMI remains in an uptrending channel, which, if the trend continues, should take it up to 12,400 points.

Contact

Julien Stähli
Chief Investment Officer (CIO)
MBF Boston University

Pierre-François Donzé
M. Sc. in Economics

Karine Patron
MScF Université de Neuchâtel

David Zahnd
MScAPEC Université de Neuchâtel

Bertrand Lemattre
MScF Sciences Po Paris

Pascal Maire
MScF Université de Neuchâtel

Banque Bonhôte & Cie SA - 2, quai Ostervald, 2001 Neuchâtel / Switzerland - T. +41 32 722 10 00 / contact@bonhote.ch