Awaiting the 47th President

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The last week of October saw markets on edge, with a mixed showing of corporate results and the prospect of a busy week ahead in the US contributing to the unease. This week features the presidential election, followed soon afterwards by the Fed's next policy meeting.

A quarter-point rate cut by the Fed looks like a dead cert. In contrast, the outcome of the election is much more difficult to predict. The initial optimism surrounding Kamala Harris' candidacy has dissipated, leaving the two candidates in a statistical tie. Any result that is too close to call will undoubtedly prompt a recount, or could even trigger a legal challenge, particularly if the Democrats emerge as the initial winner. Consequently, a monetary policy decision could be made on Thursday without the rate-setters knowing the identity of the new President.

Turning to corporate results, reporting season is drawing to a close and so far has not been quite as good as expected. Earnings misses have been severely sanctioned. All the gains chalked up in October were wiped out in the single final session. The US 10-year yield eased, ending the week at 4.30%.

Economic statistics blew hot and cold

Job creation in the US plummeted in October. The economy generated just 12,000 non-farm jobs (out of the 113,000 expected), but this wide discrepancy can be explained by strikes in the aeronautical industry and impacts of hurricanes. In addition, non-farm payrolls in the previous two months were revised sharply lower (by 112,000), pointing to a controlled slowdown in the labour market. The unemployment rate remained at 4.1%, in line with expectations.

Curiously, US consumer confidence improved sharply in October, with the Conference Board index rising to 108.7 from 99.2 the previous month. The sub-index tracking US consumers' assessment of current conditions rose by 14.2 points to 138, while the sub-index measuring their expectations rose by 6.3 points to 89.1, moving away from the 80 threshold which heralds a recession.

Finally, the PCE price index – which is closely watched by the Fed – revealed annual inflation for September down 0.2 points versus August, at 2.1%, but stable at 2.7% excluding food and energy.

In the Eurozone, inflation for October clocked in a whisker above expectations, both in year-on-year terms (2% vs. 1.9% expected) and compared with the previous month (0.3% vs. 0.2%).

Last week the S&P 500 and Nasdaq consolidated by 1.37% and 1.50% respectively, while the Stoxx Europe 600 gave up 1.52%.

In addition to the US presidential election and the Fed's monetary policy announcement, the week will see a final major batch of quarterly results.

Swiss Market Index (SMI)

The SMI tested 11735 before bouncing towards 11950. Index momentum is weak, making retracement to the 200-day moving average at 11840 extremely likely.

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	0.87	0.94	11'967.20	4'877.75	19'254.97	7'409.11	8'177.15	5'728.80	18'239.92	38'053.67	1'122.28
Trend	→	→	↓	↓	→	↓	↓	↓	→	↓	↓
YTD	2.96%	0.19%	7.45%	1.04%	14.94%	-0.54%	-1.22%	1.70%	3.68%	13.71%	3.34%

(values from the Friday preceding publication)

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