

# Mood of doubt takes root

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N°774

18 November 2024

The wave of optimism following Trump's election win last week morphed into a mood of doubt in financial markets.

Uncertainty about the future of the US economy is now the dominant theme. The new president plans to introduce tariffs, cut taxes and deregulate the domestic economy. These measures have the potential to reignite inflation and trigger a return to the trade war with China.

Inflation is especially sensitive as it has stopped slowing. Investors are panicky after US consumer prices rose in October according to the CPI (consumer price index). But so did the PPI (producer price index) for October. This came in higher than expected, rising by 2.4% year-on-year against expectations of 2.3%.

## Monetary easing toned down in the US

Furthermore, remarks made by Jerome Powell, the current chairman of the Federal Reserve, have led to speculation that a reduction in interest rates in December is unlikely.

The possibility of sustained monetary easing may be diminishing at an earlier stage than anticipated, largely due to the mounting risks of inflation resurgence caused by pro-growth policies and higher tariffs.

The US economy continues to demonstrate resilience, with GDP growth in the third quarter slightly lower than anticipated, at an annualised rate of 2.8%. However, this figure remains almost twice as high as that observed in the Eurozone.

Lastly, the unemployment rate remains low at 4.1%, despite weak job creation in October due to hurricanes and strikes.

These factors have pushed up short-term bond yields, with the US 2-year yield breaking past the 4.30% mark.

## Flimsy prospects for Germany

In Europe, the focus is on Germany after the collapse of the governing coalition and the resulting uncertainties for Europe's leading economy.

Chancellor Olaf Scholz has announced that he is prepared to hold a vote of confidence in parliament before Christmas, after initially suggesting January.

The prevailing sentiment in Europe is one of gloom, given the continent's ongoing political and economic uncertainties. In contrast, the US economy continues to demonstrate resilience.

The arrival of Donald Trump in the White House suggests that the Eurozone's fragile economy could face new headwinds, not least US tariffs on its exports of up to 10-20%.

Last week the S&P 500 and Nasdaq dropped by 2.08% and 3.15% respectively, while the Stoxx Europe 600 gave up 0.69%.

This week Nvidia's earnings report will be closely watched, as will business indicators out of the US and Europe.

## Swiss Market Index (SMI)

The SMI has broken past previously active supports and is preparing to negotiate the next one at 11590. A breaching of this level could carry the index to 11505. The RSI and MACD are not aligned at the moment.



## 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	0.94	11'627.04	4'794.85	19'210.81	7'269.63	8'063.61	5'870.62	18'680.12	38'642.91	1'085.00
Trend	↑	→	↓	↓	→	↓	↓	→	→	→	↓
YTD	5.14%	-0.46%	4.39%	-0.68%	14.68%	-2.41%	-2.60%	4.22%	6.18%	15.48%	-0.09%

(values from the Friday preceding publication)

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