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BONHÔTE

Risk aversion reappears

Last week, the markets experienced an intensified downward trajectory, influenced by the robustness of US macroeconomic data, which led to continued rising bond yields. Moreover, the brief hope for a swift de-escalation of the Israeli-Palestinian conflict was dashed, ushering in a renewed sense of risk aversion. This climate was favourable for gold prices, causing them to surge.

Consequently, bond yields saw a significant rise. The US 10-year yield neared 5%, and the German Bund surpassed 2.75%.

In the US, domestic consumption – a primary growth catalyst for the economy – maintained its strength. Retail sales in September outpaced analysts' predictions (+0.2%), registering a 0.7% increase following August's 0.8% rise. When excluding automobiles and fuel, the rise stood at 0.6%.

US domestic consumption remains robust

Furthermore, the sturdiness of the US labour market was reaffirmed with the release of the latest initial jobless claims, which showed a decline to 198,000 in the week ending 14 October, down from 211,000.

While household spending has resisted the repercussions of the Fed's monetary tightening so far, the lagged impact of interest rate increases, coupled with the recent surge in oil prices, might instigate a recessionary trend.

For now, the Fed's position remains unchanged. Yet, the early signs of monetary tightening are becoming apparent in the housing sector. However, escalating geopolitical conflicts and the potential impact on the business milieu might deter the Fed from sustaining a restrictive monetary stance for fear of triggering a recession as opposed to a soft landing.

In Europe, the inflation rate is on a downtrend. The HICP consumer price index for September indicated a 4.3% rise. On a month-to-month basis, inflation increased by 0.3%, which is lower than the initial projection of 0.5%. Germany's ongoing economic deceleration is evident, with industrial production figures showing a 2% decrease in August. Given the gradually deteriorating economic scenario, the ECB is anticipated to adopt a wait-and-see approach, keeping interest rates stable.

Inflation continues to slow in Europe

In contrast, China's economic landscape is still grappling with turmoil in the housing sector, hampering the anticipated economic rebound. Nevertheless, governmental stimulus strategies are poised to yield positive outcomes in due course.

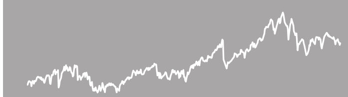
In light of these developments, the S&P 500 concluded the week with a 2.39% decline, the tech-focused Nasdaq dipped by 3.16% and the Stoxx 600 Europe decreased by 3.44%.

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	10'348.60	4'024.68	14'798.47	6'816.22	7'402.14	4'224.16	12'983.81	31'259.36	925.58
Trend	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
YTD	-3.48%	-4.49%	-3.55%	6.09%	6.28%	5.29%	-0.67%	10.02%	24.05%	19.79%	-3.22%

(values from the Friday preceding publication)

Swiss Market Index (SMI)



The SMI managed to surpass the 10750 mark last week and is now set on reaching 10227.90, representing the gap observed in October 2022. Despite the prevailing downtrend, the index has creeped into oversold territory.

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