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BONHÔTE

Markets start the year in consolidation mode

The mood of hope dominant in financial markets at the end of 2023 has given way, at the start of 2024, to a phase of consolidation in equity indices, fuelled by doubts about the pace of future rate cuts and by a resurgence in geopolitical tensions.

Macroeconomic data released at the end of the week showed a slight rebound in inflation, particularly in Europe, as well as robust job figures in the US, leading to a rise in yields in the bond market. The US 10-year yield climbed back above 4% while its German counterpart reverted to above 2% to stand at 2.15%.

The midweek release of Fed minutes from its December meeting showed that central bankers are less upbeat than the market about the pace of future rate cuts. Tellingly, the market-assigned odds of an initial Fed rate cut at its March meeting has fallen from 90% to around 70%.

The strength of the US economy is not yet pointing to a sharp cut in policy rates, although the downward trajectory is no longer in doubt.

Central banks not optimistic about rapid rate cuts

The US labour market picked up at the end of the year, with 216,000 jobs added in December compared with an expected 175,000. The private sector also added 164,000 jobs, exceeding the forecast for 130,000. The unemployment rate was static at 3.7% in December, mirroring the previous month, versus a forecast of 3.8%. Finally, the US Department of Labor announced a fall in initial jobless claims in the week starting 25 December, to 202,000.

Wage inflation ticked up, with average hourly wages rising by 0.4% in December, the same rate as in November, versus a forecast for a 0.3% increase. In contrast, business slowed in the services sector, as evidenced by the ISM services index, which fell to 50.6 last month compared with the consensus forecast of 52. Economic growth is set to continue easing in the coming months, driven by the decrease in new orders and lower hiring forecasts.

In Europe, private-sector activity contracted again in December due to the continued slowdown in the services industry. Inflation ticked up slightly. The consumer price index, as per the European HICP standard, rose by 4.1% year-on-year in December, in line with the consensus and following on from a figure of 3.9% in November. Month-on-month, however, it rose by 0.1% after falling by 0.2% in the previous month.

Services industry losing traction in Europe

The S&P 500 ended the week down by 1.52% while the tech-focused Nasdaq plunged by 3.78%. The Stoxx 600 Europe index gave up 0.55%.

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	0.85	0.93	11'185.90	4'463.51	16'594.21	7'420.69	7'689.61	4'697.24	14'524.07	33'377.42	1'002.08
Trend	→	→	→	↓	→	↓	→	→	↓	→	→
YTD	1.06%	0.18%	0.43%	-1.28%	-0.94%	-1.62%	-0.56%	-1.52%	-3.25%	-0.26%	-2.12%

(values from the Friday preceding publication)

Swiss Market Index (SMI)

The resistance at 11270 is proving hard to overcome. Neither are technical indicators showing signs of fresh impetus. We project the SMI drifting this week with support located at 11060.

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