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Doubts worsening

The second quarter of the year began with a wave of profit-taking hitting equities, triggered by better-than-expected macroeconomic data which dented the market's recent trend. In addition, as the security situation worsens in the Middle East, oil prices have surged northwards. Gold is also up significantly.

Chair Powell again stated last week that the Fed is in no hurry to cut rates, although loosening is still on the agenda. This news cast doubt on the chances of a rate cut as early as June, fostering some tensions on the bond market.

Correspondingly, the US 10-year yield retraced upwards of 4.40% and its German counterpart broke above 2.40%, especially after the US economy showed continued signs of strength – particularly in the labour market. In March, 303,000 non-farm jobs were added in the economy, busting past the forecast for 235,000. The unemployment rate also dipped to 3.8%. The Department of Labour reported 221,000 initial jobless claims in the week beginning 25 March, which was below expectations.

US labour market firmer than expected

In contrast, the service sector slowed more sharply than forecast in March, with the ISM services index dropping to 51.4 last month from 52.6 in February.

In Europe, the ECB is even more likely to start cutting rates following the sharper-than-expected fall in March inflation. The consumer price index rose by just 2.4% in March, compared with 2.6% in February and 2.8% in January, bringing inflation ever closer to the ECB's official target.

Inflation tails off in Europe

Eurozone economic activity grew last month for the first time since May 2023, but the recovery was uneven. Services did better than expected, offsetting a sharper slowdown in manufacturing.

The composite PMI covering services and manufacturing sectors advanced to 50.3 in March, up from 49.2 in February. The 'new orders' component resumed growing after an eight-month slump. Rising wages are likely to support this trend over the coming months.

Against this backdrop, the S&P 500 ended the week down by 0.95%, Nasdaq by 0.80% and the Stoxx Europe 600 by 1.19%.

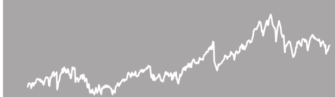
This week, the ECB's rate decision will be closely watched, while the initial batch of quarterly earnings releases will provide an indication about global economic activity.

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	0.98	11'495.79	5'014.75	18'175.04	8'061.31	7'911.16	5'204.34	16'248.52	38'992.08	1'045.71
Trend	→	→	↓	→	→	→	↑	→	→	↓	→
YTD	7.19%	5.24%	3.21%	10.91%	8.50%	6.87%	2.30%	9.11%	8.24%	16.52%	2.15%

(values from the Friday preceding publication)

Swiss Market Index (SMI)



The SMI gapped down last week, and this gap may not be filled in the short term. Despite the index ending the week below 11505, it would be premature to call this a downside breakout.

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