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Services underpinning Eurozone economic activity

Last week was an eventful time for financial markets. In short, US inflation figures continued edging upwards but corporate results were devoid of any real catalysts. Only the Nasdaq tech darlings provided impetus, dispelling the ambient gloom surrounding equities. Nervousness went up a notch. The Fed meeting on 1 May is likely to echo expectations for a policy hold. But market participants will be focusing on the wording used by Jerome Powell to adjust their timetable for the first rate cut in the cycle, which is looking a more and more distant prospect.

The week began in the US with the release of private-sector growth indicators pointing to a slowdown in business activity during April. S&P Global's composite PMI clocked in at 50.9 in its flash estimate, compared with the final figure of 52.1 for the previous month. Although this is still in expansion territory, it marks the weakest growth for output since the start of the year and stems from reduced growth rates and a contraction in orders in both manufacturing and services.

Slowdown in US business trends

Towards the end of the week, the release of the PCE inflation gauge again showed prices rising by slightly more than expected in March. In line with expectations, the PCE rose by 0.3%, as in February. Year-on-year, the index increased by 2.7% compared with 2.5% in February. The forecast was 2.6%.

Dynamics are different in the Eurozone. The flash composite PMI showed that business activity grew at its fastest pace for almost a year in April, featuring a brisk recovery in the services industry which more than offset the slowdown in manufacturing. The indicator jumped to 51.4 this month, compared with 50.3 in March and a consensus forecast of 50.7. This is the second consecutive reading above the 50 threshold separating expansion from contraction.

Dynamics are different in the Eurozone

Demand trends also different according to whether we are talking about services or manufacturing. The new business sub-index in the services sector climbed its highest level in 11 months, at 52.1, while the index for new orders in manufacturing fell to its lowest level in four months, at 43.8 compared with 46.0 in March.

Added to this is a note of optimism from the labour market, with staffing rising at the fastest rate since June 2023, and the planets now seem to be aligned for the ECB to make its first rate cut when its governing council meets on 6 June.

All in all, the S&P 500 ended the week up by 1.79%, the Nasdaq by 30.9% and the Stoxx Europe 600 by 0.38%.

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	0.91	0.98	11'344.32	5'006.85	18'161.01	8'088.24	8'139.83	5'099.96	15'927.90	37'934.76	1'041.52
Trend	➡	➡	➡	➡	➡	➡	⬆	➡	➡	⬇	➡
YTD	8.68%	5.28%	1.85%	10.74%	8.41%	7.23%	5.26%	6.92%	6.11%	13.36%	1.74%

(values from the Friday preceding publication)

Swiss Market Index (SMI)

As long as the SMI can hold above 11290, the technical target at 11460 remains intact. Momentum is fragile and pointing to the downside.

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