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Risk aversion on the rise again

The release of weaker-than-expected US macroeconomic data and doubts about AI-related stocks sparked a renewed surge in risk aversion last week, sending the US 10-year yield lower to 3.75%. The yield on its German counterpart, the Bund, dipped to around 2.20%.

In the US, job vacancies for July fell more sharply than expected – a sign that the US labour market has weakened under pressure from restrictive interest rates. Job openings fell to 7,673 million in July, according to the latest Jolts report from the Department of Labour.

Fewer job openings in the US

Additionally, the private sector added fewer jobs than expected in August. The ADP survey noted that 99,000 jobs were created compared with 111,000 in July. Economists were forecasting an average of 145,000. News of 142,000 new non-farm jobs, compared with the 165,000 expected, was a further sign of a slowing labour market.

Growth in the US service sector picked up slightly in August as the ISM services index rose to 51.5, up from 51.4 in July, beating expectations for 51.

After falling by 3.3% in June versus the previous month, US factory orders recovered by 5% in July 2024.

The manufacturing PMI showed factory activity contracting for the fifth month consecutively, at a slightly faster rate than expected.

Uncertainty about the size of the Fed's rate cut at its next meeting on 18 September has increased in the wake of these unimpressive data releases. The sharp deterioration in the labour market is stoking fears of a recession. This could be kind of news that tips the balance towards a half-point rate cut.

Uncertainty over the extent of Fed's rate cut

This uncertain mood also weighed on crude oil, the price of which is under downward pressure. Brent crude is trading at USD 71 a barrel while West Texas Intermediate is at USD 67.8.

Economic activity in the Eurozone remains weak, which should encourage the ECB to continue cutting rates when its meets this Thursday.

The S&P 500 lost 3.28% last week, while the Nasdaq ended down 4.71%. The Stoxx Europe 600 dropped by 3.52%.

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	0.84	0.93	11'908.24	4'738.06	18'301.90	7'352.30	8'181.47	5'408.42	16'690.83	36'391.47	1'074.89
Trend	↓	↓	↓	↓	→	↓	↓	↓	↓	↓	↓
YTD	0.19%	0.63%	6.92%	4.79%	9.25%	-2.53%	5.80%	13.39%	11.19%	8.75%	5.00%

(values from the Friday preceding publication)

Swiss Market Index (SMI)

The SMI sank to the 11900 support level and seems to be digesting last week's correction. Technical indicators have deteriorated in the short term but the 11900 support could still hold up.

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