



PKB's Market Espresso

Short. Rich. Strong.

Mixed numbers from US job market

US job growth steadied at **+151k** (below estimates of 160k) non-farm payrolls added in February with **unemployment** rate rising to **4.1%** (from 4.0%)

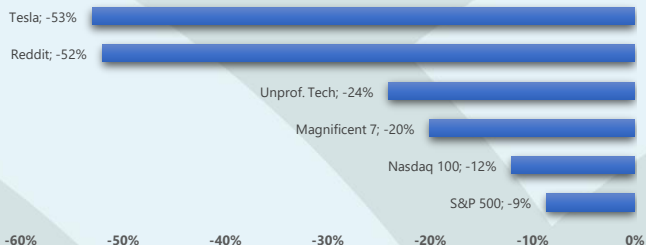
- Some **indications** that **labor market** is **weakening** are present with more people permanently out of work, fewer workers on government payrolls and an increase in part-time workers
- **March job report** will probably **look worse** as data for February includes the period before most of the Trump administration's government firings
- Expected **tariff hikes** and **spending cuts** may continue to **push unemployment higher** during the next few months
- This afternoon with **US inflation** numbers for February will be released - markets are **expecting** a **3.2%** increase year-on-year in **Core CPI**

US exceptionalism under threat

Growing concerns over a **possible recession** have driven investors away from risk assets in the US

- **Technology companies**, once key drivers of the previous bull market, have been hit the **hardest**
- The **retreat** from risk is even more severe in **speculative** areas, as investors shift from low-quality stocks to safer, **high-quality** assets

Declines from recent peaks, in %



Source: PKB elaboration on Bloomberg Data

Eurozone investor sentiment surges

The **Sentix** investor sentiment index in the Eurozone **jumped to -2.9** in March from -12.7 in February, **exceeding** the consensus forecast of -9.1

- Investor sentiment **improved significantly** at the end of Q1, driven by announcements of **increased defense and infrastructure spending** in Germany and the EU, which outweighed concerns over Donald Trump's **tariff hikes** on Canadian and Mexican imports and his threats of **higher tariffs** on **EU goods**
- The headline increase was supported by gains in both the **current assessment index**, which rose to -21.8 from -25.5 in February, and the **expectations gauge**, which surged to 18.0 from 1.0, its highest since July 2021
- As a result, a **rebound in GDP growth** is now anticipated in both the Eurozone and Germany

ECB: A new cut, will a pause follow?

As widely expected the **European Central Bank** cut rates by **25bp** to **2.50%** during last Thursday's meeting – marking the sixth intervention since June 2024

- **Disinflation** progress remains **on track** with inflation now expected to reach its 2% target in early 2026 (and not later this year as previously envisaged)
- Updated quarterly projections **confirmed** ECB's **outlook** for **prices** while **lowering** it for **growth** in both 2025 and 2026 – projections exclude potential implications of new defense outlays by European governments
- President Lagarde left **April decision wide open** as the **Governing Council** tries to **assess developments** in geopolitics and domestic fiscal spending as well as incoming data – markets are currently pricing a 50% chance of a new cut

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