

In an eventful week the US paused tariffs on EU goods until 9 July, Nvidia reported results and America's Court of International Trade ruled that the President did not have authority to impose "reciprocal" tariffs.

## US: tensions over trade and mixed economic signals

The main driver behind the market rally last week was the ruling by America's Court of International Trade suspending the vast majority of the tariffs implemented by the Trump administration, viewing these as unlawful. This obviously delighted financial markets, although the White House still has the legal firepower to circumvent this ruling, as evidenced by the swift appeal court decision leaving tariffs in place pending an ultimate ruling. Towards the end of the week, Donald Trump accused China of violating the terms of their truce according to which they agreed on reduced tariffs, resulting in renewed fears among investors.

US economic data provided some stability amid all this uncertainty. First-quarter GDP contracted by 0.2%, which was better than the expected 0.3% dip, and consumer confidence shot up in May. By contrast, durable goods orders plunged by 6.3%, featuring a sharp 1.3% drop for capital goods (excluding defence and aerospace) – a keenly watched proxy for business investment.

In monetary policy, the latest Fed minutes conveyed growing concerns about a possible cocktail of inflation and slower economic growth (fuelled by unstable trading conditions). The PCE indicator, the Fed's favourite inflation metric, slowed marginally to 2.1% in April. The Fed remains cautious about the still-uncertain impact of tariffs in the coming months, bolstering expectations for a rate hold.

## Europe: monetary easing on the horizon

In Europe, signals pointing to monetary easing are more supportive. Consumer confidence is improving while inflation in France was 0.6% in May, significantly below the forecast for 0.9%. Debt markets have priced in a quarter-point cut in the ECB's benchmark policy rate when it meets on 6 June.

In Switzerland, the repercussions of the trade wrangling are being felt. Exports to the US have receded except for the watch sector. The Federal Council has authorised trade talks with the US in the hope that bilateral economic ties between the two countries will not deteriorate any further.

In company news, Nvidia once again shattered Wall Street's expectations. Brisk demand for AI products and data centres reassured investors about the industry's prospects despite US export restrictions in regard to China.

Unstable regulatory and geopolitical conditions are dampening markets in spite of the broadly positive economic signals and solid corporate results. The S&P 500 advanced by 1.19% over the week, Nasdaq by 0.99% and the Stoxx Europe 600 by 0.65%. In contrast, the SMI lost 0.35%.

### Swiss Market Index (SMI)

Last week the SMI tested support at 12030, which held fast. Momentum has levelled off, suggesting a period of drift between 12030 and 12350.



## Key data

|               | USD/CHF | EUR/CHF | SMI       | EURO<br>STOXX<br>50 | DAX 30    | CAC 40   | FTSE 100 | S&P 500  | NASDAQ    | NIKKEI    | MSCI<br>Emerging<br>Markets |
|---------------|---------|---------|-----------|---------------------|-----------|----------|----------|----------|-----------|-----------|-----------------------------|
| <b>Latest</b> | 0.82    | 0.93    | 12'227.08 | 5'366.59            | 23'997.48 | 7'751.89 | 8'772.38 | 5'911.69 | 19'113.77 | 37'965.10 | 1'157.34                    |
| <b>Trend</b>  | ➡       | ➡       | ➡         | ➡                   | ⬆         | ➡        | ⬆        | ⬆        | ⬆         | ⬆         | ➡                           |
| <b>YTD</b>    | -9.36%  | -0.68%  | 5.40%     | 9.61%               | 20.55%    | 5.03%    | 7.33%    | 0.51%    | -1.02%    | -4.84%    | 7.61%                       |

(values from the Friday preceding publication)

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