

# Market action

## — guided by oil and bond yields

Global equities consolidated last week in an environment dominated by rising bond yields and persistent geopolitical unrest. The repricing of monetary policy expectations was the primary catalyst behind the price action as companies' earnings reports took a back seat.

### Rising yields as market comes under pressure

An intensification of strikes between Israel and Iran, targeting major energy infrastructure in Qatar and the South Pars/North Dome gas field, triggered a fresh surge in hydrocarbon prices last week. Brent crude rose above USD 113 per barrel, rekindling fears of prolonged disruption to global supply. The strategic importance of the Strait of Hormuz (a critical artery for global energy flows) remains undiminished despite diplomatic efforts led by Donald Trump to tack an international coalition together.

The supply shock comes at a sensitive juncture for central banks. The Fed, alongside the ECB, the Bank of England and the Swiss National Bank, have opted to keep policy rates unchanged. Yet behind this apparent stability, the rhetoric has clearly hardened. Jerome Powell, like his counterparts, stressed the difficulty of anticipating the macroeconomic fallout from the conflict, and he acknowledged that higher energy prices will feed through into inflation in the near term.

All major central banks have revised their inflation projections upwards. Markets have interpreted this shift in tone as more restrictive, with expectations of rate cuts scaled back sharply. Yields have moved higher accordingly, with the US 10-year Treasury approaching 4.40% and the German Bund rising above 3%.

### Switzerland solid, China in a holding pattern

The Swiss franc remained firm amid persistent haven demand. This, again, is bad news for exporters. On the monetary front, the Swiss National Bank is maintaining a cautious stance, with attention focused on exchange-rate developments.

In China, markets traded without a clear direction. The absence of meaningful new stimulus measures has limited upside for a remedial rally despite the cheap valuations. Investors remain in a holding pattern, awaiting more reliable signals of fiscal and monetary support. Recent business data was again mixed – a further sign that the recovery is fragile and not benefiting everybody.

During another volatile week, the S&P 500 declined by 2.12%, marking a fifth consecutive week in the red. Nasdaq entered correction territory (down 10% from its peak) after falling 3.23%. In contrast, the Euro Stoxx 50 was broadly stable (+0.08%) and the SMI advanced 2.02%.

Markets will remain focused on the Iran conflict and how it evolves, particularly questions surrounding access to the Strait of Hormuz. Energy prices (and, by extension, inflation expectations) will shape revisions to monetary policy by major central banks. The interest rate trajectory remains the key short-term driver. Rising bond yields are weighing on equity valuations, particularly across growth segments.

### Swiss Market Index (SMI)

The SMI did not reach 11950 but was able to nudge intermediate support at 12050. Trend-following indicators are not signalling a reversal despite the febleness of last week's index bounce.



### 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	0.80	0.92	12'570.26	5'505.80	22'300.75	7'701.95	9'967.35	6'368.85	20'948.36	53'373.07	1'437.25
Trend	↑	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓
YTD	0.78%	-1.28%	-5.26%	-4.93%	-8.94%	-5.49%	0.36%	-6.96%	-9.87%	6.03%	2.34%

(values from the Friday preceding publication)

This document is provided for your information only. It has been compiled from information collected from sources believed to be reliable and up to date, with no warranty as to its accuracy or completeness. By their very nature, markets and financial products are subject to the risk of substantial losses which may be incompatible with your risk tolerance. Any past performance that may be reflected in this document is not a reliable indicator of future results. Nothing contained in this document should be construed as professional or investment advice. This document is not an offer to you to sell or a solicitation of an offer to buy any securities or any other financial product of any nature, and the Bank assumes no liability whatsoever in respect of this document. The Bank reserves the right, where necessary, to depart from the opinions expressed in this document, particularly in connection with the management of its clients' mandates and the management of certain collective investments. The Bank is a Swiss bank subject to regulation and supervision by the Swiss Financial Market Supervisory Authority (FINMA). It is not authorised or supervised by any foreign regulator. Consequently, the publication of this document outside Switzerland, and the sale of certain products to investors resident or domiciled outside Switzerland may be subject to restrictions or prohibitions under foreign law. It is your responsibility to seek information regarding your status in this respect and to comply with all applicable laws and regulations. We strongly advise you to seek independent legal and financial advice from qualified professional advisers before taking any decision based on the contents of this publication.