

The week opened on an encouraging note with the announcement of a 15-day ceasefire between the US and Iran after 40 days at each other's throats. The news triggered a technical rally in risk assets. Oil retreated below USD 100 a barrel. Yet the move unfolded against a fragile backdrop: the truce has been only partially observed, and maritime traffic through the Strait of Hormuz has remained heavily disrupted. The rebound reflects tactical relief rather than renewed market confidence. Energy supply constraints persist and continue to fuel a global inflation shockwave.

## US: inflation and monetary waiting game

Recent US macroeconomic data have echoed the renewed build-up of inflationary pressures. The ISM services prices-paid index surged to 70.7 (versus 67 estimated and 63 in the previous month), the largest monthly increase in 13 years, signalling a rapid pass-through of cost pressures. Year-on-year inflation climbed to 3.3%, driven primarily by higher energy prices. The PCE index – the Fed's preferred inflation gauge – clocked in broadly in line with expectations, leaving the base case for a policy hold intact. Fed minutes confirm the idea of an institution caught between resurgent inflation risks and an economic slowdown that has yet to show up in the stats. This mismatch will limit the scope for policy easing in the near term.

Long-term yields moved higher towards the end of the week, reflecting persistent uncertainty around the inflation-growth balance. Against this backdrop, US equities are entering the earnings season with elevated expectations, despite a weakening macro environment. That disconnect raises the risk of a correction should results disappoint.

## Europe: political turning point in Hungary

Peter Magyar's parliamentary election win in Hungary, secured with a commanding majority, marks a political shift, putting an end to 16 years of friction between

Budapest and Brussels. Above all, the change raises hopes of political unity capable of strengthening the credibility of EU governance mechanisms, with Hungary having been a recurring source of gridlock. For Ukraine, the implications are tangible, as the gradual release of previously frozen EU funds now appears increasingly likely. For markets, the development marginally improves Europe's risk profile in an environment dominated by the energy price shockwave. The immediate macroeconomic impact, however, remains limited, as monetary policy expectations continue to be constrained by energy-driven inflation pressures, maintaining a restrictive bias at the ECB.

However temporary, the ceasefire announcement did at least have the merit of triggering a strong rebound in equity indices, with the S&P 500 gaining 3.56% and the Nasdaq 4.68%. In Europe, the Euro STOXX 50 rose 3.03%, while the SMI posted a more modest advance of 0.86%. The week ahead will test both the durability of the Middle East ceasefire and see the first wave of US earnings releases.

### Swiss Market Index (SMI)

On the SMI, 13050 is a key pivot point that survived a second test last week after caving in once. Trend-following indicators are poised neutrally, suggesting some sessions of drift ahead.



## 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	0.79	0.92	13'183.28	5'926.11	23'803.95	8'259.60	10'600.53	6'816.89	22'902.89	56'924.11	1'547.49
Trend	➡	➡	⬆	⬆	⬆	⬆	⬆	⬆	⬆	⬆	⬆
YTD	-0.53%	-0.69%	-0.63%	2.33%	-2.80%	1.35%	6.74%	-0.42%	-1.46%	13.08%	10.19%

(values from the Friday preceding publication)

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