

Between disinflation and doubts about AI



— A market in search of new catalysts

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The markets experienced a mixed week, marked by a marked easing of geopolitical tensions in the Middle East, a sharp fall in energy prices and a resurgence of volatility amongst major US technology stocks.

Oil eases pressure on long-term rates...

Following the ceasefire agreement announced the previous week, and despite Iran's stated intention to retain control of the Strait of Hormuz, the markets quickly priced in a scenario of a gradual normalisation of oil exports, leading to a further fall in crude oil prices. This easing of energy market tensions was the main driver of the bond markets. Indeed, a sustained fall in oil prices will limit inflationary pressures over the coming months. The yield on the 10-year US Treasury note thus fell back to 4.40%, whilst the German Bund returned to around 2.87%. This move was accompanied by a strengthening of the dollar, supported by the prospect of a more restrictive US monetary policy. The PCE index, the Fed's preferred measure of inflation, rose by 4.1% year-on-year in May, in line with expectations. Markets now believe that falling energy prices will gradually ease inflationary pressures in the second half of the year.

... but is triggering a sector rotation

Whilst the improved outlook for oil supplies has helped drive down sovereign bond yields, investors have become more selective in the face of high valuations for companies linked to artificial intelligence. With the second-quarter earnings season approaching, the markets now appear to be driven more by fundamentals than by the enthusiasm surrounding AI. The equity market has, moreover, seen a sector rotation within the technology sector, temporarily calling into question the particularly high valuations of tech megacaps.

In Europe, developments have remained more moderate. The German IFO index rose for the second

consecutive month, confirming a gradual improvement in business sentiment in the eurozone's largest economy. This upturn remains fragile, however, in an environment where growth remains weak and companies are cautious in the face of international uncertainties. Defensive stocks on the Swiss market have regained favour in a more uncertain environment for growth stocks, with the pharmaceutical sector acting as a stabilising force.

In Asia, attention has focused mainly on Japan. The yen briefly hit its lowest level against the dollar in nearly forty years before recovering following statements suggesting a possible coordinated intervention by the Japanese and US authorities. This persistent weakness in the currency highlights the divergences in monetary policy between the Bank of Japan and the Federal Reserve.

The coming week will see the release of the first economic indicators for July, as well as the latest statements from central banks ahead of the start of the earnings season. Earnings reports from the first US companies will provide an opportunity to assess whether profits continue to justify the high valuations in the technology sector.

Swiss Market Index (SMI)

The SMI index remains on a positive trend. Above 14,000 points, we remain positive; however, conversely, the index may test the 13,850-point level.



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	13708.02	6187.63	24635.30	8350.87	10471.72	7431.46	25888.84	66020.04	939.86
% 5 days	-0.59	0.13	2.39	2.10	-0.50	1.71	1.01	0.66	0.71	-0.85	-4.44
% YTD	0.05	-1.03	6.35	9.13	0.59	4.96	7.23	9.13	11.71	32.17	22.61

(values from the Friday preceding publication)

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