Hopes for negotiations – underpin markets

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N°795
5 May 2025

The world's major stockmarkets ended the week in positive territory, buoyed by hopes of easing trade tensions. This was particularly thanks to concessions by the Trump administration on automotive sector tariffs and the potential opening of trade negotiations with China.

The rock-solid results released by Meta and Microsoft also contributed to the upward momentum, offsetting the bleaker guidance issued by Apple and Amazon. But behind this apparent improvement lurk an accumulation of warning signs, particularly in the US, where economic trends are increasingly raising fears of stagflation.

Fed in the spotlight

US GDP contracted by 0.3% in the first quarter, contrary to a consensus forecast for a small amount of growth. Concurrently, the GDP Price Index surged by 3.7%, marking its highest level since August 2023. This confluence of negative growth and high inflation presents a genuine conundrum for the Fed, especially as the labour market is sending mixed signals. While non-farm payrolls exceeded expectations in April with an increase of 177,000, the private-sector figures were disappointing, and the unemployment rate remains static at 4.2%. Moreover, the contraction in public-sector employment and the downward revision of corporate forecasts highlight a climate of significant uncertainty.

In this context, the Fed's monetary policy is more in the spotlight than ever. Chairman Powell, adhering to his usual cautious stance, appears inclined to wait for lasting confirmation of an economic slowdown before taking action. Nevertheless, the political pressure is mounting as President Trump advocates for rate cuts to support the economy as it loses traction. Consumer confidence is plummeting, major purchasing plans are on hold, and the dollar has depreciated by 8% (against the Swiss franc) since January.

The Fed meets this week. Money markets are now pricing in four quarter-point rate cuts this year, up from three previously, although no downward adjustment is expected this week. On the fiscal front, Trump's recent pledge to eliminate taxes for Americans earning less than USD 200,000 annually has been met with scepticism and concern, given the backdrop of a growing public deficit and insufficient customs revenues.

Trade tensions dampen Chinese economy

Manufacturing activity has sharply declined in China, indicating that Sino-American tensions are significantly impacting the world's second-largest economy. In Europe, while growth slightly exceeded expectations in the first quarter (+0.4%), economic activity is anticipated to remain sluggish in the coming months, hampered by the uncertain global outlook.

The US 10-year yield rose to 4.30% and its German 10-year counterpart to 2.51%. On the equities front, the S&P 500 ended the week up by 2.92%, the Nasdaq by 3.45% and the Stoxx Europe 600 by 3.07%.

Swiss Market Index (SMI)

Momentum has turned positive in both short and medium terms. The next resistance is at 12350, but the more significant reference point is 12575.

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	0.83	0.93	12'253.79	5'285.19	23'086.65	7'770.48	8'596.35	5'686.67	17'977.73	36'830.69	1'133.27
Trend	→	→	↑	↑	↑	↑	↑	↑	↑	↑	↑
YTD	-8.88%	-0.52%	5.63%	7.95%	15.98%	5.28%	5.18%	-3.31%	-6.90%	-7.68%	5.37%

(values from the Friday preceding publication)