Relief

— but also uncertainty

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The trade war between the US and China has taken a friendlier turn recently, dispelling fears of rapid escalation. Last week equity indices rose on the news.

In the US, inflation and the job market are not showing any convulsions for now

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The 90-day truce between Washington and Beijing, pausing the application of so-called reciprocal tariffs, was a far better outcome than expected by investors and triggered a positive though guarded response from financial marketplaces last week.

Despite his tactical move to dial down tensions, Donald Trump is sticking to his tariff-related agenda to a large extent. By past standards, the baseline scenario of applying a 10% tariff to all imports represents a high watermark. This is fuelling concerns about a steady deterioration in the global economic outlook and the prospect of persistent inflation.

The latest indicators out of the US are for now pointing to moderate inflation. The consumer price index (CPI) slowed to 2.3% year-on-year in April versus 2.4% in March, led lower by fuel prices. Core inflation was stable at 2.8%. Meanwhile, the producer price index (PPI) unexpectedly decreased to 0.5%.

Consumer spending, as we know the powerhouse behind the US economy, is not breaking any records. Latest retail sales edged up by 0.1%. Industrial production was unchanged. Weekly initial jobless claims were static. In contrast, the uptick in 10-year bond yields signals growing concerns over the supply side of the job market and disruptions to supply chains.

The downgrading of America's credit rating by Moody's manifests worries about the Trump administration's fiscal policy. Last week the 30-year Treasury yield rose to a worrying 5%, reflecting concerns that the government could lose control of public deficits.

These contrasting statistics are bolstering expectations for a dose of monetary easing by the Fed, most likely in September.

Dull growth outlook for Europe

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Eurozone GDP rose by only 0.3% in the first quarter of 2025. The medium-term outlook is still gloomy. The IMF has even cut its 2025 growth outlook to 0.8%. The additional US tariffs on key industries, such as automotive and metals, are hindering all attempts at a robust recovery. Post-pandemic stagnation, worsened by the Ukraine-related energy crisis, continues to dampen the Eurozone's economic momentum.

Oil prices plummeted over 3% following Trump's remarks suggesting a potential easing of tensions with Iran over its nuclear enrichment plans. This price move highlights the markets' extreme sensitivity to geopolitical developments and external shockwaves.

Last week markets wavered between a sense of relief and uncertainty. The S&P 500 surged by 5.27%, while the tech-heavy Nasdaq 100 climbed 6.81% over the week. The Stoxx Europe 600 closed up 2.10%, while the SMI gained 2.05%.

Swiss Market Index (SMI)

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The SMI was repelled by the intermediate resistance level at 12350. We expect consolidation towards 12225 followed by a renewed test to this resistance.

Key data

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	USD/CHF	EUR/CHF	SMI	EURO STOXX 50	DAX 30	CAC 40	FTSE 100	S&P 500	NASDAQ	NIKKEI	MSCI Emerging Markets
Latest	0.84	0.94	12'335.09	5'427.53	23'767.43	7'886.69	8'684.56	5'958.38	19'211.10	37'753.72	1'172.38
Trend	↑	→	↑	↑	↑	↑	↑	↑	↑	↑	↑
YTD	-7.67%	-0.46%	6.33%	10.86%	19.40%	6.86%	6.26%	1.30%	-0.52%	-5.37%	9.01%

(values from the Friday preceding publication)