Geopolitics and monetary – events call the tune

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Uncertainty continues to unnerve global markets, driven by a double shockwave of brewing geopolitical tensions and mixed economic signals. Last week was also overshadowed by rate decisions from several central banks, including the Fed and the SNB.

US macro trend vulnerable

The recent escalation in the Middle East, marked by a series of strikes traded between Israel and Iran, raises serious concerns about stability in the region and the impact on energy prices, especially after the surprise intervention by the US this weekend has raised concerns over a wider armed conflict. Military escalation threatens access to the Strait of Hormuz, which accounts for nearly 20% of global oil flows, and is in any case fuelling volatility in crude prices. The price per barrel has risen from USD 60 to USD 75 in the space of two weeks.

Faced with this tense situation, the markets are seeking reliable reference points. The Fed's stance is one of caution. At its meeting on 18 June, it kept rates unchanged, corroborating a moderate economic slowdown and an expected rise in inflation, particularly linked to the impact of tariffs. The growth forecast for 2025 was lowered to 1.4%, while inflation was revised upwards to 3% – far above from the 2% target. While two rate cuts are theoretically anticipated this year, Powell's message has significantly dampened hopes for any easing this summer. The consensus – with a slim majority – forecasts a rate cut in September, but this could be postponed to the fourth quarter if inflationary pressures persist.

American macroeconomic trends remains fragile. Industrial production fell by 0.2% in May and retail sales dropped by 0.9%, probably as a consequence of consumer purchases in April made ahead of the planned tariff increases. The capacity utilisation rate in manufacturing has slightly decreased, while unemployment is expected to rise to 4.5% by the end of 2025, according to the latest estimates from the Fed.

SNB cuts benchmark policy rate again

In Europe, the signals are mixed, although news on the macroeconomic front has been sparse. Inflation in the Eurozone slowed to 1.9% in May, below target, providing some respite.

The Swiss National Bank (SNB) unsurprisingly lowered its benchmark policy rate to 0%, marking the sixth consecutive downward adjustment. The SNB is having to manage an overly strong Swiss franc and a risk of deflation simultaneously. Its inflation forecast for 2025 was reduced to 0.2% versus the 0.4% expected last March. Added to that, Swiss watch exports significantly decreased in May (-10%) compared to the same month in the previous year. Shipments to the US fell back following the surge in the previous month, when purchases soared upwards ahead of increased US customs duties. In this context, the State Secretariat for Economic Affairs (Seco) has lowered its growth forecast for Switzerland by 10 points to 1.3% for the current year.

Global stockmarkets have been experiencing some jitters. In this setting, the S&P 500 decreased by 1.28% last week and the Nasdaq by 1.09%. The Stoxx Europe 600 shed 1.54%, while the SMI slid 2.26%.

Swiss Market Index (SMI)

The breakout past 12030 points, coupled with the RSI shifting to negative, changes the outlook. Nearest support is situated at 11750.

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	0.82	0.94	11'871.32	5'233.58	23'350.55	7'589.66	8'774.65	5'967.84	19'447.41	38'403.23	1'189.85
Trend	→	→	↓	↓	↓	↓	→	→	→	→	→
YTD	-9.87%	0.32%	2.33%	6.90%	17.30%	2.83%	7.36%	1.47%	0.71%	-3.74%	10.63%

(values from the Friday preceding publication)