Stress in markets – as fateful date approaches

Saving you time

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Anxiety levels are rising in global markets ahead of the 9 July deadline imposed by the US to sign new trade deals.

Busting the budget

One aim of the Trump administration has been to overhaul trade ties with other countries, and the punitive tariffs it has been threatening have been as high as 60% for some countries. To date, only two deals have been finalised. The prospect of a broad increase in tariffs from 1 August therefore remains a distinct possibility.

If that happened, the average levy at the US border would increase from 2.5% to a figure around 15%. Such a shockwave would probably dampen medium-term growth, increase inflation and squeeze corporate margins. But despite these prospects, equity markets have held up, supported by resilient earnings forecasts – especially in tech. Analysts are cautiously optimistic that large companies will be able to absorb the impact, estimating a 7% rise in earnings per share (EPS) in 2025.

Within the US, Donald Trump clinched a major victory with the approval of his 2.4 trillion budget, known officially as the One Big Beautiful Bill Act. The legislation, which narrowly passed in Congress, includes tax cuts and exempts waiters' tips and large-scale defence spending from taxation. But it also severely cuts back on social spending under Medicaid and on food aid, and removes some of the tax breaks carried over from the Biden era.

The Congressional Budget Office forecasts that this legislation will increase debt by over 3 trillion by 2034. But the administration has some leeway, given the sheer strength of the US economy. The labour market remains robust, adding 147,000 jobs in June (mainly in the public sector) while unemployment edged up to 4.1%. It is this resilience that is for now encouraging the Fed to act cautiously in regard to a possible rate cut.

Inflation kept at bay in Europe

Signs of a gradual recovery are massing in the Eurozone. The manufacturing PMI has stopped plunging and even recovered to 49.5 in June – the highest reading since August 2022. The service PMI was also better than expected, clocking in at 50.5. Headline inflation over 12 months came in at 2%, with core inflation (excluding volatile price components) unchanged at 2.3%, indicating that the ECB is likely to pause policy action as early as this month.

In Switzerland, inflation in June was a low 0.1%, although rents continue to exert an influence because of the ongoing housing crisis.

China is delicately poised. Manufacturing output shrank for the third consecutive month despite the PMI edging up to 49.7. Growth is being constrained by weak exports – even though there has been a pause in the trade war – and by dwindling fiscal support.

Indices behaved differently in this setting. The S&P 500 was up 2.25% last week, with the Nasdaq gaining 2.15%. In contrast, the Stoxx Europe 600 and SMI were down 0.46% and 0.07%, respectively.

Swiss Market Index (SMI)

Trend-following indicators are lifeless, preventing us from projecting a trend for the week. In the event of bad news, the SMI could drop to test 11750. Its resistances are 12140 and 12225.

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	0.94	11'972.41	5'288.81	23'787.45	7'696.27	8'822.91	6'279.35	20'601.10	39'810.88	1'231.63
Trend	↓	→	→	→	→	→	→	↓	↓	↑	↑
YTD	-12.49%	-0.43%	3.20%	8.02%	19.50%	4.28%	7.95%	6.76%	6.68%	-0.21%	14.52%

(values from the Friday preceding publication)

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