# *Latest tariffs – spark tensions*

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That fateful day when the US would impose new tariffs has arrived, establishing a new paradigm for global trade. For now, equity markets have been relatively unmoved by the new rules that have come into force but are slightly more volatile than usual pending more details on the real-world impact.

## New tariffs amid trade war

The US unveiled its latest set of trade deals on 1 August, to take effect on 7 August. But Switzerland was unilaterally slapped with a 39% flat rate on its exports despite last-minute efforts to avoid being hit with such an exorbitant rate (which places Switzerland in the top four worst-off countries). The impact is hard to determine as precise details are lacking, such as how pharmaceuticals – Switzerland's largest export to the US – will be treated. Straight away the Swiss GDP forecast was cut to 0.9% from 1.1%. But it is worth noting that while the US is Switzerland's second export market, accounting for 13% in 2024, exports in reality subject to tariffs represent only a rough 10% of the total. Moreover, most SMI companies are out of scope, as much of the production for the US market takes place locally. In a nutshell, precision engineering, watchmaking, medtech and food & beverage are those sectors hit the hardest.

Focusing on individual sectors, the White House has unveiled a 100% additional levy on semiconductors made outside the US. The pharmaceutical industry is also facing more threats, including possibly a 250% additional levy on medication imports, unless price cuts can be implemented before September. Last but not least, a new duty on 1-kg and 100-ounce gold bars originating from Switzerland could upend gold prices, compounding their exposure to trade policy changes.

## Prospect of US rate cut in September

Recent US statistics have shown business slowing more quickly than expected. Unemployment is up, while the ISM manufacturing index has plunged to its lowest level since October 2024. Its services counterpart also contracted unexpectedly. These data have added to the case for a Fed rate cut in September, even though the rate-setting committee seems divided on the subject.

Meanwhile, the resignation of an FOMC member has opened the door to Stephen Miran, who is close to President Trump. His appointment still requires Senate confirmation. If approved, it could stoke tensions within the Fed, especially from the dissidents calling for a looser monetary policy.

Europe has been a mix of good and bad. PMIs in July pointed to marginally lower economic activity, with the Eurozone composite index dropping below the 51 mark. But Germany saw a small improvement as its index rose to 50.6, although manufacturing remains vulnerable. Global trade tensions are dampening growth, exports and investor confidence in Europe.

Against this backdrop equity indices have moved cautiously ahead. The S&P 500 ended the week up by 2.43%, Nasdaq by 3.73%, the Stoxx Europe 600 by 2.11% while the SMI edged up 0.26%.

### Swiss Market Index (SMI)

The short-term trend is still bearish as 11950 acts as resistance. Momentum indicators are in the red. We expect a period of drift between 12005 and 11810.

## 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 | 0.81 | 0.94 | 11'866.85 | 5'347.74 | 24'162.86 | 7'743.00 | 9'095.73 | 6'389.45 | 21'450.02 | 41'820.48 | 1'253.79 |
| Trend | → | → | → | → | → | → | → | ↑ | ↑ | ↑ | → |
| YTD | -10.92% | 0.14% | 2.29% | 9.23% | 21.38% | 4.91% | 11.29% | 8.63% | 11.08% | 4.83% | 16.58% |

(values from the Friday preceding publication)