

Trump reignites — trade tensions with China

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Financial markets traded cautiously last week, caught between a renewed flare-up in trade tensions between the US and China together with signs of a broader macro slowdown around the globe, and some positive signs of an easier political climate in Europe. Investors tended to de-risk amid a surge in gold to a record high of USD 4,322 an ounce – confirming its haven role amid the current instability on geopolitical and financial fronts.

Powell blows hot, shutdown blows cold

Wall Street was volatile last week, responding to conflicting signals from the Fed and to the political deadlock in Washington. Jerome Powell opened the door to a possible rate-cut as early as the October meeting, with labour market data showing further weakness. Futures markets are now pricing in two quarter-point cuts by year-end.

However, the prospect of fresh monetary support was overshadowed by the budget deadlock in Congress, where the stand-off between Republicans and Democrats has prolonged the federal government shutdown, weighing on business sentiment and consumer spending.

Yields eased in bond markets as the return on the 10-year Treasury slipped below the 4% mark to 3.97%. At the same time, the VIX jumped more than 20%, signalling a resurgence of risk aversion. Sector-wise, tech stocks retreated sharply, hit by margin compression in semiconductors and weak Chinese demand. Defensive shares (notably healthcare and consumer staples) proved more resilient, buoyed by a renewed flight to quality.

French prime minister clings to office

In Europe, politics dominated the agenda. In Paris, the prime minister, Sébastien Lecornu, narrowly survived a no-confidence vote after agreeing to suspend the pension reform enacted in 2023. The move helped narrow the yield spread versus Bunds as markets welcomed the reduced political risk. Leading indicators remain

sluggish: German industrial output contracted for a third straight month. And although the ECB struck a more dovish tone, it gave no hint of rate cuts before spring 2026.

The SMI outperformed, driven by Nestlé, after the group announced a restructuring plan seen straight away as credible by investors. On the macro front, the economic affairs unit (SECO) cut its growth forecasts to 1.3% for 2025 and 0.9% for 2026, citing the impact of recently introduced 39% tariff by the US.

In China, markets remained under pressure as trade frictions deepened. Beijing and Washington imposed fresh reciprocal port duties, weighing on shipping and logistics. The People's Bank of China injected liquidity through its medium-term lending facility, but capital outflows continued – a sign that foreign investor confidence has yet to recover.

The S&P 500 advanced last week by 0.14% and Nasdaq by 0.27%. In Europe, the Stoxx Europe 600 edged down by 0.07% but the SMI was able to drive an increase of 1.28%.

Swiss Market Index (SMI)

The resistance at 12710 held fast, but momentum is still positive, suggesting that this line can be beaten in upcoming sessions and the SMI press on to 12900.



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	0.92	12'644.49	5'607.39	23'830.99	8'174.20	9'354.57	6'664.01	22'679.97	47'582.15	1'361.60
Trend	➡	➡	⬆	➡	⬇	⬆	➡	➡	➡	⬆	➡
YTD	-12.60%	-1.59%	9.00%	14.53%	19.72%	10.75%	14.46%	13.30%	17.45%	19.27%	26.60%

(values from the Friday preceding publication)

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