

Meeting between Xi and Trump — eases market stress

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US markets extended their gains last week, buoyed by stronger-than-expected corporate earnings and by slower inflation.

Inflation eases slightly in September

The US consumer price index gained by 3.0% year-on-year in September, a whisker below the consensus forecast of 3.1%. This was slightly slower than previously, and coupled with incomplete economic data due to the shutdown in Washington, this has strengthened expectations for a Fed rate cut at its 29 October meeting.

Earnings season has also supported market sentiment. Of the roughly 150 S&P 500 companies that have reported earnings so far, 85% have beaten expectations. But it was confirmation of a Trump-Xi summit on 30 October, on the sidelines of the APEC meeting, that really boosted investor confidence. Trump suggested a “good” trade deal was possible, even as the White House simultaneously threatened Beijing with new restrictions on strategic software. This mixed messaging fuelled volatility, but markets in the end chose to focus on the renewed prospect of dialogue.

On the energy front, Washington announced new sanctions against two Russian oil majors while urging India to scale back its oil purchases from Moscow. The measures pushed WTI crude above USD 60, but the underlying goal remains to bring the Russian president to the negotiating table with Ukraine.

In Europe, earnings season has begun more cautiously than in the US, with 58% of companies surprising on the upside. Sector performance has been uneven: tech tracked Wall Street higher, while energy and industrials declined, weighed down by oil volatility and sluggish German demand. European bond markets steadied, with the 10-year Bund hovering around 2.63% and the OAT at 3.43%, as several ECB policymakers continue to advocate for an extended pause.

In Switzerland, trade data confirmed a second consecutive quarter of economic contraction, with exports to the US continuing to erode. The trade surplus nonetheless remains substantial, underscoring the resilience of Switzerland’s export-driven economy.

Investors take profits on gold

Asian equities rebounded late in the week, lifted by the awaited Trump-Xi summit. Beijing reiterated its commitment to stabilise financial markets before the end of the year, though it stopped short of announcing fresh stimulus. Caution prevails, as foreign capital flows have been negative since September.

Gold reversed course after a nine-week rally, falling 4% over the week to around USD 4,060 an ounce. The pullback reflected profit-taking after a 25% surge since early September rather than any shift in fundamentals.

Over the week the S&P 500 gained 1.92%, the Nasdaq 2.18% and the Stoxx Europe 600 1.68%. In contrast, the SMI drifted down by 0.6%.

This week investors will be watching for confirmation of the diplomatic progress made over the weekend between Chinese and US officials, as well as earnings from the tech giants.

Swiss Market Index (SMI)

After testing 12710, the SMI has been consolidating and could firm up around 12450. Trend-following indicators are positive, suggesting a potentially short-lived consolidation move.



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	0.80	0.93	12'568.18	5'674.50	24'239.89	8'225.63	9'645.62	6'791.69	23'204.87	49'299.65	1'389.39
Trend	➡	➡	➡	⬆	➡	⬆	⬆	⬆	⬆	⬆	⬆
YTD	-12.33%	-1.54%	8.34%	15.90%	21.77%	11.45%	18.02%	15.47%	20.17%	23.57%	29.19%

(values from the Friday preceding publication)

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