

Rate cut seen as — foregone conclusion

Volatility seeped back into the equity markets of advanced economies in the final week of November as investors reassessed the US monetary outlook, following remarks from an influential Fed governor widely interpreted as dovish. These words sent the market-derived odds of a December rate cut soaring – triggering a bond market rally and coaxing investors out from defensives.

US rate expectations reset

Market dynamics in the US were last week dominated by shifting interpretations of the Fed Funds trajectory. Comments from policymakers were taken as an explicit signal that monetary easing may come sooner than expected, prompting a rapid drop in yields. The 10-year slipped back below 4%, losing almost 15bp on the week.

This move fuelled a recovery in tech stocks after the previous week's profit-taking. Financials also saw net inflows, supported by the flatter yield curve and the improved lending prospects for 2026.

On the macro side, retail-sales data pointed to a loss of momentum, suggesting the US powerhouse may slow more noticeably as winter sets in.

European market in holding pattern

European equities tracked the fall in US yields, which benefited rate-sensitive sectors such as listed property and regulated utilities. In contrast, industrial names gave up their recent gains.

Political uncertainty in Germany – where the 2026 budget is held up in parliament – added an extra layer of caution. Peripheral spreads held unexpectedly firm, suggesting that, in the absence of new major data, the ECB is still viewed as a stabilising influence. Confidence indicators surprised slightly on the upside, though not enough to shift the overall impression that Europe will continue to run below-potential through to the spring.

In Switzerland, the stronger franc weighed on exporters and some US-oriented pharma stocks. Even so, the Swiss market benefited from the easing in global yields, allowing defensive blue chips to recover. Property stocks rallied strongly as long-dated mortgage rates pulled back.

Buoyed by renewed rate-cut expectations, the S&P 500 gained 3.73%, Nasdaq 4.93%, the Stoxx Europe 600 2.55% and the SMI 1.59%. This week will be shaped by how yields react to the market's aggressive repositioning and by the first December PMIs, which could rekindle sector-level volatility.

Swiss Market Index (SMI)

Trend-following indicators remain on an uptrend. We are sticking to our target at 13100.



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	12'833.96	5'668.17	23'836.79	8'122.71	9'720.51	6'849.09	23'365.69	50'253.91	1'366.92
Trend	➡	➡	⬆	➡	➡	➡	➡	⬆	⬆	➡	➡
YTD	-11.41%	-0.79%	10.63%	15.77%	19.75%	10.05%	18.93%	16.45%	21.00%	25.97%	27.10%

(values from the Friday preceding publication)

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