

European resilient — amid rising geopolitical stress

The first week of 2026 delivered a mixed start to the year for financial markets.

Wall Street cautious, pinned back by tech and monetary policy outlook

If it weren't for the US operation that led to the capture of Venezuelan president Nicolás Maduro, the year might have got off to a calm start. Instead, the intervention – followed by combative remarks from Donald Trump on Greenland and an openly stated target to raise the US defence budget by 50% – has reignited geopolitical concerns. It has also highlighted the potential repercussions for the global balance of power, notably in relation to China and Russia (long-standing partners of Caracas) as well as on sensitive fronts such as Ukraine and Taiwan.

In equity markets, these tensions fuelled sector rotation last week. Defence stocks rallied sharply, buoyed by Washington's budget announcements. By contrast, US tech stocks continued to demonstrate more uneven performances, caught between the long-run appeal of AI and elevated stock multiples.

In the US, macroeconomic indicators sent a nuanced signal. The December jobs report showed weaker-than-expected creations alongside downward revisions to previous months, whilst the unemployment rate fell to 4.4%. Taken together, this reinforces the view of a labour market that is slowing but not deteriorating sharply. ISM surveys support this reading: manufacturing remains in contraction, while services surprised to the upside, reaching its highest level in more than a year. Markets now expect the Fed to adopt a wait-and-see stance at its next meeting. Easing totalling 50 basis points has been priced in between now and year-end.

Against this backdrop, US Treasury yields have edged lower. Meanwhile, the US trade deficit continued to narrow, reaching its lowest level since 2009 – driven by stronger exports and softer imports.

Supportive macro backdrop in Europe

In Europe, December inflation reverted to the ECB's 2% target, with a marked easing in core and services inflation. Figures from Germany and France confirm this disinflationary trend, reinforcing expectations of a prolonged period of policy-rate stability. Economic activity may not be on a sharp upturn, but latest PMI data show the Eurozone recording its strongest quarterly growth since mid-2023 despite weaker signals on the employment front.

In commodity markets, oil prices traded erratically, reflecting the potential reopening of the Venezuelan market to US majors. Venezuela has the world's largest proven reserves, which remain significantly underexploited.

Overall, the year has begun in a market environment dominated by geopolitics. The upcoming earnings season should help refocus attention on corporate fundamentals. Last week, the S&P 500 rose 1.57%, the Nasdaq gained 1.88%, the Stoxx Europe 600 advanced 2.27% and the SMI climbed 1.32%.

Swiss Market Index (SMI)

The underlying trend remains solid, though the RSI has moved into stretched territory, where a modest consolidation would be welcome. The next target is 13500.



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	13'421.82	5'997.47	25'261.64	8'362.09	10'124.60	6'966.28	23'671.35	51'939.89	1'452.35
Trend	↑	➡	↑	↑	↑	↑	↑	↑	↑	↑	↑
YTD	1.06%	0.11%	1.16%	3.56%	3.15%	2.61%	1.95%	1.76%	1.85%	3.18%	3.42%

(values from the Friday preceding publication)

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