Market
— on tenterhooks

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BONHÔTE

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A lingering sense of unease continues to grip financial markets. Investors have been forced to navigate a series of conflicting signals – from patchy corporate earnings and extreme volatility in currencies and commodities to uncertainty over the trajectory of US monetary policy and mounting political risks in Washington. The identity of the new Fed chair has offered some reassurance, but has failed to dispel the prevailing lack of visibility.

US dollar nosedives

The defining development of the week was the US dollar's abrupt slide to CHF 0.76 – its weakest level in nearly a decade. The move reflects not only erratic messaging from the Trump administration, but also a broader erosion of confidence in America's institutional stability. For now, Washington appears willing, or even happy, to tolerate a weaker dollar, viewing it as a competitiveness boost for US multinationals. The trade-off, however, will be rising import costs and intensifying upward pressure on inflation.

The dollar's decline had an immediate impact on commodities, which surged early in the week. Gold briefly climbed above USD 5,250 an ounce, while silver topped USD 115 and Brent crude edged close to USD 67 a barrel. These gains were subsequently pared back towards the end of the week amid profit-taking and a modest rebound in the dollar. The announcement of Kevin Warsh's appointment as Fed chair played a role in the reversal, as markets judged his profile to be less dovish than other contenders, curbing expectations of aggressive rate cuts and prolonged dollar depreciation.

On the monetary front, the Fed as expected left its policy rate unchanged, drawing a line under its easing cycle after three consecutive cuts. Jay Powell highlighted the resilience of the US economy, reinforcing the case for an extended period of policy stability through the spring. Internal divisions within the FOMC and the prospect of a governance transition nonetheless continued to fuel speculation about rate cuts later in the year, against the backdrop of ambitious fiscal stimulus plans and potential productivity gains.

Calmer political climate in France

In Europe, the outlook remains brittle, with Germany struggling to emerge from stagnation despite pledges of sizeable public investment. In France, the survival of the Lecornu government has reassured investors, with the 2026 budget bill currently making its way through the Senate. The narrowing spread between French and German yields reflects this renewed confidence. At the same time, the euro's current strength against the dollar may increase pressure on the ECB to deliver another dose of monetary easing.

Earnings season has so far been a mixed bag, particularly in the tech sector. The issue of payback on the massive AI investments currently being made remains a key question. Semiconductor and memory-related stocks staged a strong rebound last week. Software houses came under intense pressure.

Overall, markets ended the week on a contrastive note. The S&P 500 rose 0.34% while Nasdaq, weighed down by tech, slipped 0.17%. The EuroStoxx 50 was broadly flat at -0.01%. The SMI added 0.31%.

Swiss Market Index (SMI)

The SMI retraced according to the 38.2% Fibonacci threshold, edging down from its high at 13528 before reverting to the upside. Trend-following indicators remain supportive, suggesting a possible shift back towards highs in the near future.

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	0.76	0.91	13'147.93	5'891.95	24'309.46	8'071.36	10'171.76	6'969.01	23'685.12	53'375.60	1'554.78
Trend	↓	↓	↓	↓	↓	↓	→	→	→	↑	↑
YTD	-3.60%	-1.77%	-0.90%	1.74%	-0.74%	-0.96%	2.42%	1.80%	1.91%	6.03%	10.71%

(values from the Friday preceding publication)