

Geopolitical risk

— stages nasty comeback

The week ended with an abrupt risk-on shift. Lingering doubts over the longevity of the AI story were quickly overshadowed by the geopolitical shockwave.

The death of Ali Khamenei, Iran's supreme leader since 1989 and the effective head of the military, the religious apparatus and politics, marks a historic turning point. The Iranian regime is entering a period of institutional instability and, potentially, a power struggle between the clerical establishment and heavily armed Revolutionary Guards. Tehran's response to US and Israeli strikes has included threats to shipping through the Strait of Hormuz, a chokepoint representing roughly 20% of global oil flows. Even without a full closure, higher maritime insurance premiums and logistical rerouting will be enough to send crude and LNG prices sharply higher, injecting volatility into global trade and energy markets.

America's revamped tariffs

Earlier in the week, the White House announced new across-the-board tariffs of 10%, invoking a 1974 trade statute that allows temporary measures (for up to 150 days) to address marked balance-of-payments imbalances. The move follows the Supreme Court's decision to strike down much of the previous round of protectionist measures.

Markets immediately priced in potential double whammy: upward price pressures on imported goods and energy alongside a potential drag on global growth. In fixed income, the 10-year Treasury yield slipped back below 4%, its lowest level since late November, reflecting a pronounced defensive shift.

Macroeconomic data sent mixed signals. Weekly initial jobless claims pointed to a resilient labour market, but producer price figures suggested persistent inflationary pressure. The risk of pass-through to consumer prices remains credible, particularly if tariffs are maintained. As a result, investors are pencilling in a more patient Fed. The base case of a first rate cut in June is fading in favour of a policy move in the second half of the year.

Nvidia's earnings crystallised these tensions. Despite results comfortably ahead of expectations, as profits surged by 94%, the stock price fell, wiping more than USD 200bn off its market capitalisation. The market was not punishing the numbers, but the frothy valuation. The AI premium has reached a level where excellence alone is no longer sufficient. Only a material upside surprise is rewarded. The shift signals a move into a more discriminating intra-sector phase.

In Europe, continued disinflation and resilient French demand

In the Eurozone, data reinforce a more supportive backdrop for the ECB. Harmonised consumer price inflation clocked in at 2.0% year-on-year, precisely in line with the ECB's target. This strengthens the case for a gradual easing cycle from the spring, barring an exogenous hit on trade. In France, domestic demand is proving more resilient than anticipated.

European markets absorbed the negative Nvidia news better than Wall Street, remaining close to all-time highs. Before the outbreak of hostilities in the Middle East, the main indices had already ended the week lower. The S&P 500 slipped 0.44% and Nasdaq 0.95%. In Europe, the Euro Stoxx 50 was broadly flat, edging up 0.12%, while Switzerland's SMI gained 1.12%.

Swiss Market Index (SMI)

The focal point at 13960 was reached last week but not overcome. Momentum was brisk but the mood febrile. Some consolidation is therefore welcome. Support is located at 13767 followed by 13575.



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	0.77	0.91	14'014.30	6'138.41	25'284.26	8'580.75	10'910.55	6'878.88	22'668.21	58'850.27	1'610.70
Trend	➡	➡	⬆	⬆	⬆	⬆	⬆	➡	⬇	⬆	⬆
YTD	-2.96%	-2.43%	5.63%	5.99%	3.24%	5.29%	9.86%	0.49%	-2.47%	16.91%	14.69%

(values from the Friday preceding publication)

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