

Energy price surge — rekindles inflation fears

Joint US and Israeli strikes against Iran and Lebanon, followed by reprisals in the region, have triggered a sharp surge in energy prices and recast markets along risk-off lines. Investors are reassessing the outlook for global inflation and how this could affect monetary policy.

Energy price surge and regional flashpoints

The military escalation involving the US, Israel and Iran has raised the spectre of an intractable conflict. Matters deteriorated rapidly as shipping traffic through the Strait of Hormuz (most notably Kuwait and the United Arab Emirates) was sharply curtailed. At the same time, inventories rose abruptly. The disruption sent crude prices sharply higher, reviving memories of the energy price surge triggered by the war in Ukraine in 2022.

European markets are particularly exposed given their reliance on energy imports. In Europe, equity indices have corrected sharply and bond yields have risen as investors began to factor in the possibility of renewed inflationary pressures.

US macroeconomic data mixed

US economic data painted a mixed picture last week. On the business front, the ISM surveys echoed the recent solid momentum that has been seen. The manufacturing ISM index rose to 52.4, marking a second consecutive month of expansion after nearly a year contracting. The services ISM climbed to 56.1, its highest level since October 2024. However, the price component in the manufacturing survey rose sharply, signalling potential inflationary pressures.

Labour market data further clouded the outlook. The ADP report showed 63,000 private-sector jobs added in February, compared with 11,000 in the previous month. But the official report from the Bureau of Labor Statistics surprised on the downside, showing a net attrition of 92,000 jobs and an increased unemployment rate at 4.4%.

This divergence complicates the Fed's task. Following these figures and the rise in energy prices, the market consensus has once again pushed back its timeline for the initial rate cut.

Inflationary bugbear returns to Europe

In Europe, the week was dominated by rising inflation expectations. Full-year inflation in the Eurozone climbed to 1.9% in February, up from 1.7% in January and slightly above forecasts. Against this backdrop, European sovereign yields resumed their upward trend, in the wake of the US 10-year Treasury yield, which climbed to 4.14% during the week. For the ECB, the energy price shock complicates the policy outlook. While the baseline scenario had pointed to stable rates in 2026, some policymakers are now raising the possibility of further monetary tightening, should the surge in energy prices persist.

On equity markets, the sector rotation was clear to see. Energy stocks rallied strongly on the back of higher oil prices, while tech and consumer goods sectors came under pressure. Over the week, stockmarkets broadly retreated. The S&P 500 and Nasdaq fell 2.02% and 1.24% respectively, while the Euro Stoxx 50 plunged by 6.82% and Switzerland's SMI by 6.56%.

Swiss Market Index (SMI)

The SMI ended the week trading short of the two initial supports. The next is located at 12600 points..



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	0.78	0.90	13'095.55	5'719.90	23'591.03	7'993.49	10'284.75	6'740.02	22'387.68	55'620.84	1'499.72
Trend	➡	⬇	⬇	⬇	⬇	⬇	⬇	⬇	⬇	⬇	⬇
YTD	-2.09%	-3.13%	-1.30%	-1.23%	-3.67%	-1.91%	3.56%	-1.54%	-3.68%	10.49%	6.79%

(values from the Friday preceding publication)

This document is provided for your information only. It has been compiled from information collected from sources believed to be reliable and up to date, with no warranty as to its accuracy or completeness. By their very nature, markets and financial products are subject to the risk of substantial losses which may be incompatible with your risk tolerance. Any past performance that may be reflected in this document is not a reliable indicator of future results. Nothing contained in this document should be construed as professional or investment advice. This document is not an offer to you to sell or a solicitation of an offer to buy any securities or any other financial product of any nature, and the Bank assumes no liability whatsoever in respect of this document. The Bank reserves the right, where necessary, to depart from the opinions expressed in this document, particularly in connection with the management of its clients' mandates and the management of certain collective investments. The Bank is a Swiss bank subject to regulation and supervision by the Swiss Financial Market Supervisory Authority (FINMA). It is not authorised or supervised by any foreign regulator. Consequently, the publication of this document outside Switzerland, and the sale of certain products to investors resident or domiciled outside Switzerland may be subject to restrictions or prohibitions under foreign law. It is your responsibility to seek information regarding your status in this respect and to comply with all applicable laws and regulations. We strongly advise you to seek independent legal and financial advice from qualified professional advisers before taking any decision based on the contents of this publication.