

One ultimatum — after another

The week was dominated by geopolitical dislocations in the Middle East, with markets swinging between hopes of de-escalation and the risk of a major deterioration. Risk assets rebounded early on before volatility resurfaced towards the end of the week after the US hardened its stance towards Iran.

Geopolitics drives financial markets

Markets were initially buoyed by converging signals pointing to a potential ceasefire. Concurrent statements from Washington and Tehran raised the prospect of a near-term resolution to the conflict, triggering a strong rally in risk assets, particularly in the most cyclical sectors. But that probability withered towards the end of the week when Trump issued a fresh ultimatum to Iran regarding the reopening of the Strait of Hormuz, setting a deadline first for Monday then Tuesday evening. The explicit threat of strikes on Iranian energy infrastructure revived fears of an oil crisis. At the same time, attacks by Houthi militias against Israel underscored the absence of any genuine de-escalation on the ground, which had the effect of keeping geopolitical risk premiums elevated across energy exchanges and equity markets.

US reports robust macroeconomic data

Stronger-than-expected macroeconomic data last week reinforced the Fed's wait-and-see stance. The labour market surprised on the upside, with 178,000 jobs added in March (vs. 65,000 estimated). Weekly jobless claims fell to 202,000 (vs. 212,000 estimated) while the unemployment rate edged down to 4.3% (vs. 4.4% estimated). These figures confirm the resilience of the US economy all things considered, despite an uncertain external environment. In parallel, remarks by Jerome Powell helped recalibrate rate expectations. His acknowledgement that rate hikes are ill-suited to addressing an oil shock led to a marked repricing in markets, with expectations for further tightening all but disappearing.

Europe sees renewed inflation and hawkish stance confirmed

The Eurozone macro backdrop is increasingly dominated by the nasty return of energy-driven inflation. Germany's inflation rose to

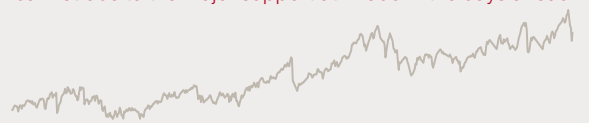
2.8% in March from 2.0% in February, while the aggregate Eurozone total clocked in at 2.5% – slightly below expectations (2.6%) but at its highest level since January 2025. Unemployment stood at 6.2% in February, above estimated (6.1%), pointing to the early signs of labour-market softening. Against this backdrop, the ECB maintains a hawkish stance. Policymakers have clearly signalled their determination to contain second-round effects from energy prices, anchoring expectations for further rate increases as early as the second quarter.

US equity indices extended the rebound that began in late March. Nasdaq rose 5%, while the S&P 500 gained 3.82%, supported by tech and cyclical stocks. European markets also benefited from the global equity rally, with the Euro Stoxx 50 advancing 2.28%, although they remain structurally more exposed to energy risk and tighter monetary conditions. In Switzerland, the SMI also regained ground, closing the week up 2.69%.

Looking to this week, the deadline attached to the US ultimatum on the Strait of Hormuz stands out as the key market catalyst, with a distinctly binary impact. A swift de-escalation in the Middle East could extend the equity rally, likely accompanied by a rotation into cyclicals and a compression in risk premiums. Conversely, any further deterioration would heighten the risk of an oil shock and renewed inflationary pressure, weighing on risk assets.

Swiss Market Index (SMI)

The SMI rallied sharply last week, suggesting that the index can retrace to the major support at 12600 in the days ahead.



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	0.92	12'981.97	5'692.86	23'168.08	7'962.39	10'436.29	6'582.69	21'879.18	52'463.27	1'434.48
Trend	↑	↑	↑	➡	➡	↑	↑	➡	➡	↓	↓
YTD	0.79%	-0.95%	-2.15%	-1.70%	-5.40%	-2.30%	5.08%	-3.84%	-5.86%	4.22%	2.14%

(values from the Friday preceding publication)

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