

Artificial Intelligence — versus Geopolitics

This week confirmed a major shift in market dynamics, with risky assets remaining dominated by the theme of artificial intelligence, while geopolitics is primarily influencing energy and bond markets. Thus, despite ongoing military tensions between the United States and Iran, U.S. equity markets hit new highs, driven by the semiconductor, AI infrastructure, and memory sectors.

US: Markets remain driven by AI despite inflationary pressures

The mixed developments regarding Iran have shaped the macroeconomic landscape. On one hand, U.S. statements hinting at a potential agreement with Tehran and a gradual normalization of traffic through the Strait of Hormuz led to an initial easing in oil prices and sovereign bond yields. On the other hand, the resumption of military exchanges in the Persian Gulf quickly reignited inflation fears. Brent and WTI are now holding above \$100 per barrel, a level that is beginning to seriously concern central banks and bond markets.

Consequently, after a period of easing, U.S. yields have started to rise again. The 30-year U.S. Treasury yield has returned to around 5%, reflecting the risk of key interest rates remaining at high levels for an extended period and pushing back expectations for Fed rate cuts.

Similarly, U.S. macroeconomic data remains mixed but solid enough to prevent any rapid monetary easing. Industrial orders rose 1.5% in March, exceeding expectations, while the U.S. economy added 115,000 jobs in April—well above the expected 65,000—and 109,000 private-sector jobs according to the ADP survey, following 61,000 in March. The unemployment rate, meanwhile, remained stable at 4.3%. However, the ISM services index fell to its lowest level in five months, confirming a gradual slowdown in the services sector.

The market nevertheless continues to favor companies capable of generating structural growth independent of the economic cycle. Earnings reports in the semiconductor and memory sectors further reinforced this trend. The S&P 500 and the Nasdaq 100 reached new record highs over the week.

Europe: between industrial recovery and geopolitical fragility

In Europe, the outlook remains more fragile. The White House has threatened to reimpose tariffs, reigniting transatlantic trade risks. At the same time, the European manufacturing sector is showing signs of technical improvement, though these are largely driven by precautionary stockpiling linked to geopolitical tensions. The eurozone manufacturing PMI rose to 52.2 in April, its highest level in four years. In Germany, industrial orders rebounded sharply in March, driven largely by large international orders in the engineering sector. However, confidence surveys show a marked deterioration in German industrial expectations, weighed down by geopolitical uncertainty, U.S. trade tensions, and logistical disruptions.

In Switzerland, inflation accelerated to 0.6% year-over-year in April from 0.3% in March, driven mainly by higher energy and transportation prices. This uptick remains moderate, however, and does not, at this stage, call into question the SNB's relatively accommodative stance.

In this environment, where markets are dominated by AI-related investments, sidelining traditional cyclical sectors, the U.S. S&P 500 and Nasdaq 100 indices led the way with gains of +2.33% and +5.50% for the week. Meanwhile, European indices posted mixed results, with the Euro Stoxx closing up 0.51% and the SMI down 0.27%.

Swiss Market Index (SMI)

The outlook is unchanged with the SMI set to continue drifting. Resistance has shifted to 13430 while support is still at 13050.



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	0.92	13'100.63	5'911.53	24'338.63	8'112.57	10'233.07	7'398.93	26'247.08	62'713.65	1'711.25
Trend	➔	➔	➔	➔	➔	⬇	⬇	⬆	⬆	⬆	⬆
YTD	-2.05%	-1.74%	-1.26%	2.07%	-0.62%	-0.45%	3.04%	8.08%	12.93%	24.58%	21.85%

(values from the Friday preceding publication)

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