

# Energy inflation and rising interest rates — put macroeconomics back in the spotlight

After several weeks dominated by the themes of growth and artificial intelligence, investors have refocused their attention on macroeconomic risks: geopolitical tensions in the Middle East, rising energy prices, higher government bond yields and a reassessment of central banks' monetary policy outlook. The bond market continued its correction. The main sign of stress came from US long-term rates, which returned to their recent highs as investors gradually priced in the possibility of a sustained period of restrictive monetary conditions. The FOMC minutes showed that a majority of members believe further tightening could be considered if inflation remains persistently above the 2% target.

## United States: the prospect of rate cuts is receding

US indicators released during the week confirmed that the economy remains robust. Weekly jobless claims remained subdued, whilst May's PMI indices signalled an unexpected acceleration in the manufacturing sector, to 55.3 points – its highest level in four years – whilst services slowed moderately (50.9). This resilience in economic activity limits the immediate pressure for a rate cut and lends renewed credibility to the 'higher for longer' scenario. The technology sector nevertheless continued to provide significant support to the market. Nvidia's results once again exceeded expectations, confirming the strength of spending on artificial intelligence. However, the market reaction remained muted; the market is increasingly questioning the sustainability of growth rates looking ahead to 2027–2028 and the gradual rise in competition.

## Eurozone: more pronounced economic downturn

Europe remains the most vulnerable region. The May flash PMIs showed an acceleration in the contraction of the private sector. The composite index stood at 47.5, down from 48.8 in April. The weakness stems mainly from services (46.4), which recorded their sharpest decline since February 2021, whilst manufacturing remains marginally in expansion at 51.4 but is showing signs of running out of steam. Rising oil prices and geopolitical

disruptions are directly weighing on production costs and margins. The European Commission has, moreover, lowered its growth forecast for the eurozone for 2026 to 0.9%, down from 1.2% previously.

Switzerland continues to show relatively resilient momentum. According to SECO, real GDP in the first quarter rose by 0.5% compared with the previous quarter, reflecting the strength of domestic demand and the services sector. The picture is more mixed in industry. Manufacturing output fell by 6.1% over the first three months of the year, mainly due to the slowdown in the pharmaceutical sector.

It has been a positive week for stock markets on both sides of the Atlantic, but, for once, to Europe's advantage. The S&P 500 rose by 0.88% and the Nasdaq by 0.45%, whilst the Euro Stoxx 50 gained 3.29% and the SMI 2.14%. The coming week will continue to be dominated by developments in US-Iran negotiations, the trajectory of US yields and inflation figures (April's PCE on Thursday and May's CPI for the eurozone on Friday).

## Swiss Market Index (SMI)

Having broken through the resistance level at 13,430 points, the SMI can now aim to close a bullish gap at 13,700 points. Trend indicators confirm the start of a move in this direction



## 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	0.91	13'503.21	6'136.66	25'389.10	8'258.26	10'466.26	7'473.47	26'343.97	65'158.19	1'711.41
Trend	➡	➡	⬇	⬆	⬆	⬆	⬇	⬇	⬇	⬆	⬆
YTD	-1.30%	-2.16%	1.78%	5.96%	3.67%	1.33%	5.39%	9.17%	13.35%	29.44%	21.86%

(values from the Friday preceding publication)

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