

The scenario of higher — interest rates is gaining ground

Financial markets entered June with greater caution following several weeks of euphoria fuelled by artificial intelligence. Whilst US technology stocks continue to attract the bulk of investment flows, investors have gradually returned their attention to an issue that seemed to have disappeared from the radar: the risk of persistently high interest rates. US statistics released this week, and in particular Friday's jobs report, have reinforced this view. The geopolitical environment also remains a source of uncertainty. In the Middle East, negotiations between Washington and Tehran have continued to send mixed signals. Whilst Iran announced it was suspending talks in response to regional tensions, the US administration simultaneously stated that discussions were continuing at a steady pace. This lack of clarity has kept oil prices within a high range of between USD 90 and 95 per barrel of Brent.

Remarkably robust US employment

In the United States, economic indicators confirmed the economy's remarkable resilience. Manufacturing activity recorded its strongest expansion in four years, whilst the ISM services index rose to 54.5 points in May, ending two consecutive months of decline. The JOLTS surveys also revealed a further increase in job vacancies. According to the official US jobs report, non-farm payrolls rose by 172,000 in May, nearly double the consensus forecast of 88,000. This release confirms the strength of the labour market despite the already restrictive level of interest rates. This statistic is significant as it further reduces the likelihood of monetary easing by the Federal Reserve in the short term. US bond yields rose following the release, and expectations that rates would remain high continued to grow. Several institutions have now pushed back their forecasts for rate cuts to 2027.

Profit-taking on AI

In the equity market, this outlook led to some profit-taking on the most speculative tech stocks. Fears of excessive valuations in the artificial intelligence sector resurfaced after several months of almost uninterrupted gains. Nevertheless, capital flows continue to focus on the big winners of the AI revolution, whilst more traditional sectors are struggling to attract capital.

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	13388.23	6062.07	24759.05	8218.24	10368.05	7383.74	25709.43	66588.12	944.18
% 5 days	1.38%	0.44%	-1.14%	0.19%	-1.38%	0.51%	-0.37%	-2.55%	-4.65%	0.39%	-1.94%
YTD	0.64%	-1.29%	3.87%	6.89%	1.10%	3.19%	6.16%	8.41%	10.92%	33.31%	23.18%

(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.

In Europe, attention is now turning to the European Central Bank's meeting on 11 June. Eurozone inflation accelerated to 3.2% in May, crossing the 3% threshold again for the first time since September 2023. This rise in prices presents the ECB with a delicate choice between supporting economic activity and fighting inflation. Investors now anticipate a significantly firmer tone from the Frankfurt-based institution. Although an immediate rate hike is not yet the central scenario, the risk of a prolonged restrictive policy has clearly risen in market expectations.

In Switzerland, foreign trade figures remain broadly solid, with imports up 4.1% month-on-month and exports up 3%. By contrast, the watchmaking sector is going through a more difficult phase, with exports down 16.6% year-on-year.

Inflation remains moderate at 0.6% year-on-year, confirming the relatively favourable situation still enjoyed by the Swiss economy.

Swiss Market Index (SMI)

Trend indicators are neutral, but the SMI is currently maintaining a positive technical outlook. Support is at 13,150 points and short-term resistance at 13,700 points

