

The central — bank's dance

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The financial markets regained a positive bias over the course of the week, despite a particularly eventful news cycle. The easing of geopolitical tensions in the Middle East – reflected in the entry into force of an interim agreement between the United States and Iran and the prospect of the Strait of Hormuz reopening – largely offset the more hawkish stance adopted by several central banks.

Central banks taking a firmer stance

In the United States, the Federal Reserve kept its key interest rate within a range of 3.50%–3.75%, in line with expectations. The real change came from the speech by its new chairman, Kevin Warsh, who made it clear that the priority remained the sustainable return of inflation to the 2% target, whilst ruling out any detailed forward guidance. The latest projections now show that a relative majority of FOMC members anticipate at least one rate rise by the end of the year, compared with the more accommodative consensus seen until now. This shift has led to a rise in short-term yields and a strengthening of the dollar. Warsh also announced a thorough review of the Fed's operations, particularly its communication, balance sheet and framework for analyzing inflation, signaling a desire to restore a more measured monetary policy that is more focused on its mandate.

In Europe, central banks also favored maintaining the status quo following the ECB's rate rise last week. Eurozone inflation stood at 3.2 per cent year-on-year in May, in line with expectations, whilst the Bank of England kept its key interest rate at 3.75 per cent, viewing the recent fall in energy prices as a favorable factor. The SNB left its key interest rate unchanged at 0%, whilst reaffirming its vigilance regarding a potential excessive appreciation of the franc. SECO has also slightly lowered its growth forecast for 2026 to 0.9%, due to uncertainties linked to the geopolitical context, whilst maintaining an outlook for a recovery to 1.6% in 2027.

Geopolitical risk is easing

The most significant development of the week, however, came on the geopolitical front. The United States and Iran signed a memorandum of understanding opening a 60-day period of negotiations with a view to reaching a more sustainable nuclear deal. In return for an Iranian commitment to reduce its stockpile of enriched uranium, Washington plans to gradually lift sanctions. The entry into force of this agreement has allowed traffic to resume in the Strait of Hormuz. This return to normality immediately triggered a fall in Brent crude prices, which dropped back below USD 80 per barrel, allaying some of the inflationary fears that had emerged in recent weeks.

In the equity markets, companies linked to the semiconductor sector continue to attract the bulk of investment flows, buoyed by the still very favorable outlook for artificial intelligence.

In the short term, the continued lull in geopolitical tensions should allow the markets to refocus their attention on economic fundamentals. Investors will be monitoring the trend in inflation expectations following the Fed's change in tone, as well as upcoming US macroeconomic data, to assess whether the prospect of a further rate rise is gaining credibility.

Swiss Market Index (SMI)

Our target of 14,065 points remains valid, but the gap at 13,933 points will first need to be filled.



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	0.81	0.93	13774.02	6293.13	24985.82	8421.14	10363.27	7500.58	26517.93	72353.96	983.58
% 5 days	1.68	0.52	0.48	1.73	1.42	0.84	-0.99	1.47	2.76	7.92	4.15
% YTD	1.92	-0.54	6.87	11.02	2.02	5.84	6.17	10.18	14.43	42.64	28.32

(values from the Friday preceding publication)

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