Central Banks — go on the offensive again

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The energy shock has spilled over into prices, and central banks have stopped stalling. The ECB raised its rates by 25 basis points on Thursday, with an explicitly hawkish stance for late October. In the United States, price data has dashed any hopes of easing: markets now assign a probability of nearly 90% to a Fed rate hike on September 16. Stocks fell on both sides of the Atlantic, with Friday's rebound offsetting only a portion of the weekly losses.

United States: Inflation is no longer declining

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August producer prices rose 5.4% year-over-year, compared with an expected 5.3% and 4.8% the previous month. The consumer price index came in as expected, but its monthly core component—at 0.3% versus an expected 0.2%—offers no relief. The key point is this: disinflation has come to a halt, and at a level well above the target. The labor market, which shows no signs of weakening, also deprives the Fed of the argument that would justify waiting. The impact on the yield curve is immediate: the 10-year U.S. Treasury yield reached 4.95% and the 30-year yield reached 5.36%. Breaking through the 5% threshold remains the main risk factor for stock valuations. At these levels, however, the residual upside potential appears limited, and buyers could return.

Eurozone: The ECB takes action, growth surprises

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Inflation in the eurozone reached 3.3% in August, its highest level in three years. Sovereign yields reacted more sharply than U.S. rates, with the 10-year German Bund settling at around 3.50% and the French OAT* at 4.43%. Paradoxically, economic conditions are improving: Eurostat revised second-quarter growth to 0.6% from an initial estimate of 0.4%. This strength supports the ECB's tightening stance but correspondingly reduces the prospect of monetary support for European valuations.

Energy and credit: Two areas to watch

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Brent crude held above USD 100 before pulling back on Friday, up nearly 50% from its low in early July. The Strait of Hormuz remains largely closed, fueling the risk of a prolonged shock. As long as this premium persists, a rapid decline in inflation remains a marginal scenario. Although receiving less attention, the CCC-rated segment of the U.S. high-yield market is deteriorating significantly. Its spread has risen from 5.7% in February to over 8.85%, while the high-yield market as a whole remains stable around 2.7%, a historically low level. For a CCC-rated issuer, the cost of refinancing is approaching 14%. This divergence warrants close monitoring: it may signal the first defaults and contagion to higher-rated segments.

Switzerland: The SMI falls below the 14,000-point mark

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The Swiss market was hit hardest last week. Its composition—rich in high-quality stocks that can be viewed as bond substitutes—makes it particularly sensitive to rising long-term yields. Added to this are specific setbacks, foremost among which are the recent setbacks in Novartis's pipeline, which have led to several downward revisions of price targets. The index posted four consecutive sessions of declines before a slight rebound on Friday, supported by improved consumer confidence. Three central bank meetings will set the pace for the coming week: the **FOMC on September 15 and 16, the Bank of England on the 17th, and the Bank of Japan on the 18th, which is also expected to raise rates. Three decisions moving in the same direction would confirm the shift to a coordinated tightening cycle—a scenario that equity markets have not had to navigate since 2023.

Swiss Market Index (SMI)

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The SMI finally fell and broke through its support level of 14,070 points, testing the next support level at 13,865 points. The index opened with a gap at 14,342 points.

* OAT : Obligation Assimilable du Trésor (French government long-term bond)

**FOMC : Federal Open Market Committee

Key data

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	USD/CHF	EUR/CHF	SMI	EURO STOXX 50	DAX 30	CAC 40	FTSE 100	S&P 500	NASDAQ	NIKKEI	MSCI Emerging Markets
Latest	0.82	0.95	13775.27	6325.13	25568.56	8179.77	10650.44	7656.98	26333.04	64011.34	952.93
% 5 days	1.06	0.52	-4.31	-1.06	-1.83	-1.20	-1.65	-0.78	-0.63	-1.55	-0.23
% YTD	3.13	1.59	6.88	11.84	4.40	2.98	9.97	12.75	13.79	28.32	24.32

(values from the Friday preceding publication)