

U.S. employment stalls

— long-term rates hold steady

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Last week confirmed a landscape dominated by three forces: the energy shock, rising long-term rates, and a slowing U.S. economy. Stocks held up, but rising yields are limiting the potential for price-to-earnings ratios to rise.

Brent crude ended the week above the \$100 threshold despite the G7's decision to release 100 million barrels of crude oil and refined products over four months. Crude oil flows from the Gulf have returned to near pre-war levels, but Washington's rejection of the Iranian plan and new attacks on ships in the Strait of Hormuz are keeping a risk premium in place.

United States: The Fed Loses the Employment Argument

The macroeconomic picture ultimately proved more nuanced than it initially appeared. The economy added only 29,000 jobs in September, compared with the expected 90,000, and the figures for the previous two months were revised downward by 60,000. Unemployment rose to 4.2%. The PCE for August rose 3.4% year-over-year, while the core PCE remained at 3.0%. Real purchasing power is declining, as reflected in consumer confidence, which is at its lowest level since 2014. The likelihood of a second rate hike as early as October 28 is diminishing: the implied probability has fallen to about 18%. The yield on 10-year Treasury bonds ended the week at 5.28% and the 30-year yield at 5.63%, compared with 5.17% and 5.49% a week earlier. Stocks held up, however, led by the technology sector.

Eurozone: Inflation at a High, France Under Pressure

Eurostat's flash estimate came in higher than expected: inflation reached 3.8% in September (3.2% in August), its highest level since 2023, driven by an 18.8% year-over-year increase in energy prices. That said, core inflation rose only from 2.4% to 2.5%, indicating a supply shock rather than overheating demand. For the eurozone, the real issue right now is not inflation or even growth, but France's public finances. With debt expected to reach 119% of GDP by the end of the year, the market doubts France's ability to bring its deficit under control. The French bond market is therefore under pressure: the 10-year OAT-Bund spread has exceeded 120 basis points—a level not seen since 2012—with the French OAT yield approaching 5%. The combination of a high deficit, a 2027 budget requiring 43 billion euros in

savings, and a presidential election in 2027 is fueling this risk premium. With inflation nearly double the target, the ECB has little room to maneuver ahead of its meeting in late October.

Switzerland: The economy remains resilient and inflation stays contained

The KOF business climate index rose to 109.1 in September from 107.5, driven by the industrial sector, particularly the chemical and pharmaceutical industries. Inflation stood at 1.0% in September (compared to 0.8% in August), with the core rate at 0.5%, which supports the SNB's decision to maintain the status quo. The franc, however, appreciated significantly: the ECB's reference rate for EUR/CHF fell from 0.9445 on September 25 to 0.9279 on October 2—a 1.8% drop in one week—which will weigh on exporters' margins.

Monday's ISM services index, followed by the FOMC minutes on Wednesday, will clarify the Fed's assessment following its September rate hike. Thursday's ECB meeting minutes will indicate the central bank's tolerance for the energy shock.

The 2027 French budget, presented on Thursday, remains a risk factor for sovereign spreads.

Swiss Market Index (SMI)

The SMI tested the 200-day moving average at 13,630 points. The indicators remain in negative territory, with support at 13,630 points and resistance at 14,055 points.



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	0.83	0.93	13660.92	6238.50	25231.20	7897.19	10461.95	7722.72	27190.86	68309.46	948.00
% 5 days	-0.22	-1.79	-2.04	-0.98	-0.70	-2.13	-2.13	-0.25	0.46	3.49	-1.23
% YTD	4.54	-0.14	6.14	10.46	3.02	-0.28	8.09	13.79	17.52	37.68	23.68

(values from the Friday preceding publication)

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