

Long-term rates, oil, and the French premium

— Markets hold steady, but without conviction

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Equity markets held up overall in the face of rising bond yields, persistent tensions in the Middle East, and European budget uncertainties. The intensification of Iranian attacks on oil tankers in the Strait of Hormuz reduced traffic to its lowest level in more than two months. Brent crude, which fell below \$100 on Tuesday, ended the week at over \$104. On Friday, the announcement of a Russian agreement to supply diesel to the markets provided some relief, but oil remains the main channel through which the conflict feeds into inflation and, consequently, interest rates.

United States – Wall Street holds steady

Wall Street closed out a positive week despite significant bond market volatility. The gains mask a defensive rotation: nine out of eleven sectors advanced, led by utilities, consumer staples, and energy, while the technology sector retreated. On Thursday, the Nasdaq lost more than 1% following reports that OpenAI's annualized revenue was approximately \$20 billion below estimates—a reminder that AI-related valuations depend on actual monetization.

Furthermore, rising long-term Treasury yields remain a risk to valuation multiples, particularly when market performance relies on a limited number of large-cap technology stocks. Sovereign yields, in fact, reached 5.34% for the 10-year and 5.70% for the 30-year—their highest levels since 2002—before pulling back to 5.24% and 5.60%. The FOMC minutes confirm the unanimous decision to raise rates to 3.75%–4.00% and indicate that most participants anticipate another rate hike by the end of the year. The University of Michigan's preliminary survey supports this interpretation: consumer sentiment fell to 46.3 from 48.1, but one-year inflation expectations rose to 4.7% and five-year expectations to 3.5%.

The ISM Services Index fell to 54.9 in September from 55.4 in August, signaling continued solid expansion, albeit at a slower pace than expected. Conversely, weekly initial jobless claims fell to 197,000 from 199,000 the previous week, confirming the resilience of the labor market.

Europe – French debt under pressure

The Stoxx 600 ended virtually unchanged, but the week was marked by pressure on French debt. After exceeding 140 basis points in early October—its highest level since 2011—the 10-year OAT-Bund spread was still hovering around 134 basis points at the end of the week. The SMI rose 0.93% for the week and outperformed Europe thanks to its defensive profile. With the EUR/CHF exchange rate near 0.93, the franc retains its status as a safe-haven currency, fueled by the French risk premium, which continues to weigh on exporters' margins.

The coming week will see U.S. banks kick off earnings season. With expected earnings growth for the S&P 500 exceeding 30% in the third quarter, this earnings season carries a significant risk of disappointment. The U.S. CPI index for September, expected to accelerate due to energy prices, will be released on October 14 and will help refine the probabilities of a rate hike at the FOMC meeting on October 27 and 28.

Swiss Market Index (SMI)

The 200-day moving average, at 13,647 points, acted as a springboard. The index could rebound toward 14,050 points, but trend indicators are pointing downward, which is limiting the rebound.



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	13787.40	6173.37	25087.27	7803.33	10552.05	7811.54	27366.17	69030.92	948.29
% 5 days	-0.02	-0.20	0.93	-1.04	-0.57	-1.16	0.87	1.17	0.65	1.06	0.03
% YTD	4.54	-0.05	7.12	9.30	2.44	-1.44	9.03	15.12	18.29	39.17	23.71

(values from the Friday preceding publication)

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