

Tensions in the Middle East and disruptions to oil supplies have pushed the price of a barrel of Brent crude to nearly USD 110, reigniting inflationary pressures. A correction in U.S. tech stocks has put pressure on the markets. Rising financing costs are calling into question the most ambitious valuations, particularly in the artificial intelligence sector.

United States: Inflation puts the Fed under pressure again

The Consumer Price Index (CPI) rose 0.6% in September, bringing annual inflation to 3.7%, up from 3.4% in August. Most of the monthly increase came from gasoline, whose prices surged 9.1%. Pressure is also spreading to production costs: producer prices rose 1.3% over the month—their sharpest increase since March 2022—and import prices climbed 1.1%. These figures complicate the Federal Reserve's task, as energy tensions risk fueling inflation and delaying monetary easing. U.S. stocks experienced a sharp correction. Over the week, the Nasdaq fell 4.5% and the S&P 500 dropped 1.9%. The technology and semiconductor sectors bore the brunt of the selling. Investors are now questioning the profitability of massive investments in AI infrastructure as the cost of debt rises. Conversely, energy stocks benefited from the rise in oil prices. The quarterly earnings season will be crucial in determining whether earnings growth still justifies valuations in the technology sector.

Europe: Disinflation comes to a halt

In the eurozone, annual inflation rose to 3.8% in September, up from 3.2% in August. Here, too, energy was the main driver of the increase. At the same time, industrial production fell 0.5% month-over-month in August and 1.1% year-over-year, illustrating the persistent fragility of the European manufacturing sector. Despite this unfavorable macroeconomic environment, the STOXX Europe 600 gained more than 2% for the week, posting its best weekly performance since June. Corporate earnings supported the markets, particularly in the semiconductor equipment

and healthcare sectors. ASML provided reassurance regarding long-term demand for its equipment, and banking stocks contributed to the indices' resilience. However, this performance remains vulnerable to a further rise in bond yields.

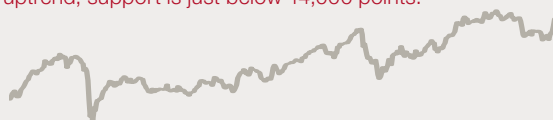
Switzerland: A shelter, not a survival pod

The SMI rose by about 4.4% over the week. This performance contrasts with the correction in the U.S. and reflects, in particular, the more defensive composition of the Swiss market. On the political front, Finance Minister Karin Keller-Sutter warned that the high debt levels of several European economies, particularly France, could threaten financial stability and reignite the risk of a euro crisis. She emphasized that Switzerland, despite its relatively low level of public debt, would not be immune to the repercussions of a regional crisis.

This week, the release of quarterly earnings reports will dominate media coverage. Tech companies will need to demonstrate their ability to sustain massive investments in AI infrastructure. Oil prices and bond yields will remain key factors to monitor closely ahead of the Fed's next meeting, scheduled for October 28.

Swiss Market Index (SMI)

The index rose 4% over the week and is in the midst of an uptrend; support is just below 14,000 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	0.82	0.93	14391.31	6204.23	25622.61	7956.70	10881.90	7659.44	26140.03	65324.29	899.49
% 5 days	-1.26	-0.68	4.38	0.56	2.13	2.03	3.17	-1.94	-4.48	-5.37	-5.15
% YTD	3.85	-0.64	11.81	9.92	4.62	0.57	12.48	12.89	12.99	31.70	17.35

(values from the Friday preceding publication)

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