

Markets under pressure

— from interrelated risks

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The week was marked by the convergence of three risks: soaring energy prices, questions about the financing of investments in artificial intelligence (AI), and French budget tensions.

United States: AI faces the reality of its costs

In U.S. markets, tech stocks corrected, reflecting investors' concerns about the profitability and financing of the race to build AI infrastructure. The widening of credit spreads for computing infrastructure providers—particularly in the neocloud segment—highlights their dependence on financing, which has become more expensive, to support their investments. Announcements from major tech players, however, confirm that demand for computing capacity remains higher than supply.

On the economic front, S&P Global's U.S. Composite PMI fell from 58.4 in September to 57.6 in October but still reflects robust expansion. Weekly jobless claims fell to 194,000 from an expected 200,000, confirming the resilience of the labor market.

Brent crude's rise to USD 116.72 per barrel at the end of the week (+6%) added further inflationary pressure. Houthi attacks on Saudi infrastructure have reignited fears of supply disruptions, despite the relative restoration of oil flows through the Strait of Hormuz.

Europe: Slower growth and French sovereign risk

In Europe, political concerns in France and rising oil prices overshadowed several solid corporate earnings reports. Macroeconomic indicators confirm the slowdown. The eurozone composite PMI fell from 53.1 to 51.9 in October, its lowest level since the start of the tentative recovery observed in July.

Economic sentiment also deteriorated: the ZEW index fell from 25.8 to 18.5 points, compared with an expected 23.6. France is at the center of tensions in the bond market. The yield on the 10-year OAT exceeded 5.1% during the trading session, its highest level since 2002, and the spread with the German Bund also widened significantly. Moody's ultimately maintained the sovereign rating at Aa3, with a negative outlook, on Friday.

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	0.92	14462.36	6068.22	25181.65	7782.82	10690.36	7623.68	25955.34	62189.65	875.95
% 5 days	-0.27	-0.27	0.49	-2.19	-1.72	-2.19	-1.74	-0.46	-0.71	-4.03	-2.62
% YTD	3.88	-0.68	12.36	7.51	2.82	-1.63	10.52	12.38	12.19	26.42	14.28

(values from the Friday preceding publication)

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This decision averts an immediate downgrade but does not dispel concerns about the government's ability to pass a credible budget and reduce the public deficit. Persistently high long-term rates increase the cost of public financing and weigh on European asset valuations.

Switzerland: Corporate earnings cushion the turbulence

The SMI rose over the week, outperforming major global indices. Quarterly earnings provided significant support, with generally solid performances among several large-cap stocks. The results illustrate the value of sector diversification: defensive stocks and certain industrial groups weathered the turbulence affecting large-cap technology stocks better.

Upcoming quarterly earnings reports will indicate whether earnings growth is effectively offsetting rising costs and financing needs. In Europe, developments in French sovereign risk will remain under close scrutiny. The main macroeconomic risk remains a further acceleration in energy-related inflation, which could limit central banks' room for maneuver.

Swiss Market Index (SMI)

Trend indicators are largely in positive territory. The SMI could retest its highs around 14,655 points.

