Stubborn inflation

– interest rates under pressure

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The oil shock is subsiding faster than the inflation it triggered, and this gap is now influencing the markets. While the easing in energy prices might have justified a pause, non-energy prices and monetary expectations are pushing central banks toward tightening. As a result, long-term yields and the dollar—rather than oil—are driving the trend.

United States: Heading toward monetary tightening

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The Consumer Price Index for October rose 0.4% month-over-month, following a 0.6% increase in September, with core inflation at 0.3%. Due to the lack of data for October 2025 during the government shutdown, the Bureau of Labor Statistics did not publish an annual change. Producer prices confirm the spread of inflationary pressure: +0.3% month-over-month following +1.4%, and +6.5% year-over-year—the highest level since November 2022—with the measure excluding food, energy, and trade reaching 4.9%. Initial jobless claims came in at 200,000 versus an expected 194,000: slightly above the consensus, but at a level that reflects continued low layoff rates and keeps the Fed focused on inflation. According to Fed funds futures, a rate hike in December has become the central scenario, and the debate now centers on the magnitude of the tightening.

Eurozone: A partially artificial slowdown

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In Germany, inflation stood at 2.8% year-over-year in October, down from 3.3% in September. Energy prices remain 12.2% higher year-over-year; the fuel rebate in effect since October has likely mitigated this increase. The slowdown therefore partly reflects a temporary measure, as eurozone inflation still reached 3.8% in September. The ECB's deposit rate remains at 2.50%, and money markets are pricing in a rate hike in December.

In Switzerland, October's inflation rate—at 1.5% year-over-year, with core inflation stable at 0.5%—signals a shock concentrated in the energy sector rather than a broad-based trend. The SNB, with a policy rate of 0%, remains on hold. The franc fell nearly 1% in a single trading session against a stronger dollar, as the interest rate differential widened amid expectations that the Fed will raise rates.

Short-term rates are rising and the yield curve is flattening

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The yield on the two-year Treasury note rose 37 basis points to 4.88%, and the 10-year yield rose 29 basis points to 5.15%, while the 30-year yield reached 5.47%. This sharper rise in short-term rates reflects a reassessment of the Fed's policy path and is flattening the yield curve. Brent crude settled at USD 95.84, down from USD 98.32 a week earlier—a decline of 2.5% following a 16% drop the previous week. The International Energy Agency notes that supply exceeded demand in October for the first time since the start of the war in Iran and anticipates a surplus in the fourth quarter, which limits the risk premium, while attacks on shipping maintain a floor. Gold has fallen back below USD 3,900 per ounce, as rising interest rates and a stronger dollar are weighing more heavily than safe-haven demand.

This week has disproved the assumption that inflation automatically follows oil prices: producer prices show widespread pressure, and the market is pricing in a longer Fed rate-hiking cycle. U.S. import and export prices and the FOMC minutes, expected this week, will clarify the magnitude of a rate hike in December. The APEC summit in Shenzhen (Wednesday and Thursday) could bring together Xi Jinping, Donald Trump, and Vladimir Putin—a meeting being compared to "Yalta 2.0." With the agenda still up for debate, very little concrete action is expected.

Swiss Market Index (SMI)

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The SMI is at an all-time high, with 15,235 points in its sights. The uptrend remains strong, but momentum has weakened somewhat. A consolidation around 14,930 points would be welcome.



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	0.84	0.92	15106.12	6386.86	26749.95	8368.91	10902.56	7561.67	25136.27	59662.02	860.92
% 5 days	2.35	0.51	2.10	3.51	3.60	2.83	2.32	2.54	2.28	6.46	3.21
% YTD	5.55	-0.67	17.37	13.25	9.23	5.78	12.97	11.52	8.68	23.36	12.32

(values from the Friday preceding publication)

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