

Markets are entering a period of discernment



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After a second quarter dominated by growth prospects and the rise of artificial intelligence, geopolitics returned to the forefront this week.

Geopolitical context

The resumption of strikes between the United States and Iran, coupled with a tightening of U.S. sanctions targeting Iranian oil exports, has revived concerns about the security of energy supplies in the Middle East.

Tensions around the Strait of Hormuz led to a more than 5% spike in oil prices over the course of the week, fueling a slight rise in inflation expectations. While it did not trigger panic in the markets, this episode serves as a reminder that the geopolitical landscape remains a source of volatility that could delay the monetary easing cycle of major central banks.

Disagreement within the Fed

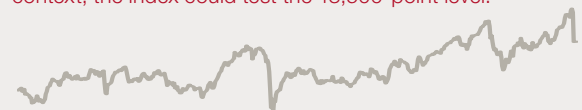
In the United States, economic data continued to point to an orderly economic slowdown. Weekly initial jobless claims remained low, confirming the resilience of the labor market. Against this backdrop, the minutes from the Federal Reserve's June 16–17 meeting confirmed growing differences of opinion within the committee. While some members believe that monetary easing could occur in the coming months, others believe that inflationary risks remain high, due in particular to trade tensions, robust investment in artificial intelligence, and renewed geopolitical tensions. As a result, markets have slightly scaled back their expectations for rate cuts in the coming months.

Slow improvement in Europe

In Europe, the latest economic indicators have confirmed a gradual improvement in economic conditions. Investor sentiment rose for the third consecutive month, confirming the recovery in confidence, particularly in Germany. German industrial production posted a better-than-expected 0.9% increase in May, while inflation stood at 2.3% over one year in June. These figures support the scenario of a gradual recovery in European industry and give the European Central Bank some leeway to continue normalizing its monetary policy, provided that energy tensions do not reignite inflationary pressures on a sustained basis. Against this backdrop, equity markets traded without a clear trend ahead of the start of the quarterly earnings season and the release of U.S. inflation figures.

Swiss Market Index (SMI)

The SMI index remains on a positive trend. As long as it stays above 14,000 points, we remain positive, with a target of 14,500–14,700 points; however, given the geopolitical context, the index could test the 13,500-point level.



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	0.81	0.92	14235.09	6269.97	25067.09	8338.97	10497.29	7575.39	26281.61	68557.73	932.88
% 5 days	0.62	0.22	-1.31	-2.17	-2.76	-1.99	-1.65	1.26	1.74	-1.70	-1.74
% YTD	2.16	-0.81	10.44	10.73	2.35	4.96	7.65	11.34	13.44	37.35	21.70

(values from the Friday preceding publication)

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