BONHŌTE

Between Disinflation and Geopolitical Risks

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The week was marked by an apparent dichotomy: U.S. disinflation continued, while consumer spending sent a clearly weaker signal. At the same time, ongoing tensions around the Strait of Hormuz kept the geopolitical premium on oil high. Brent crude rose by about 5% on Monday, to nearly $88 per barrel, following new U.S. statements regarding a possible escalation with Iran. This rise serves as a reminder that the main exogenous risk now remains the transmission of an energy shock to inflation and interest rate expectations.

U.S. inflation offers reassurance, but consumer spending raises concerns

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In the United States, July's statistics generally reinforced the outlook for inflation to normalize. The Consumer Price Index rose 0.1% month-over-month and 3.4% year-over-year, compared with 3.5% in June. The Producer Price Index (PPI) also remained stable in July, while a 0.2% increase had been anticipated; excluding food and energy, it rose 0.2% versus an expected 0.3%. The combination of moderate inflation and a less dynamic labor market reduces the pressure for further monetary tightening.

Economic sentiment, however, deteriorated toward the end of the week. Retail sales fell by 0.6% in July, compared with an expected increase of 0.1%, marking their first decline in nine months. Consumer confidence, as measured by the University of Michigan, also fell to 51.0 in August from 55.2 in July. At the same time, weekly jobless claims reached 209,000, compared with an expected 202,000.

The message is therefore becoming more balanced: inflation allows for a less restrictive monetary policy, but the slowdown in demand is beginning to pose a risk to earnings. U.S. stocks nevertheless ended the week higher, despite Friday's decline. The technology sector remains supported by strong AI-related earnings, but valuation requirements are becoming more stringent. Applied Materials' 5.1% decline on Friday, despite a solid earnings outlook, illustrates this growing sensitivity to expectations. Conversely, the energy sector benefited from the rise in oil prices.

Slower growth in Europe

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In Europe, German inflation reached 2.8% year-over-year in July, up from 2.3% in June, in line with expectations. Industrial production in the eurozone remained stable in June after rising 0.3% in May. The European outlook thus continues to be characterized by sluggish industrial activity, though this is not generating any significant new inflationary pressure. The European allocation remains relatively attractive in terms of valuations, but earnings visibility remains lower than in the United States. In Switzerland, producer and import prices fell by 0.3% in July and by 2.1% year-over-year, confirming the absence of inflationary pressure from the industrial sector. This environment remains favorable for purchasing power and the SNB's monetary policy, but also reflects a particularly subdued environment for imported prices.

This week, attention will shift to the Fed minutes, U.S. and European PMIs, and the first Chinese data for July. The key question will be whether the weakness in U.S. sales is merely a statistical blip or the beginning of a broader slowdown in consumer spending.

Swiss Market Index (SMI)

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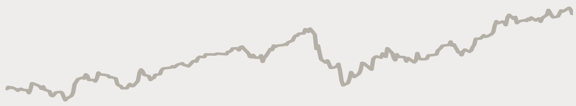
The SMI is trading between its resistance level of 14,700 points and its support level of 14,370 points. This pattern could repeat itself this week.



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	0.81	0.94	14390.67	6539.59	26440.31	8636.80	10750.11	7785.76	26729.16	68713.80	940.53
% 5 days	0.10	0.48	-1.06	0.24	0.46	-0.90	-1.07	0.39	0.16	4.74	2.66
% YTD	2.27	0.97	11.65	15.63	7.96	8.74	10.88	14.52	15.40	37.67	22.70

(values from the Friday preceding publication)

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