

Shift in sentiment — in markets

Saving you time

N°788

17 March 2025

These days it's very hard to see where the world is heading, with the anxiety over US growth prospects, trade wars, the dicey Ukraine ceasefire talks, Germany's stimulus drive and the renewed prospect of a US government shutdown.

The Fed is likely to keep rates unchanged

These factors have triggered rotation out of those sectors hit hardest by the higher tariff into havens and defensive sectors that are less exposed to foreign trade.

In the US, the S&P 500 has fallen into correction territory, driven down by growing fears of a trade war recession and the resulting clouding of visibility, with market sentiment darkening. A shutdown of the US federal government was narrowly averted on Friday, as some Democratic senators reluctantly voted in favour of the Republican budget bill. February inflation figures, released last week, were slightly below expectations. However, the numbers do not yet include the impact of higher customs duties. The Fed is expected to leave interest rates unchanged at the conclusion of its meeting on Wednesday this week. For the time being, a rate cut is projected for the second half of 2025.

In Europe, Germany's economic stimulus package has created both turbulence and a sense of hope. The EUR 500 billion fund is expected to add 1% a year to growth over the next decade. After intense negotiations, the Greens agreed to support this plan, enabling the two-thirds majority needed to amend the Constitution to be reached. This constitutional reform will be put to a vote in the Bundestag tomorrow, then will require ratification by the Bundesrat. Negotiations over the contents of this plan, as well as discussions on increasing defence budgets, have fuelled expectations of an increased supply of government debt, putting upward pressure on bond yields.

The German Bund ended the week at 2.87% while the US counterpart was static at around 4.30%.

Swiss economy proving resilient

The Swiss franc last week benefited further from its haven status by appreciating against the dollar. The domestic economy continued to demonstrate resilience in the face of the global turmoil. Specifically on the trade war, Switzerland hopes to escape the witch hunt as it does not apply tariffs to goods imported from the US. However, it will be indirectly affected by the tariffs imposed on its other trading partners, namely Germany and China. The SNB, which meets on Thursday, is expected to cut its key rate to 0.25%.

China's equity indices had a good week, boosted by expectations of fresh economic stimulus. These measures include subsidies and easier terms for consumer lending. Another factor fuelling the price appreciation in equities has been the buzz surrounding the AI-driven tech boom in the country. On the downside, the release of disappointing Chinese import and export data has rekindled fears about the trade outlook. The Chinese government has set a growth target of 5% for 2025. To achieve this, the PBoC is expected to pursue an accommodative and flexible monetary policy, including possible cuts in interest rates and bank reserve ratios.

Last week the S&P 500 dropped by 2.27%, Nasdaq by 2.43% and the Stoxx Europe 600 by 1.22%.

Swiss Market Index (SMI)

The SMI tested support at 12715 then bounced off it towards recent highs, which is technically very positive. Momentum continues to weaken, but remains brisk. The nearest resistance is 13085.



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	0.89	0.96	12'916.81	5'404.18	22'986.82	8'028.28	8'632.33	5'638.94	17'754.09	37'053.10	1'119.61
Trend	➡	⬆	➡	➡	⬆	➡	➡	⬇	⬇	⬇	➡
YTD	-2.45%	2.48%	11.34%	10.38%	15.48%	8.77%	5.62%	-4.13%	-8.06%	-7.12%	4.10%

(values from the Friday preceding publication)

This document is provided for your information only. It has been compiled from information collected from sources believed to be reliable and up to date, with no warranty as to its accuracy or completeness. By their very nature, markets and financial products are subject to the risk of substantial losses which may be incompatible with your risk tolerance. Any past performance that may be reflected in this document is not a reliable indicator of future results. Nothing contained in this document should be construed as professional or investment advice. This document is not an offer to you to sell or a solicitation of an offer to buy any securities or any other financial product of any nature, and the Bank assumes no liability whatsoever in respect of this document. The Bank reserves the right, where necessary, to depart from the opinions expressed in this document, particularly in connection with the management of its clients' mandates and the management of certain collective investments. The Bank is a Swiss bank subject to regulation and supervision by the Swiss Financial Market Supervisory Authority (FINMA). It is not authorised or supervised by any foreign regulator. Consequently, the publication of this document outside Switzerland, and the sale of certain products to investors resident or domiciled outside Switzerland may be subject to restrictions or prohibitions under foreign law. It is your responsibility to seek information regarding your status in this respect and to comply with all applicable laws and regulations. We strongly advise you to seek independent legal and financial advice from qualified professional advisers before taking any decision based on the contents of this publication.