

# Volatility — stages a comeback

Saving you time

Equity markets ended the week contrastingly, overshadowed by concerns about AI following the unexpected emergence of Chinese start-up DeepSeek, which could give US tech a run for its money. In short, US indices consolidated while European markets performed positively.

## Central banks' decisions were in line with forecasts

Macroeconomic data, favourable corporate results and decisions by central banks in line with expectations provided European investors with a welcome sense of relief.

Regarding monetary policy, the Fed kept its benchmark rates unchanged. However, it is taking a cautious approach to the monetary easing process over the coming months, in light of the uncertainties surrounding the impact of tariffs levied on the imports of trading partners and how this could affect inflation.

US inflation, adjusted for volatile price items, was in line with expectations. In December, inflation as per the PCE index was 0.2% month-on-month and 2.8% year-on-year. Equity markets were relieved by this sign of stability.

On the employment front, jobless claims were lower than forecast. The number of initial jobless claims rose to 207,000 in the week to 25 January, compared with 223,000 in the previous week. But the recent anti-immigration policy introduced by the US could lead to supply-side tensions in hiring.

## Conditions in bond market continue to ease

Closer to home, the ECB cut its benchmark policy rate by a quarter-point in the face of an economic environment that remains sluggish. The easing trend should continue over the coming months, especially as inflation slows further.

Conditions in the bond market continued to ease, with the US 10-year yield back close to 4.50% and the German equivalent at 2.45%.

All in all, the S&P 500 gave up 1.00%, the Nasdaq lost 1.64% while the Stoxx Europe 600 put on 1.78%.

Over the weekend, the Trump administration made good on its threats to raise tariffs on products from Mexico, Canada and China, all of which are likely to cause renewed volatility in financial markets.

This week Alphabet, Amazon, L'Oréal and Novo Nordisk will be reporting.

US non-farm payrolls are due out on Friday.

## Swiss Market Index (SMI)

The gap around 12111 has not been filled, leaving investors with nagging doubts. Momentum is weakening, which may be the prelude to a trend reversal.



## 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	0.91	0.94	12 597.09	5 286.87	21 732.05	7 950.17	8 673.96	6 040.53	19 627.44	39 572.49	1 093.37
Trend	➡	➡	⬆	⬆	⬆	⬆	⬆	⬆	➡	➡	⬆
YTD	0.43%	0.47%	8.59%	7.98%	9.17%	7.72%	6.13%	2.70%	1.64%	-0.81%	1.66%

(values from the Friday preceding publication)

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