Trump forced to take — the stress down a notch

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Saving you time

Last week got off to a tense start in the US as President Trump laid into Jay Powell, rekindling fears of political meddling in monetary policy.

USD heads south

US indices fell sharply on Monday as the US dollar plunged and gold climbed to another all-time high. Stress in the market placed bond yields and currencies centre stage. Then came Wednesday, when President Trump backtracked, stating that he had no intention of sacking the Fed chair. He also said that he wanted to negotiate with China. This prospect of de-escalation helped foster a mood of hope, as did better-than-expected quarterly results from companies.

These events further stoked the already high level of uncertainty, while the credibility of the dollar as a haven currency came under threat. Investor mistrust also spread to the US administration, as foreign investors started shunning Treasury bonds. By the end of the week, however, volatility had eased to a certain extent, especially as the odds for a June rate cut were increasing.

In the Eurozone, the flash PMI surveys showed a virtual stagnation in activity, with the composite index dipping to 50.1 (compared with the 50.2 consensus forecast and 50.9 in March). The services sector fell back below the expansion threshold (49.7).

On the bond market, yields on 10-year T-bills (4.23%) and the 10-year OATs (2.5%) hovered around the bottom of their recent ranges, awaiting the next batch of statistics.

In Switzerland, the SNB boss highlighted the risks of contagion arising from the global trade conflict and the fact that the current surge in protectionism is dampening Swiss growth prospects. The SNB reiterated its low-ball growth forecast (1.0-1.5% in 2025 compared with 1.8% previously), stressing the importance of maintaining price stability in conditions where any further impact on demand would trigger an economic downturn.

China maintains its growth

In China, even though growth held up in Q1 (+5.4% year-on-year), markets have remained cautious in the face of spiralling trade wrangling. Beijing has tried to defuse the dispute by exempting certain American goods from its 125% tariff and inviting Washington to remove all unilateral barriers before negotiations can begin. The government and the People's Bank of China (PBoC) have pledged measures in support of the economy, but the tariff shockwave is bona fide, as bilateral trade now resembles a virtual embargo. From a geopolitical standpoint, Beijing has also sought to win new friends, with Xi Jinping touring South-East Asia to rally other countries in opposition to the US trade offensive.

Stockmarkets rose across the board last week. The S&P 500 gained 4.6%, the Nasdaq 6.4%, the EuroStoxx 50 4.4% and the SMI 2.4%.

Highlights this week include the release of Eurozone inflation figures and the US non-farm payrolls report (NFP). Financial results from major tech stocks (Apple and Meta) will also be closely watched.

Swiss Market Index (SMI)

The SMI is trading around a support/resistance flip close to 11950. Breaching and staying above this level would mark out appreciation up to 12225. If the SMI fails to break to the downside, it could then retrace to 11750.

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	0.83	0.94	11'942.05	5'154.12	22'242.45	7'536.26	8'415.25	5'525.21	17'382.94	35'705.74	1'097.10
Trend	↓	→	→	↑	↑	↑	↑	↑	↑	↑	↑
YTD	-8.73%	0.18%	2.94%	5.27%	11.74%	2.11%	2.96%	-6.06%	-9.98%	-10.50%	2.01%

(values from the Friday preceding publication)

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