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From military war back to trade war (?)

Financial markets reacted extremely calmly to the ‘Twelve-Day War’; the most tangible increase in volatility was in energy prices. It remains to be seen whether the Middle East will enjoy more stability after the war, we think it is likely that the number of conflicts will increase in a multipolar world.

The markets' attention is likely to turn away from geopolitical tensions for the time being and focus on other issues. For example, Trump's 90-day postponement of punitive tariffs will end at the beginning of July. So far, little is known about progress in bilateral negotiations. It is conceivable that where the negotiations are moving in the right direction from a US perspective, an extension of the deadline will be granted. In more difficult cases, the threatened tariffs could be introduced in part or in full. The economic impact of the US tariff policy therefore remains vague and difficult to assess. At its most recent meeting on interest rate policy, the US Federal Reserve decided that the current constellation of growth and inflation in combination with trade policy uncertainties did not require or permit a change in the key interest rate. The possibility of one or two interest rate cuts in the further course of the year remains open.

With their high valuation, US equity markets reflect a benign development of conditions. Accordingly, they are susceptible to negative developments, for example in tariff policy, the labor market or consumption, which could cloud the economic outlook. Swiss equities and European stocks in general are comparatively more reasonably valued. In addition, the economy in Europe seems to be picking up somewhat, especially with considerable fiscal stimulus from Germany.

To summarize, we would confirm our recommendation for the equity markets, namely, to remain invested, stay true to the strategy of favoring Europe and not lose sight of the unfolding risks.

Wangs, 25 June 2025