

Oil Prices and AI

Two topics are driving the markets: oil prices and AI. The rise in oil prices to as high as $108 at times triggered a wave of selling in stocks and bonds last week. This increase was once again attributable to U.S. President Donald Trump, who threatened to escalate the war with Iran. This, in turn, prompted Iran to intensify its attacks on tankers in the Strait of Hormuz, thereby driving up the political risk premium on oil.

Later, Trump stated that the U.S. had held "productive talks" with Iran and would refrain from attacking the country before the midterm elections. This caused the oil price to drop to $100. Added to this was his pact with Russian President Vladimir Putin to bring Russian diesel supplies to market in the run-up to the U.S. midterm elections. Diesel fuel, often referred to as the workhorse of the global economy, has become severely scarce due to damaged infrastructure and speculation, driving up the price of diesel. In the U.S., the price of diesel per gallon has risen from $2.12 at the start of the year to $5.26 and, following the announcement of the "Trump-Putin agreement," was still trading at $4.66, a seasonal all-time high.

Every time oil prices rise, it fuels inflation fears. This, in turn, could prompt central banks to raise key interest rates, leading to higher bond yields and, consequently, lower bond prices. Ultimately, this also puts more pressure on stocks. In the bond markets, key yields have risen to multi-decade highs. Even stellar earnings (Samsung Electronics) and impressive revenue growth (TSMC) failed to generate enthusiasm in the stock markets.

Instead, doubts arose last week as to whether OpenAI's heavy investments in AI will ever pay off. This put pressure on semiconductor stocks. Shares of OpenAI investor SoftBank fell 5%. Firmus, a data center operator backed by Nvidia, postponed a planned initial public offering worth about $5 billion and, in light of the market turbulence, opted instead for a private capital raise.

Elon Musk's SpaceX also faced headwinds. The company needs $40 billion to purchase AI chips from Nvidia. $30 billion was to be raised through bonds, but risk premiums have risen to over 200 basis points. Consequently, it currently costs around $20'000 per year to insure $1 million in SpaceX bonds against default. SpaceX had already raised $25 billion in June, and concerns are mounting here as well about how aggressively the company is financing its AI plans.

The Swiss Market Index has remained more or less stable (-0.3%) since the beginning of the month at 13'787 points, with increased volatility of around 16. Over the previous three months, this averaged 14.

Market data

Stock markets		since 31/12/2025
SMI	13'787.4	+3.9%
SPI	19'542.7	+7.3%
DAX €	25'087.3	+2.4%
Euro Stoxx 50 €	6'173.4	+6.6%
S&P 500 $	7'811.5	+14.1%
Dow Jones $	51'655.0	+7.5%
Nasdaq $	27'366.2	+17.7%
MSCI EM $	1'708.8	+21.7%
MSCI World $	4'962.4	+12.0%

Bond markets		since 31/12/2025
SBI Dom Gov TR	218.4	–2.1%
SBI Dom Corporate TR	121.1	–0.4%

Real estate markets		since 31/12/2025
SXI RE Funds	595.0	–1.1%
SXI RE Shares	4'491.2	–0.6%

Commodities		since 31/12/2025
Oil (WTI; $/Bbl.)	91.9	+60.0%
Gold (CHF/kg)	111'934.7	+1.7%
Bitcoin (USD)	82'438.6	–5.9%

Currencies		since 31/12/2025
EUR/CHF	0.9299	–0.1%
USD/CHF	0.8301	+4.7%
EUR/USD	1.1200	–4.6%

Short-term interest rates

	3-m	3-m. fcst.	12-m. fcst.
CHF	-0.04%	-0.1%–0.0%	0.2%–0.4%
EUR	2.63%	2.9%–3.1%	2.5%–2.7%
USD	4.03%	4.0%–4.2%	3.6%–3.8%

Long-term interest rates

	10-years	3-m. fcst.	12-m. fcst.
CHF	0.57%	0.2%–0.5%	0.4%–0.7%
EUR	3.46%	3.2%–3.5%	2.8%–3.2%
USD	5.24%	4.4%–4.8%	4.2%–4.6%

Inflation

	2025	2026P	2027P
Schweiz	0.1%	0.6%	0.7%
Euroraum	2.2%	2.7%	2.2%
USA	3.0%	3.5%	2.6%

Economy (real GDP)

	2025	2026P	2027P
Switzerland	1.2%	1.6%	1.6%
Eurozone	1.4%	1.5%	1.7%
USA	2.3%	2.3%	2.2%
Global	3.0%	3.1%	3.2%

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Topic of the week: IMF Annual Meeting in Bangkok



Image source: StockMarketVisuals – stock.adobe.com

Last week, one observation was particularly intriguing, as we witnessed a reversal of traditional market hierarchies in Paris. Traditionally, government bonds are considered the benchmark for safety in the bond market, but that is no longer the case: French corporate bonds worth around 215 billion euros are currently trading as if they were safer than government bonds. Companies with solid balance sheets and a clear strategy are clearly preferred over government bonds.

About 38% of corporate bonds in France—such as those issued by L'Oréal, Air Liquide, and TotalEnergies—had lower yields than government bonds with comparable maturities. This decoupling illustrates just how strong the demand for corporate bonds is and how weak confidence in the government is. Globally, there is significant concern about France's failure to meet its deficit targets, the deadlock over a new national budget, and the presidential election in about six months.

The International Monetary Fund (IMF), which typically steps in when poor countries face a debt crisis, is now concerned not only about France but also, more broadly, about the United States, Europe, and Japan. Their borrowing costs have risen to multi-year highs. To service the higher borrowing costs resulting from historically high government debt, even more loans are being taken out, which can create a vicious cycle. This will be the main topic at the IMF Annual Meeting starting today. Governments will have difficulty maintaining current levels of spending on other priorities for their citizens.

The combination of rising energy prices, inflation, and interest rates is particularly concerning because debt in advanced economies is at a historic high. This debt is a legacy of the era of cheap money, during which many social benefits were increased, and of the refinancing costs that have since risen. Even before the recent phase of even higher interest rates, governments in the "rich" world were paying over $3.3 trillion annually in interest. Consequently, more and more money is needed not to finance the future, but to finance the past.

Aid from the IMF is always tied to reform programs. Currently, governments in countries such as the United Kingdom, France, and Germany still believe they can manage the future without reforms. This is arguably the greatest mistake in current politics.

The most important data points in the new week

October 12, 2026	Bangkok: IMF and World Bank Annual Meetings / World Economic Outlook
October 13, 2026	Riyadh: Global WPC Energy Congress (through October 15)
October 14, 2026	China, U.S.: September CPI inflation, U.S. Beige Book
October 15, 2026	U.S.: September PPI inflation, October Empire Manufacturing Index

Events

Introduction Event for Private Individuals – Presented in English – Longevity II: Investing for a Longer Life – October 2026

Our next information session for individuals, held in English, will take place on Wednesday, October 21, 2026 at 6:00 p.m.
The event is aimed at English-speaking individuals who would like to get a feel for our company with no obligation.

Register here
(Event in English)

Zug Trade Fair 2026

We will once again be exhibiting at the Zug Trade Fair this year. The largest fall trade show for retail and commerce in Central Switzerland will take place **from Saturday, October 24, through Sunday, November 1, 2026** at the Stierenmarkt grounds in Zug.

We look forward to welcoming you to the Zug Fall Trade Fair in **Hall B1** at our **booth (B1.18).**

Find more information here.

Zugerberg Finance Economic and Stock Market Outlook – January 2027

The next Zugerberg Finance Economic and Stock Market Outlook will take place on **Wednesday, January 13, 2027,** at **the Theater Casino in Zug,** and on **Tuesday, January 19, 2027, at the KKL in Lucerne**.
Founder and CEO **Timo Dainese** will lead the program. Chief Economist **Prof. Dr. Maurice Pedergnana** will discuss the outlook for the economy and the capital markets.

Register here
(Event in Swiss German)

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