

Is Major Disinflation on the Horizon?

The main reason a year-end rally remains possible is likely disinflation. Oil prices have fallen sharply. Brent crude was recently trading at $118, and on Friday it was at $98. WTI crude fell from $105 to $90. This is not due to a slump in demand, but rather to the reduced risk premium. As long as U.S. President Donald Trump could credibly threaten military action, there was a high risk premium.

Now, however, his ally in the conflict, Benjamin Netanyahu, has failed to win re-election as Israeli prime minister. His opponent, Gadi Eisenkot, was tasked with forming a government. And the Republicans suffered a crushing defeat in the U.S. because the consequences of the war are more severe than the White House could have imagined. In any case, the war in the Middle East was the main cause of inflation and the longing for an “affordable” good life.

One can only agree with Vice President JD Vance, who stated that the war in Iran was largely responsible for the defeat. This led the market to conclude that the war in Iran is more likely to end through a negotiated settlement than through further escalation, even if the administration retains control of Congress for another two months. The Gulf states, which have fallen into a recession, do not want another escalation under any circumstances.

Two years ago, Trump was re-elected president because he promised two things: lower inflation and no more war. But sentiment on the capital markets also turned against him. He failed on the most important issue (inflation). With his war in the Middle East, he not only broke his campaign promise not to start a war but also triggered a global wave of inflation that drove the cost of living to painful heights for a large portion of the population, even in the U.S.

To “curb” inflation, central banks began raising key interest rates. However, the rising interest rates also drove up financing costs for governments and businesses, as well as housing costs. The defeat in the midterm elections was the consequence of this. Now the Trump–Netanyahu alliance has been weakened to such an extent that the prospect of a diplomatic solution has caused oil prices to fall.

At the same time, inflation expectations are also likely to decline in the coming weeks, and the need for further key interest rate hikes will disappear. If, instead, monetary easing is on the horizon in 2027, the trend on the stock markets could turn out to be extremely positive. Last week, the Swiss Market Index remained virtually unchanged at 14’796 points (-0.1%).

Market data

Stock markets		since 31/12/2025
SMI	14'796.5	+11.5%
SPI	20'831.8	+14.3%
DAX €	25'820.4	+5.4%
Euro Stoxx 50 €	6'170.5	+6.5%
S&P 500 $	7'376.9	+7.8%
Dow Jones $	51'285.7	+6.7%
Nasdaq $	24'579.4	+5.8%
MSCI EM $	1'502.3	+7.0%
MSCI World $	4'739.9	+7.0%

Bond markets		since 31/12/2025
SBI Dom Gov TR	221.3	–0.8%
SBI Corporate TR	121.9	+0.3%

Real estate markets		since 31/12/2025
SXI RE Funds	587.7	–2.3%
SXI RE Shares	4'796.7	+6.1%

Commodities		since 31/12/2025
Oil (WTI; $/Bbl.)	90.8	+58.2%
Gold (CHF/kg)	107'383.9	–2.4%
Bitcoin (USD)	75'822.1	–13.5%

Currencies		since 31/12/2025
EUR/CHF	0.9138	–1.8%
USD/CHF	0.8205	+3.5%
EUR/USD	1.1143	–5.1%

Short-term interest rates

	3-m	3-m. fcst.	12-m. fcst.
CHF	-0.04%	-0.1%–0.0%	0.2%–0.4%
EUR	2.79%	2.9%–3.1%	2.5%–2.7%
USD	4.06%	4.0%–4.2%	3.6%–3.8%

Long-term interest rates

	10-years	3-m. fcst.	12-m. fcst.
CHF	0.45%	0.2%–0.5%	0.4%–0.7%
EUR	3.23%	3.2%–3.5%	2.8%–3.2%
USD	4.86%	4.4%–4.8%	4.2%–4.6%

Inflation

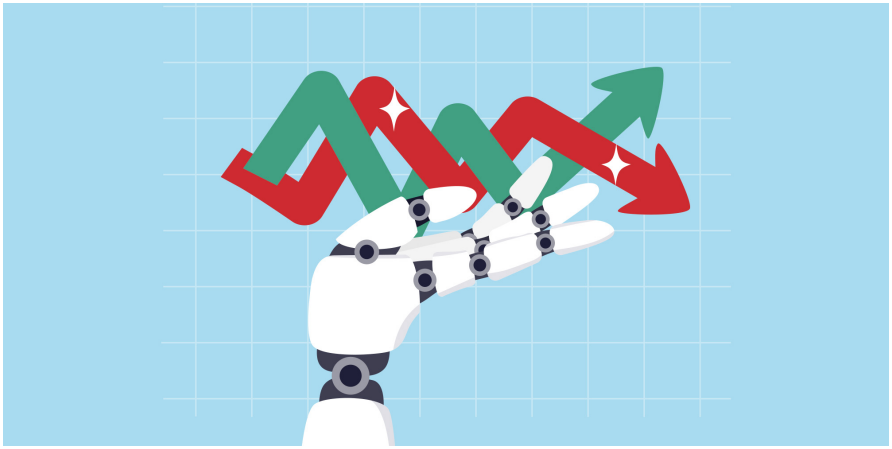
	2025	2026P	2027P
Schweiz	0.1%	0.6%	0.7%
Euroraum	2.2%	2.7%	2.2%
USA	3.0%	3.5%	2.6%

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: Tech Stocks Are Volatile



In the U.S. and Asia, tech stocks have been highly volatile recently. European stock markets, on the other hand, were less affected because tech stocks carry less weight in the indices here. Some investors took profits on stocks that had experienced an unprecedented rally. In some cases, this led to a sharp decline in AI stock prices.

Last week, the U.S. S&P 500 fell by about 2.7%, and the Nasdaq 100 dropped by 4.9%. Both indices have been in negative territory for four consecutive weeks. The pressure is unlikely to ease much this week either. The credit default swap markets are signaling rising credit risks for large AI-driven companies and are thus setting the tone for AI-related stock segments.

Credit spreads have been widening for some time now. However, it remains important to note that this widening spread is not a sign that the companies in question are headed for ruin. Higher spreads simply mean, for now, that the market assesses the risk as higher than in the past. Attention is increasingly turning to fundamentals, but companies that invest heavily accept high short-term expenses in the hope of reaping higher profits in the future.

It remains unclear whether the AI boom has already burst or if this is merely a temporary pause. If valuations fall, this could also create interesting opportunities. Analytical discipline is essential here. But a look back at history is always instructive. In the years following the dot-com bubble, Apple's stock price fell by 20% (March through May 2000), then by 74% (September through December 2000), followed by a 65% drop (January through June 2006), and finally by 61% (January through July 2008). Only those who weathered these swings were later able to benefit from the spectacular rise from around $5 to $342. Today, Apple is the company with the highest market capitalization.

We want to emphasize that it would be unwise to maintain a long-term portfolio without stocks that can benefit significantly from technological progress. Major trends such as artificial intelligence must not be ignored in investment decisions. However, it is by no means always the pure-play tech stocks that can translate progress into corporate value growth.

The most important data points in the new week

November 9, 2026	Eurozone: Sentix Index for November
November 11, 2026	U.S.: CPI core inflation and inflation October
November 12, 2026	United Kingdom: GDP growth and trade balance for the third quarter
November 13, 2026	Eurozone: GDP growth and employment for the third quarter

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