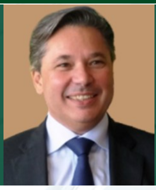
ECONOMIC RESEARCH | June 24th, 2025

Investments - Flash

M. Alain Freymond - Partner & CIO



GEOPOLITICS HAVE ECLIPSED TARIFF RISKS

Macroeconomic risks and uncertainties are likely to return

Between extreme concerns about a blockage of the Strait of Hormuz following the bombing of Iran's nuclear sites at weekend, and Trump's declaration of an imminent ceasefire between Iran and Israel, assessing geopolitical risks and their possible implications for crude oil prices and global growth is particularly hazardous at the end of this quarter. And yet, thanks to the 90-day truce, equity markets have recovered to pre-shock levels following the announcement of extreme tariffs on April 2. The fear of missing a stock market rally followed a phase of panic, but now complacency seems to have returned to the markets. Nothing has really changed on the tariff front, with only a few days to go before the end of the truce and the likelihood of new decisions. In the meantime, the month of June passed in relative indifference to economic news in the USA. Most statistics, in our view, pointed towards a decline in economic activity, industrial production, retail sales and consumer spending, while employment figures finally softened and uncertainty increased in the real estate sector. The Federal Reserve remains determined to maintain the status quo in the face of the risks of rising inflation, and is continuing with its restrictive policy. Only the PMI indices seem to be pointing towards an improvement in the situation, although this is not helping the dollar. Against this backdrop, geopolitical risks are adding considerable uncertainty to forecasts, but the fundamentals seem to us to be pointing once again towards a phase of risk for equity markets that investors have yet to perceive. Once again, we recommend caution, and suggest some welcome profit-taking at the end of Q2.