MIRABAUD
ASSET MANAGEMENT

MY SWITZERLAND

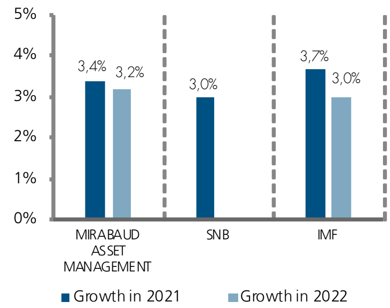
OCTOBER 2021

ECONOMIC CONTEXT

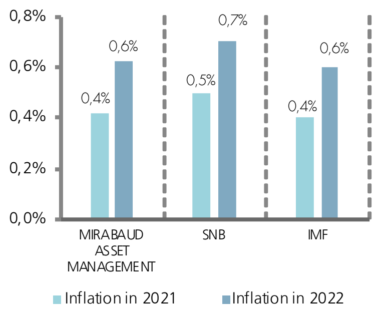
GLOBAL ECONOMY

Global growth will continue to slow, but will remain above its long-run potential rate in late 2021 and early 2022. The manufacturing cycle has slowed more sharply since the summer, affected by shortages in global supply chains. However, the rise in certain prices should ease next year as the global economy reopens more fully and as labour force participation rates increase as a result. The world economy will be supported by developed countries. In the UK and US, central banks signalled a shift in monetary policy during September, whereas the European Central Bank remains resolutely dovish.

OUR FORECASTS FOR SWITZERLAND



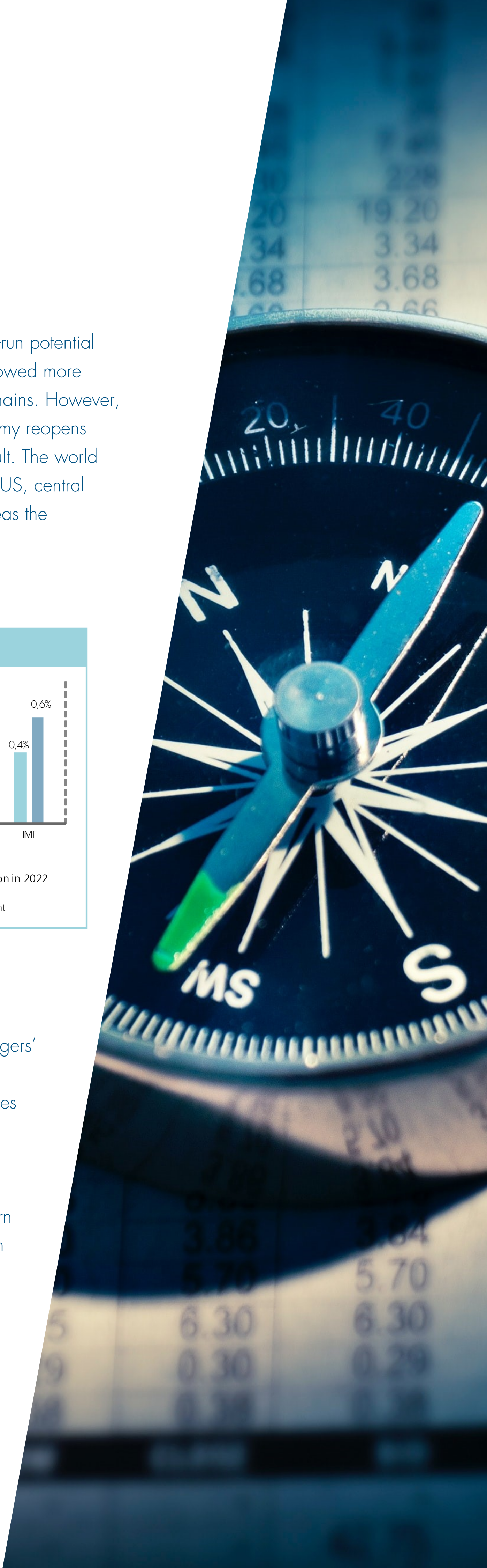
Sources: IMF, SNB, Mirabaud Asset Management



Sources: IMF, SNB, Mirabaud Asset Management

IN SWITZERLAND

In Switzerland, the economy will continue to grow in late 2021, although growth peaked in the summer. The PMI (purchasing managers' index) for the manufacturing sector remained high in September, showing that demand for goods remains strong. However companies in Switzerland, like elsewhere, are seeing an increase in suppliers' delivery times. The service sector continued the positive trend established since mobility restrictions were lifted. Consumer confidence rose significantly in the third quarter, leading to an upturn in consumer spending. This increase in confidence stems partly from the improvement in the job market, where the unemployment rate remains below 3% and has continued to fall.



FINANCIAL MARKETS

MARKET REVIEW

In Switzerland, the outlook for bonds remains unpromising. The 10-year government bond yield rose 16 basis points to end the month at -0.18%. Although the Swiss central bank left its policy unchanged, the sovereign yield curve steepened, as did those in the US and Germany. The US Federal Reserve's less accommodative tone affected all developed countries. The Swiss equity market index (SMI) fell by more than 6% in September, affected by concerns about slower Chinese growth and its impact on the global economy, and by inflation worries. The Swiss market fell more than those in other developed countries because it is more defensive, with higher weightings for the healthcare and consumer staples sectors, which underperform when interest rates are rising. Finally, the dollar rose against most other currencies, including the Swiss franc, as the Fed moves towards a cycle of rate hikes.

OUR CONVICTIONS

We remain wary of sovereign bonds. In September, we extended our double underweight position to bonds in Switzerland and Europe. Real yields are still too low given the current economic environment and the risks for sovereign bonds remain asymmetric, with plenty of scope for yields to rise further. Slower global growth and concerns that global supply-chain disruption will continue are negative factors for equity markets. In those circumstances, we expect that equity markets in Switzerland and other developed countries will move sideways in the short to medium term, and that sector rotation will be less pronounced. As regards exchange rates, we remain cautious on the Swiss franc against the euro and the dollar between now and year-end. With global growth set to remain above its long-run potential rate until early 2022, demand for this kind of safe-haven currency will remain limited. In addition, the Swiss central bank remains very accommodative, unlike the Fed.

EQUITY ALLOCATION	
Swiss equities SMI	
Swiss equities SPI Extra	
US equities	
European equities	

BOND ALLOCATION	
Swiss sovereign bonds	
Foreign sovereign bonds	
Swiss corporate bonds (IG)	
Foreign corporate bonds (IG)	
High yield	

SWISS FRANC		Dec 2021	June 2022
EUR/CHF	Our view	▲	▲
	Consensus	1.09	1.11
USD/CHF	Our view	▲	▲
	Consensus	0.93	0.94

Double overweight
Overweight
Underweight
Double underweight
Neutral

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