



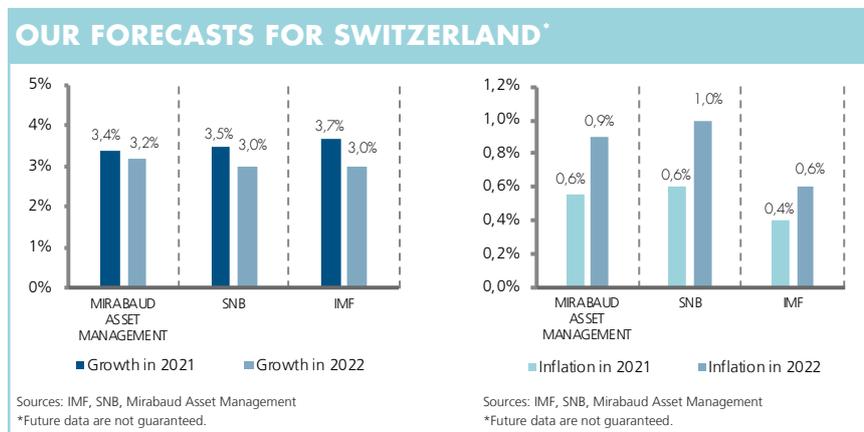
MY SWITZERLAND

DECEMBER 2021

ECONOMIC CONTEXT /

GLOBAL ECONOMY

The world's economies are holding their breath while waiting for news about how dangerous the new Omicron variant is. It will be vital to find out how effective current vaccines are or whether new ones are needed. The reintroduction of travel restrictions brings with it downside risks for global growth in the near term. However, we believe that developed economies are better equipped to deal with this new wave than they were in 2020. Vaccination rates are rising, antiviral treatments are being developed and economies appear to be less badly affected by restrictions, which are also more targeted than before. This is why we are maintaining our growth scenario for 2022.



IN SWITZERLAND

The Swiss GDP is now above its pre-crisis level, due to the continuing recovery in the third quarter (sequential growth of 1.7%), driven by firm domestic demand. The hospitality sector rebounded strongly and the manufacturing sector continued to make headway. At the end of the fourth quarter, growth will slow temporarily as tougher anti-Covid measures are adopted. Manufacturing could be affected by a potential resurgence of supply-chain problems. In 2022, however, growth will be supported by pent-up demand, which will be particularly visible in consumer spending. The gradual decline in unemployment will also be a positive development.



FINANCIAL MARKETS /

MARKET REVIEW

US and European equity markets saw a correction in November. The Swiss market outperformed, ending the month slightly higher. Markets suffered from the latest wave of Covid infections and the discovery of the new Omicron variant in South Africa. The news prompted governments in many countries, including Switzerland, to impose new restrictions. This will have a negative impact on upcoming economic survey results and on corporate earnings momentum. Bond markets delivered positive returns due to their safe-haven status, particularly Swiss government bonds. This was despite ongoing high inflation figures. With Covid cases rising again in Europe, the euro lost ground against the Swiss franc, while both the US dollar and Swiss franc fulfilled their roles as safe havens. Swiss real-estate funds posted positive returns, supported by a strong domestic real-estate market and attractive dividend yields compared with Swiss bond yields.

OUR CONVICTIONS

We decided to cut our equity exposure in November and are now slightly underweight on Swiss stocks. Central bank policy tightening and new Covid restrictions remain sources of uncertainty in the near term. We have adopted a more cautious stance in the run up to the year end, until visibility on these issues improves. For 2022, we remain positive on the economic cycle and on financial markets. The Swiss equity market will be supported by progress in terms of vaccinations and antiviral drugs, and by fiscal stimulus. In terms of our sector allocation, we are maintaining a bias towards cyclical sectors and technology. We remain negative on government bonds because of inflationary pressure and abnormally negative real yields. We are still positive on the dollar against the euro and Swiss franc, because it will remain underpinned by a more hawkish US Federal Reserve. The Swiss real-estate market will continue to offer yields significantly higher than those available from money-market and bond investments.

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

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

SWISS FRANC		June 2022	Dec 2022
EUR/CHF	Our view	Down	Down
	Consensus	1.07	1.09
USD/CHF	Our view	Up	Up
	Consensus	0.94	0.93

■ Double overweight ■ Overweight
■ Underweight ■ Double underweight
■ Neutral

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