MIRABAUD
ASSET MANAGEMENT

MY SWITZERLAND

FEBRUARY 2022

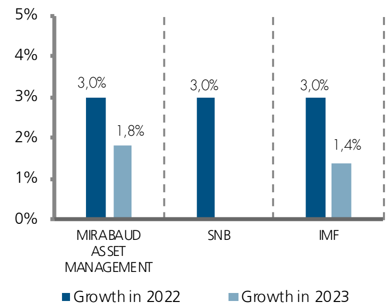
February 2022

ECONOMIC CONTEXT

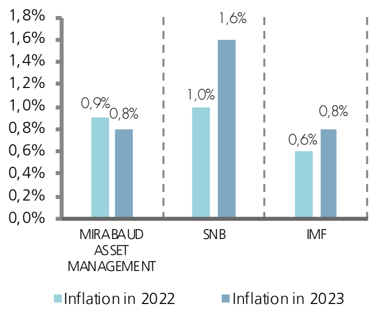
GLOBAL ECONOMY

The world economy is slowing because of mobility restrictions and inflation remains high. Although late 2021 brought an improvement on the supply-chain front along with inventory rebuilding by businesses, the spread of Omicron in China could cause supply-chain problems to continue. There is still some serious inflationary pressure, which means the US will tighten monetary policy more quickly than previously thought, while in the eurozone, the European Central Bank (ECB) has adopted a less accommodative tone. Global economic indicators are weakening less than in previous waves of the pandemic, and growth is expected to recover from the second quarter onwards.

OUR FORECASTS FOR SWITZERLAND*



Sources: IMF, SNB, Mirabaud Asset Management
*Future data are not guaranteed.



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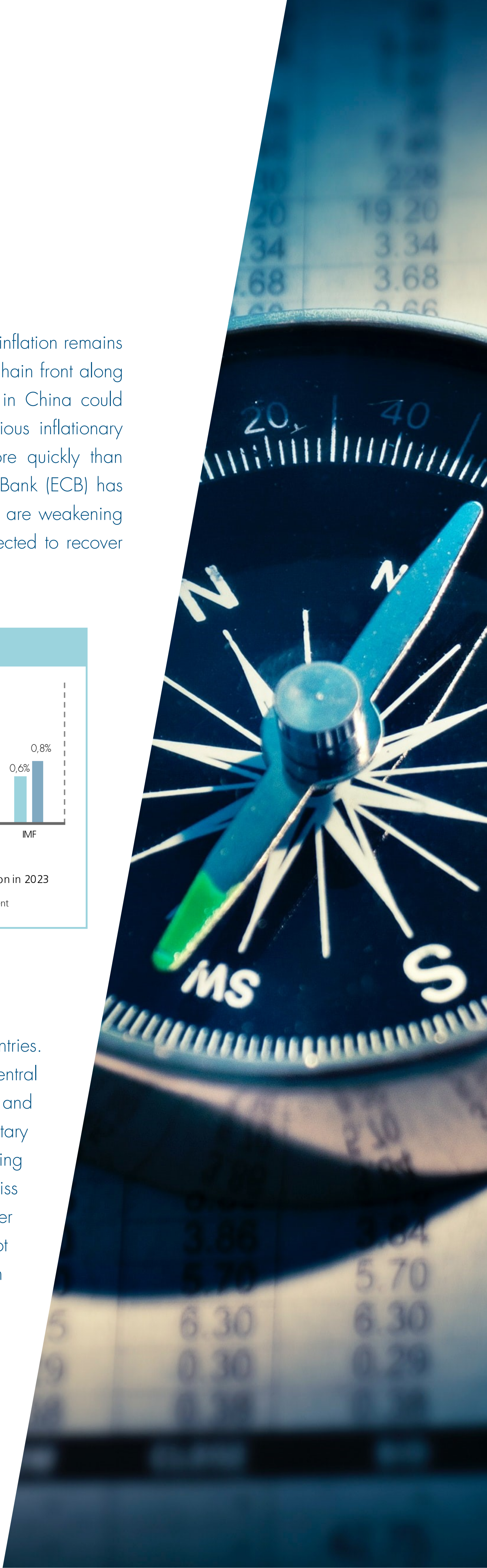
IN SWITZERLAND

In Switzerland, inflation remains lower than in most developed countries. It was at 1.6% in January, in line with the target set by the Swiss central bank (SNB), which is in less of a hurry to raise rates than its US and UK counterparts. However, the ECB's pivot towards monetary tightening could allow the SNB to move gradually towards removing negative interest rates without fear of prompting a rise in the Swiss franc against the euro. As with the ECB, therefore, we can no longer rule out a rate hike by the end of the year, although that is not currently our core scenario. The economic outlook remains good in Switzerland according to the KOF economic barometer, and growth should rebound in the next few months.



FINANCIAL MARKETS

MARKET REVIEW

Equity markets saw a correction in January. This was due to geopolitical tensions between Russia and Ukraine and the much more hawkish tone adopted by the US central bank, which is opening the way to a reduction in its balance sheet and rate hikes. There are concerns that the deterioration in financial conditions will adversely affect growth in economic output and corporate earnings. In addition, at a time of rising interest rates, valuations are becoming less attractive even though the current earnings season is ending on an encouraging note, with earnings generally beating expectations. Bond markets also corrected in January. Tighter monetary policies and high inflation are continuing to drive up bond yields, which are gradually converging with inflation rates.

OUR CONVICTIONS

We now expect the Fed to carry out at least four rate hikes this year, and announcements regarding its plan to shrink its balance sheet are likely to come in the second quarter. Looking beyond the January correction and the slower economic growth expected in the first quarter, we remain positive about the global environment and we remain invested in equities. The post-Omicron upturn should support growth in corporate earnings and allow global production chains to recover. In sector terms, we have increased our bias towards value stocks, which tend to outperform when interest rates are rising. Interest rates will continue to climb as monetary policy normalisation takes place in the US and UK. We are therefore maintaining our underweight positioning on bonds, and we have reduced our bias towards credit by reducing positions on investment-grade paper.

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

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

SWISS FRANC		June 2022	Dec 2022
EUR/CHF	Our view	▼	▼
	Consensus	1.06	1.08
USD/CHF	Our view	▲	▲
	Consensus	0.93	0.93

Double overweight
Overweight
Underweight
Double underweight
Neutral

IMPORTANT INFORMATION

This document is issued by: Mirabaud Asset Management (Switzerland) Ltd, 29, boulevard Georges-Favon, 1204 Geneva, Switzerland.