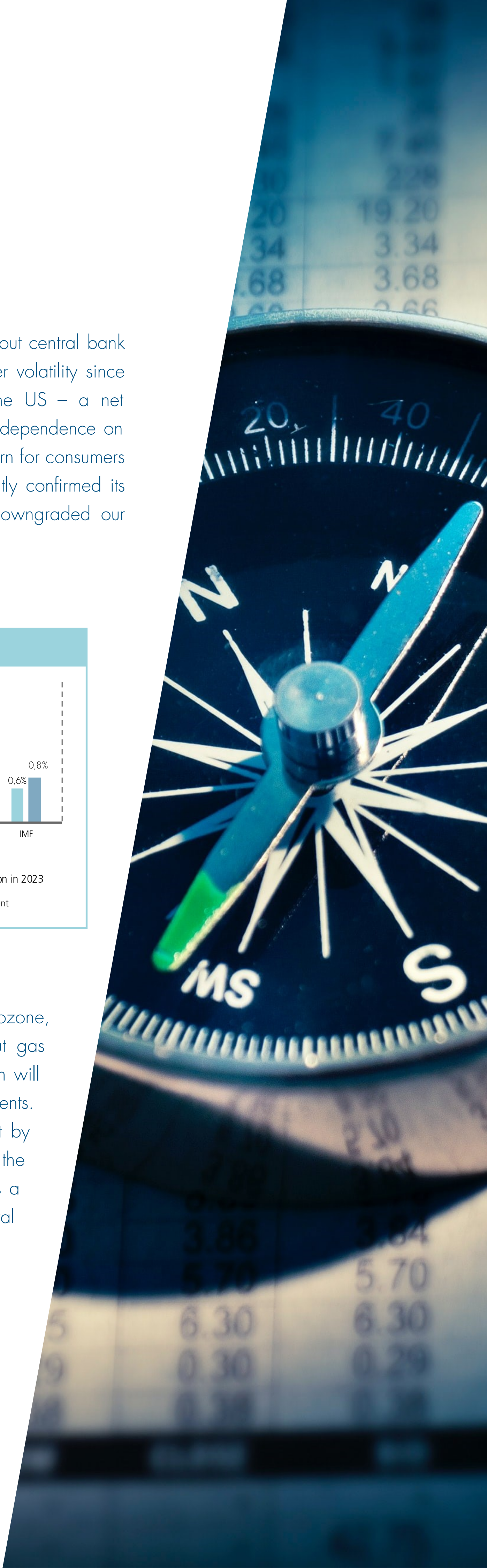
MIRABAUD
ASSET MANAGEMENT

MY SWITZERLAND

MARCH 2022

March 2022

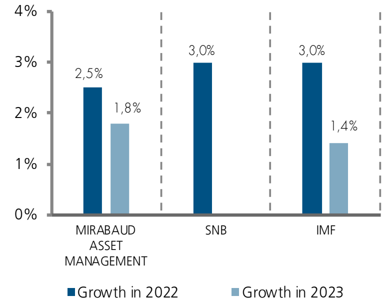
ECONOMIC CONTEXT



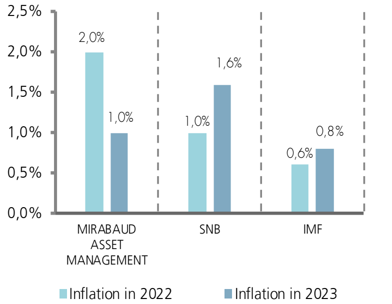
GLOBAL ECONOMY

At a time when there was already a great deal of uncertainty about central bank monetary policies, Russia's invasion of Ukraine has led to greater volatility since February. Europe seems economically more vulnerable than the US – a net exporter of energy – because of its proximity to Ukraine and its dependence on Russian natural gas. Energy prices were already a source of concern for consumers and the European Central Bank. In addition, the ECB has recently confirmed its more hawkish pivot, and so, in the circumstances, we have downgraded our eurozone growth forecasts for 2022.

OUR FORECASTS FOR SWITZERLAND*



Sources: IMF, SNB, Mirabaud Asset Management
*Future data are not guaranteed.
Growth forecast for 2023 not released by the SNB.



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IN SWITZERLAND

Switzerland is less economically dependent on gas than the eurozone, and will therefore not be directly affected by uncertainty about gas supplies. However, higher oil prices and slower European growth will still affect Swiss output and confidence levels among economic agents. We have therefore cut our growth forecasts for Switzerland, but by less than our eurozone forecasts. Inflationary pressure caused by the energy shock will be partly offset by the stronger Swiss franc. As a result, imported inflation should be limited this year, and total inflation should remain around 2% on average.

FINANCIAL MARKETS

MARKET REVIEW

The war in Ukraine has jolted the world's equity markets, which lost almost 3% in February. Geopolitical uncertainties are exacerbating a situation in which central banks are withdrawing liquidity and raising interest rates. The Swiss equity market outperformed despite its lack of exposure to the energy sector, which rebounded strongly in February. The SMI was helped by its limited exposure to the technology sector, which is currently suffering because of rising interest rates, and this situation has continued in March. Sovereign bonds continued to see their prices fall despite the global geopolitical context, and largely failed to fulfil their safe-haven role. Inflation is continuing to rise, and developed-country central banks do not seem prepared to veer from their current course of monetary tightening. Switzerland's 10-year government bond yield rose 16 basis points to end February at 0.23%. The worrying backdrop caused the Swiss franc to rally against the euro and it briefly touched parity, before the Swiss National Bank intervened in the forex market to prevent the franc strengthening further.

OUR CONVICTIONS

In the circumstances, we are maintaining an underweight position on equities overall. Sentiment regarding earnings is starting to deteriorate. If the energy shock continues, it could adversely affect companies' profit margins and earnings outlook. In Europe, valuations have moved back to attractive levels, close to their long-run average, and so we are favouring this region, particularly through overweight positions on Swiss and UK stocks. We are maintaining our negative stance on bonds. Corporate bonds do not offer a sufficient yield pick-up to compensate for rising interest rates and credit spreads. Given the uncertainty about European growth, we are more cautious about European high-yield bonds and prefer the US high-yield segment, which benefits from its greater exposure to the energy sector. We have also increased our positions on gold and we remain positive on the Swiss franc, with both of these assets benefiting from their safe-haven status.

EQUITY ALLOCATION	
Swiss equities SMI	Overweight
Swiss equities SPI Extra	Overweight
US equities	Underweight
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	1.05	1.07
USD/CHF	Our view	▲	▲
	Consensus	0.93	0.92

Double overweight
Overweight
Underweight
Double underweight
Neutral

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