MIRABAUD
ASSET MANAGEMENT

MY SWITZERLAND

JUNE 2022

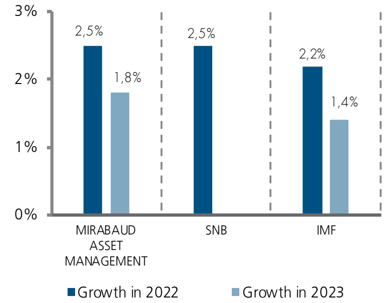
June 2022

ECONOMIC CONTEXT

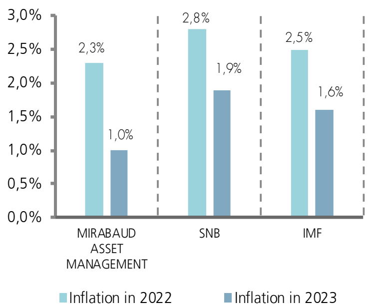
GLOBAL ECONOMY

The economic slowdown will continue until the end of the year, in the wake of the combined impacts of higher commodity prices, supply difficulties as well as ongoing monetary tightening in most countries. The ECB is expected to raise its deposit rate in the euro area at its July meeting and to quickly exit its negative rate policy. Inflation in developed countries will slow at the end of the year with base effects on energy components and economic moderation. Although its future evolution is made somewhat uncertain as a result of rising food inflation. Against this backdrop, the majority of investor concerns are now focused on the trajectory of economic growth, in addition to inflation.

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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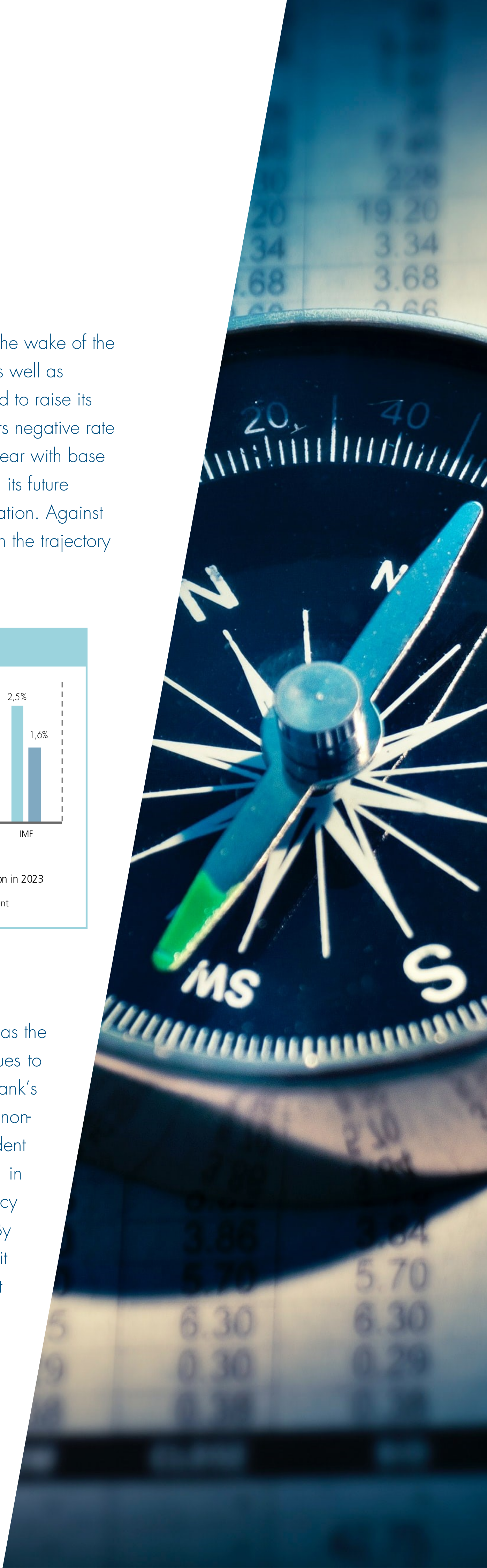
IN SWITZERLAND

Swiss inflation remains at much lower levels than in the euro area, as the strong franc keeps imported inflation in check. However, it continues to grow, and at almost 3%, it is now above the Swiss central bank's target. On the other hand, price pressures now extend to the non-energy and food sectors. In view of this rise, the SNB's vice-president stated that the central bank would be ready to act if the rise in inflation continued. In fact, a 50 basis point increase in the policy rate was announced in June, by the SNB, bringing it to -0.25%. By following the ECB's monetary tightening, the SNB could also exit the negative interest rate policy without causing a major movement in the franc.



FINANCIAL MARKETS

MARKET REVIEW

The downward trend in equity markets continued until mid-May. The rebound at the end of the month due to the Fed's slightly less aggressive announcements finally allowed the S&P 500 to record a stable monthly performance, but the European market is still lagging with the restrictive tone adopted by the ECB. In Switzerland, the SMI was down more than 4% over the month. For the same reasons, there was a divergence between sovereign bonds in Europe and the United States. The US 10-year sovereign rate has fallen by almost ten basis points and is back around 3%. In contrast, the German sovereign rate of the same maturity continued its upward movement, as did the Swiss 10-year government bond yield, although to a lesser extent. The later ended May at 0.86%.

OUR CONVICTIONS

We maintain our underexposure to the equity markets. The risks of recession have increased significantly over a 24-month horizon due to the intensification of monetary tightening by central banks. These elements are unlikely to reassure expectations on corporate earnings, which will be one of the main drivers of equity market performance this year, given the withdrawal of liquidity which negatively affecting valuations. We remain cautious on growth stocks within the equity portfolio. We also continued our repositioning towards defensive sectors at the expense of cyclical ones. As inflation remains high, the rise in bond yields is likely to continue. We remain underweight bonds and maintain our objective of gradually increasing bonds duration in our portfolios considering recession risks. Finally, given the ongoing geopolitical uncertainty, we remain positive on the Swiss franc, although its room for appreciation is limited.

IMPORTANT INFORMATION

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