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Market Insights
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Essentials

Confidence indicators are back in neutral territory following two straight weeks of losses on the S&P 500 (and the Nasdaq). However, this consolidation is probably not enough – we think it's still too early to return to US equities, which remain over-priced.

Chinese exports grew at a faster pace in August, up 9.5% compared with the year-earlier period. Although they beat expectations, exports are still likely to drop off in the longer term. The COVID-19 pandemic should start to take its toll in the coming months, even if the global economy picks up.

In the midst of the tough negotiations between the UK and the EU, Boris Johnson announced that he wants to override parts of the Brexit deal, especially those concerning trade with Northern Ireland. This prompted the pound to plummet, reflecting the increased likelihood of a hard Brexit.

	USD / CHF	EUR / CHF	GBP / CHF	EQUITIES SWITZERLAND	EQUITIES EUROPE	EQUITIES USA	EQUITIES JAPAN	EQUITIES EMERGING	GOLD	OIL	ALTERNATIVE FUNDS
*Trend	↓	↘	↓	↑	↑	↓	↑	↘	↗	↓	→
% YTD	-6.0%	-0.8%	-9.3%	-1.7%	-11.5%	3.4%	-4.9%	-2.1%	27.9%	-39.7%	1.3%

↓ : < -1% ↘ : -1 to -0.25% → : -0.25 to + 0.25% ↗ : + 0.25 to 1% ↑ : > 1%

*Weekly trend

The ECB hasn't yet tried to rein in the euro

Daniel Varela
Chief Investment Officer

Last week, the European Central Bank (ECB) held its monetary policy meeting – just a few days after the US Federal Reserve signalled a major policy shift. The Fed said that it would be prioritising economic growth over price stability, setting aside a policy that most major central banks have been following for the past 40 years. It also said that it was ready to tolerate inflation above the 2% threshold going forward. This means that investors can expect the Fed to keep monetary policy extremely loose for longer than initially planned. The ECB, which is also in the midst of a strategic review, had been expected to factor in this change of course by the Fed, especially since inflation figures are still well below target – prices in the EU actually fell by 0.2% year on year in August. Unfortunately, the ECB somewhat dampened investors' expectations, as it thinks this negative inflation will be very short-lived. Yet disinflationary pressures have been mounting in Europe recently. The euro has gained close to 10% against the US dollar, which means that imported prices have dropped sharply on a large proportion of goods and materials entering the eurozone. ECB president Christine Lagarde did announce that the central bank's stimulus programme and very accommodative monetary policy would remain in place. But she may need to do more to rein in the euro, as a stronger single currency could threaten the region's economic recovery at a time when the public-health situation is deteriorating in Europe. The next ECB meeting is scheduled to take place at the end of October. In the meantime, the tough Brexit negotiations could weigh on the euro briefly, which would give the ECB some breathing room. But if the single currency rises further against the dollar, Ms Lagarde will have to respond. The ECB's very dogmatic approach has hurt the EU economy in the past. Let's not forget that the ECB raised interest rates in the summer of 2008, just a few weeks before one of the worst financial crises in history. For the moment, Christine Lagarde has done a good job of managing a crisis so early in her term. But if the economy stalls because the euro rises too sharply, it won't do her credibility any good.

USA – a new face in the White House?

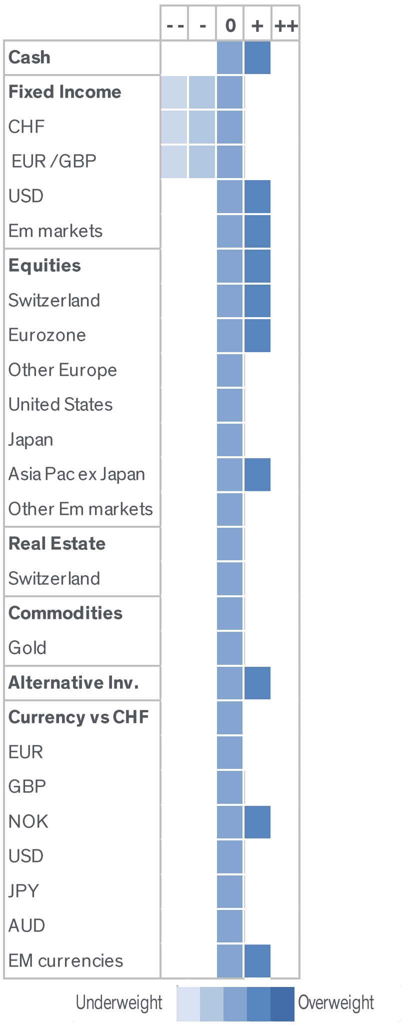
Daniel Steck
Investment analyst & manager

With just a month and a half to go before the US presidential election, the polls suggest that the Democratic candidate Joe Biden will win by a large majority. The incumbent president's popularity has been severely dented by his chaotic management of the pandemic and his handling of the protests against police violence – even among some of his fellow Republicans.

Even though it looks like the Democrats will take the White House, US equities haven't started to underperform like they usually do in this scenario. US stock markets have been more volatile in recent weeks, but investors are more concerned about tech stocks being over-priced than about the upcoming election.

Firstly, that's because Joe Biden is a very moderate Democrat. It's safe to say that if Bernie Sanders were running for office and looked set to win, the stock markets would be reacting quite differently. What's more, the issues that are important to Democrats but detrimental to the stock markets have been side-lined during this unusual campaign season. Because of the economic slump and ongoing public-health crisis, there's been no talk about raising corporate tax rates or putting any pressure on the health-care sector. Finally, even though investors were rooting for Donald Trump last time around, he's really tested their patience since then and they may be ready for a more conventional president. Unless, of course, Donald Trump defies the polls – like he did last time.

Synoptic view



Recent Recommendations

Adobe Inc	Hold	September 8, 2020
Rolls Royce	Sell	September 3, 2020
Standard Chartered	Sell	September 2, 2020
Banco Comercial Portugues	Hold	September 1, 2020
Aroundtown SA	Hold	September 1, 2020
Alcon Inc	Hold	August 19, 2020

Our "expertise" events

Piguet Galland organises regular events for its clients. Please do not hesitate to register on our website: https://www.piguetgalland.ch/fr/agenda/

Do not hesitate to contact your adviser or write to us at the following e-mail address : advisory@piguetgalland.ch