



Piguet Galland & you.

Market Insights

No. 219 - April 26, 2021

Essentials

The UK's Purchasing Managers' Index (PMI) bounced back this month. With the easing of restrictions, the services sector gained more ground than manufacturing. The eurozone's PMIs also picked up, but to a lesser extent given that the region is lagging behind in the vaccine rollout. However, the services sector is back in expansion mode, which is encouraging

The Bank of Canada announced that it would reduce its monthly purchases of government bonds by a quarter, making Canada the first developed country to begin scaling back its economic stimulus. The Canadian dollar was buoyed by the news and made gains on most currencies last week.

The Indian stock market has underperformed the wider region, losing close to 2% as the country's public health situation goes from bad to worse. Daily COVID-19 infections have climbed to 350,000 – a reminder of the risks faced by countries that fall behind in their vaccination campaigns. The Central Bank of India reiterated the need to keep monetary policy loose in light of the surge in cases.

	USD / CHF	EUR / CHF	GBP / CHF	EQUITIES SWITZERLAND	EQUITIES EUROPE	EQUITIES USA	EQUITIES JAPAN	EQUITIES EMERGING	GOLD	OIL	ALTERNATIVE FUNDS
*Trend	↘	→	↘	↘	↘	→	↓	↗	→	↘	→
% YTD	3.3%	2.2%	4.8%	4.6%	13.0%	11.3%	6.1%	4.8%	-6.4%	27.6%	2.3%

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

*Weekly trend

Switzerland – a favourable environment



Daniel Steck
Investment analyst and manager

Since we increased our exposure to Swiss equities in January, domestic indexes have levelled off after underperforming considerably for nearly nine months. Yet they still haven't fully caught up, and we think it still makes sense to overweight this market in portfolios.

It's becoming increasingly difficult to explain why Swiss equities are trading at a discount of almost 5% relative to global equities. Normally, SPI stocks trade at a premium of 5–10% to global stock market indexes. But it's true that the domestic market is very defensive, which holds it back in the current climate. Still, we're likely to see more synchronised growth across the globe, which should be a boon for the Swiss stock market, including its highest quality companies. Economic indicators are pointing

upwards, and analysts have begun revising up their 2021 earnings forecasts for Swiss companies. This trend is still in its early stages: there could potentially be many positive surprises in 2021 and 2022, which should prompt Swiss stocks to rise more sharply.

What's more, the Swiss franc's strong run has reached an end. Over the past four quarters, the euro has gained ground against the franc. More recently, the rise in US interest rates has also pulled the franc down against the dollar. These trends increase the appeal of Swiss exports – a key component of GDP – and are likely to drive up Swiss corporate earnings even further.

We therefore remain bullish on Swiss equities, which, at current levels, are still extremely attractive compared with other financial assets and global equities. They will have a lot of upside potential over the

coming quarters, once the early-cycle euphoria has ended. We still recommend balancing exposure between high-quality blue chips and cyclical small caps, which will be the first to be lifted by the improving global climate.

Hedge funds – a solid trend



Léonard Dorsaz
Investment analyst and manager

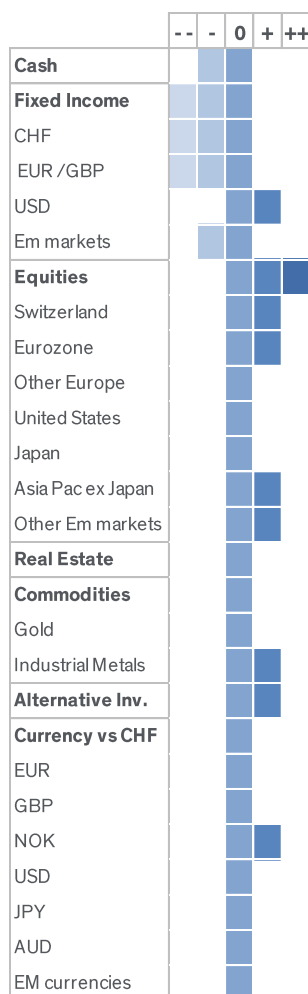
In the first quarter, alternative funds kept up the momentum they enjoyed in 2020, making similar gains as the stock markets. And a closer look at their performance reaffirms our bullish stance on these funds. While the solid stock market uptrend certainly boosted alternative funds, managers also handled the sharp rotation from growth to value stocks very well.

Alternative managers demonstrated that they have the capacity to adapt, suggesting that the industry has ended its dry spell and shaken off the excesses of the previous decade. Other investors seem to think the same, and this renewed interest has led to large net inflows into these funds.

We continue to recommend a diversified approach. Long/short equity managers are doing very well in the current climate: price

dispersion and uncertainty are both high, which is good news for managers that have the resources to conduct fundamental research in-house. We've added some less directional products as well, including both arbitrage and volatility-based strategies.

Synoptic view



Underweight Overweight

Recent Recommendations

Lafargeholcim Ltd	Buy	April 23, 2021
Cie Financière Richemo	Buy	April 22, 2021
Roche Holding AG	Buy	April 22, 2021
Koninklijke KPN NV	Sell	April 21, 2021
Daimler AG	Sell	April 20, 2021
Bank of America Corp	Hold	April 20, 2021

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