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Market Insights
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Essentials

After getting the green light from the European Commission, Italy's five-year stimulus package, worth 15% of GDP, was approved by parliament. This will help the country to return to more sustainable growth in the medium term. And these positive developments – coupled with Mario Draghi's new role – should eventually lead to a decline in the political risk premium on the Italian stock market.

Eurozone GDP contracted by 0.6% in the first quarter, sending the region into a technical recession. However, the sharp rebound in leading indicators shows that the economic recovery is now on track, thanks in part to the accelerating vaccination campaign. Domestic demand will almost certainly be the main driver of growth.

US consumer confidence indicators improved considerably in April. Recent cash payouts to households, the drop in unemployment and the rapid vaccine rollout have all boosted consumer sentiment. However, these indicators are still below their early-2020, pre-crisis levels.

	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%	2.6%

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

*Weekly trend

The Fed is unfazed by rapid growth

Daniel Varela
Chief Investment Officer

US growth has bounced back decisively in recent months, with GDP rising at an annual rate of over 6% in Q1. Domestic output should pick up further, as restrictions on people's movements are set to ease in the near future. That's because the vaccination campaign is well underway in the US, with close to 250 million vaccines administered so far and about half of the population having received at least one dose. The savings rate is at a record high and demand in the services sector has been suppressed for too long, so consumer spending is likely to skyrocket this summer. Hospitality, leisure, travel and tourism should be boosted the most by this desire to start spending and get back to normal.

It was against this favourable backdrop that the Fed's Federal Open Market Committee met last week. Although no one expected a change in policy, investors and economists – on the lookout for any sign of imminent policy tightening – were very much waiting to hear what Fed chair Jerome Powell had to say. Most market observers think that a rate hike is still a long way off, but that tapering will come sooner. For now at least, the Fed doesn't seem to be getting ready to make any changes. Mr Powell acknowledged that the economic environment had improved considerably, but said that "substantial further progress" was needed. In addition, he remains convinced that the recent spike in inflation figures is temporary. It comes as no surprise that the Fed is holding off: Fed officials don't want to take the risk of withdrawing support too early and instead prefer to wait until the pandemic is fully under control in the US and retreating elsewhere in the world. For the time being, the markets seem to approve of this approach. After coming under strong pressure at the start of the year, bond yields have levelled off. And despite the recent consolidation, Wall Street is still close to its record highs. One thing is for sure: we're entering a period when every word from the Fed will be carefully analysed.

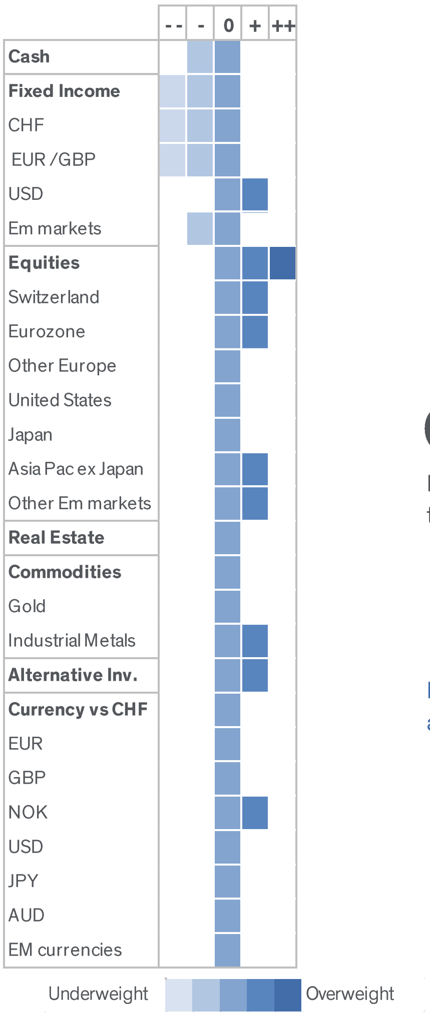
Commodities – a secular or cyclical rise?

Léonard Dorsaz
Investment analyst and manager

Encouraged by the buoyant market trend, investors are getting ready for an uptick in commodities, which have been underperforming risk assets for more than ten years now. And there's no shortage of reasons for their enthusiasm. Monetary and fiscal policies are very accommodative, and tolerance for a rise in inflation is high – this could help to drive up growth, at a time when inventories are low. The transition to a low-carbon economy should also increase demand for certain commodities. Electric cars, for instance, contain between 1.5 and 20 times more copper than fossil fuel cars. And wind turbines and solar panels require between 1.5 and 6 times as much copper as conventional power generation. Spurred by these factors, industrial metals are already on the rise after consolidating for just two months. And they're now back at their 2011 levels. Regardless of whether or not this is the start of another supercycle, it will take time for production capacities to adjust, so the current trend could continue. Record highs are just around the corner, and industrial metals are still our preferred segment.

Gold is in a tougher spot. We still think it has appeal over the long term, but its recent performance has been disappointing despite the very bearish sentiment. We are therefore waiting for better entry points.

Synoptic view



Recent Recommendations

Schindler	Buy	April 30, 2021
Moncler SPA	Hold	April 27, 2021
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

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