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Market Insights
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Essentials

Sequential growth in China's total social financing – a broad measure of credit and liquidity in the economy – slowed to 9.0% in April. Investment in infrastructure continued to lose steam, a sign that fiscal policies are gradually being tightened and stimulus measures are being tapered.

Iron ore prices were at their most volatile in 20 months after Beijing announced that it would step up its efforts to curb the rise in commodities. High prices for raw materials have started to hamper activity early on in the supply chain, which has the Chinese authorities worried.

The US stock markets have been moving sideways for the last month, but that could soon change. The S&P 500 bounced back from key support levels last week and the flatter trend has dampened investors' euphoria in recent weeks. New record highs could soon be reached, especially since economic fundamentals remain strong.

	USD / CHF	EUR / CHF	GBP / CHF	EQUITIES SWITZERLAND	EQUITIES EUROPE	EQUITIES USA	EQUITIES JAPAN	EQUITIES EMERGING	GOLD	OIL	ALTERNATIVE FUNDS
*Trend	↘	→	→	↗	→	↘	↑	↑	↑	↓	↗
% YTD	1.4%	1.2%	5.0%	4.9%	13.3%	10.6%	5.5%	3.0%	-0.9%	28.3%	2.7%

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

*Weekly trend

A trying summer for the Fed

Daniel Varela
Chief Investment Officer

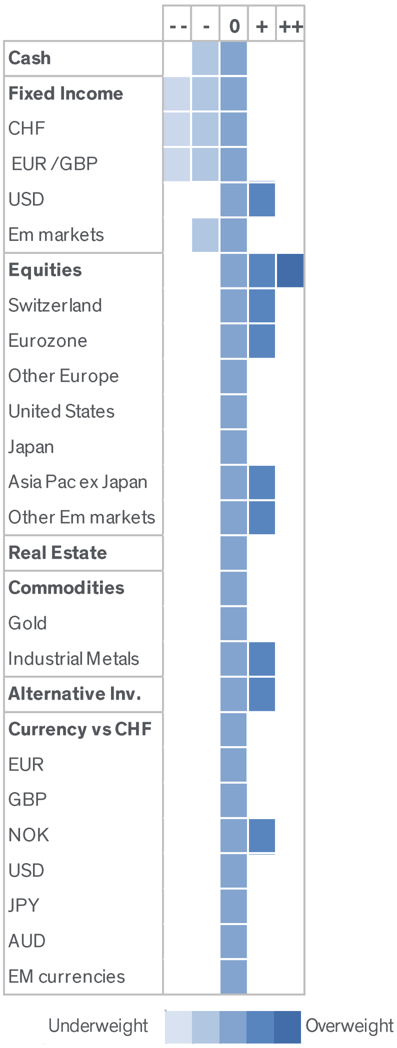
The transcript from the latest meeting of the US Federal Reserve suggests that over the summer the US central bank will start considering a change to its monetary policy, which is still extremely accommodative right now. Benchmark rates remain at rock bottom (0.25%) and the Fed continues to flood the US economy with massive amounts of liquidity – through its asset purchase programme, the Fed is pumping close to USD 120 billion into the financial system every month to shore up the recovery. US central bankers remain convinced that this policy is still the right one. But with each passing week, it becomes increasingly clear that the large-scale vaccine rollout has reduced the risk of another wave of infections, that inflation is creeping back and that growth has picked up more quickly than forecast. The only weak point is that jobs figures fell well short of expectations in April. But this disappointment can perhaps be put down to the generous cheques that were handed out to US households as part of Biden's rescue plan. These exceptional payments, the last of which will be made in September, seem to have slowed jobseekers in their search for the time being. But apart from that short-lived jobs trend, the economic outlook remains very robust for the States and elsewhere in the world. That means monetary policies are sure to start returning to normal. Canada and the UK have already begun. Pressure is now going to build on the Fed. A decision will almost certainly be made by its September meeting. For the moment, the bond market seems to have accepted this timetable – the sharp upward pressure on long-term yields at the start of the year began to ease in March. But we'll be keeping a close eye on the bond market over the coming weeks. In the past, a sharp rise in long-term yields has usually prompted the Fed to speed up its policy tightening so that it stays apace with events and doesn't lose credibility. Something tells us that bond investors will be testing the Fed's willpower over the summer.

Europe – the recovery is here, but how can we tap into this theme?

Christina Carlsten
Investment analyst and manager

With vaccination campaigns getting off to a slow start, eurozone GDP once again contracted in Q1, while both the USA and China recorded positive growth over the same period. But the situation is improving in Europe, as the vaccine rollout has accelerated sharply and case numbers are starting to fall across the board. Restrictions should soon be eased, which will give further impetus to the recovery. On top of that, the latest high-frequency economic data show that output is nearing normal levels even though restrictions are still in place. The tourism sector is also picking up again, as demonstrated by the number of reservations on platforms such as Airbnb, which are almost back at pre-crisis levels. Everything suggests that the eurozone is heading for a consumer spending boom, especially given the considerable pent-up demand from the past year or so. Yet we think the uptick in consumer spending is still underestimated by the markets. UK retail sales, for instance, were up 9% in April – twice as high as the consensus forecast. European stock markets are more cyclical than those in other regions, so they will get an extra boost as economies gradually open up again. There will be numerous investment opportunities at attractive prices. Our current favourites include Accor, Diageo, easyJet, Vinci and Smith & Nephew.

Synoptic view



Recent Recommendations

Walt Disney Co	Buy	May 21, 2021
BNP	Buy	May 19, 2021
Sonova Holding Ag	Hold	May 18, 2021
Adidas Plc	Acheter	May 14, 2021
Sony Corp	Acheter	May 12, 2021
Rio Tinto	Sell	May 12, 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