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Market Insights
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Essentials

Investors' fears about a regulatory crackdown in China continued to weigh on markets in the region. Investor sentiment reached a new low on Friday after a new data privacy law was adopted, under which a raft of new digital data collection rules will take effect on 1 November.

China has reimposed strict lockdowns as the Delta variant continues to spread. Although the Chinese government's zero tolerance approach has enabled it to bring infection levels quickly under control, growth forecasts have been revised downwards. The economic cost should soon be reflected in macroeconomic indicators.

Despite the steep decline in inventories, oil prices have continued to fall and are now back at Q1 levels. As prices have corrected, sentiment has come down from very high levels, which is actually good news. There could soon be some attractive entry points into this asset class, provided that economic growth doesn't falter.

	USD / CHF	EUR / CHF	GBP / CHF	EQUITIES SWITZERLAND	EQUITIES EUROPE	EQUITIES USA	EQUITIES JAPAN	EQUITIES EMERGING	GOLD	OIL	ALTERNATIVE FUNDS
*Trend	→	↗	→	↑	↑	↗	↑	↘	↗	→	→
% YTD	3.4%	-0.1%	4.9%	16.5%	19.1%	19.0%	8.4%	-0.8%	-6.2%	36.3%	3.5%

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

*Weekly trend

USA – increasing uncertainty

Daniel Steck
Investment analyst and manager

Q2 2021 was particularly good for global equities. As vaccination campaigns made progress, more economies were able to reopen and GDP growth picked up considerably, particularly in the US. Close to 90% of US companies beat their consensus forecast – further proof that the economic recovery really was robust.

However, we think growth might have peaked in Q2. From here on out, it will probably drop off as the favourable base effects wear off. Under our core scenario, we expect growth to gradually return to normal, and already for several weeks now, this has pointed us towards companies offering greater visibility about their business activities.

Yet US stock markets have continued to record new all-time highs and seem to have turned a blind eye to the growing uncertainty of the late summer. While the Delta variant shouldn't lead to the sort of strict lockdowns we saw in earlier waves, it seems to be causing US economic growth to lose steam. Recent macro indicators have for the most part been disappointing. Output is slowing faster than expected, and the new variant ¬– combined with record inflation – has knocked US consumer confidence. Purchase intentions for durable goods have plummeted, and retail sales were down in July.

While these economic developments are no major cause for alarm, we still think it's worth slightly reducing risk in portfolios, especially since the S&P 500 has gained more than 15% since the start of the year. At Jackson Hole, a key event of the early autumn, the Fed will likely announce its intention to scale back its asset purchases. This is another sign that it's worth adopting a more cautious stance on the US market.

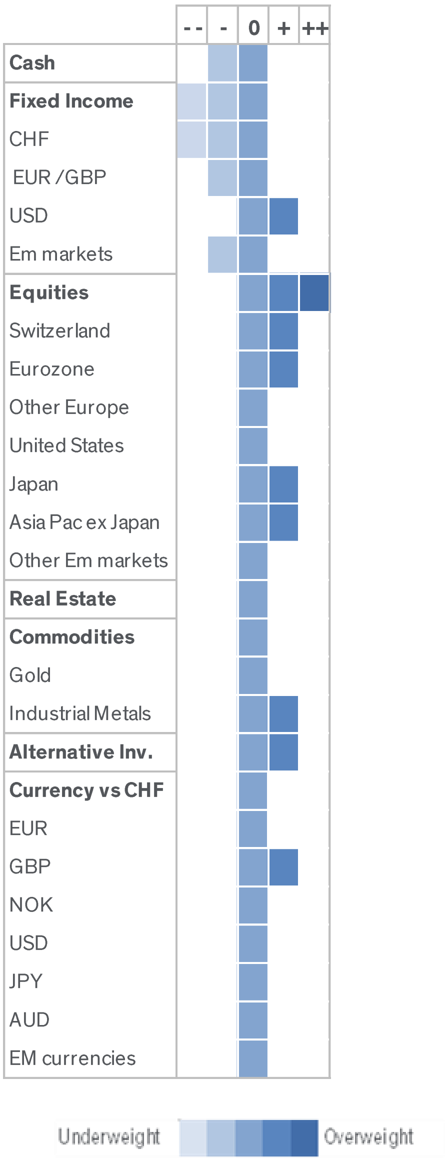
However, sentiment indexes are still at moderate levels, so we think a slight reduction in risk – through partial profit-taking – will be enough for the time being.

Europe – a changing stock market environment

Christina Carlsten
Investment analyst and manager

After ten years of underperformance, it's great that European equities have done so well since the start of the year. Several local indexes have reached new highs and outperformed global indexes – excluding those in the US. At the same time, investors have poured money back into the region for the first time in three years. Domestic investors have started to buy local stocks again, and US and Asian investors have increased their European allocations. There has been another key development that has largely gone unnoticed: European indexes' sector breakdown has shifted gradually. Ten years ago, traditional sectors were the heavyweights – energy and financials alone made up more than a third of indexes. But new growth stocks have since joined the market, and the tech sector and banks are now equally weighted, as are luxury goods and energy stocks. And with Europe leading the energy transition, companies specialised in renewable energies are also increasing their share of the market. This greater mix of sectors should lead to a long-lasting improvement in earnings among European companies, which in turn should increase the appeal of the region's stock markets.

Synoptic view



Recent Recommendations

Nike Inc	Hold	August 19, 2021
Easyjet Plc	Buy	August 12, 2021
Infineon Technologies AG	Buy	August 12, 2021
Essilorluxottica	Buy	August 3, 2021
Amazon	Buy	July 20, 2021
Logitech	Buy	July 28, 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