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Market Insights

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Essentials

At its meeting last week, the European Central Bank struck a little less accommodative tone: it will begin scaling back its asset purchases slightly in Q4. But inflation expectations are still below the 2% target, so monetary policy should remain expansionary for now. The financial markets' reaction suggests that this news had already been priced in.

US natural gas prices soared in the wake of Hurricane Ida and have now passed the USD 5 mark, their highest since 2014. This rise, which was also caused by lower-than-expected inventory levels, could push up US inflation.

Industrial metals have continued on their uptrend, with prices reaching record highs. They have been driven up by soaring aluminium prices after the coup in Guinea, home to the world's largest reserves.

	USD / CHF	EUR / CHF	GBP / CHF	EQUITIES SWITZERLAND	EQUITIES EUROPE	EQUITIES USA	EQUITIES JAPAN	EQUITIES EMERGING	GOLD	OIL	ALTERNATIVE FUNDS
*Trend	↑	↑	↗	↓	↓	↓	↓	↓	↓	↑	↘
% YTD	2.6%	1.5%	4.6%	-1.7%	2.4%	1.5%	3.3%	3.7%	-8.7%	27.7%	1.3%

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

*Weekly trend

The SNB is watching and waiting

Daniel Varela



Chief Investment Officer

The Swiss National Bank (SNB) regularly likes to remind people that the Swiss franc is still considerably overvalued relative to the currencies of Switzerland's main trading partners, adding that it is ready to intervene if the franc rises too high. It's no secret that the SNB pays closest attention to the euro, and the single currency's recent downtrend no doubt set off some alarm bells. After briefly passing the CHF 1.11 mark in early March, the euro kept losing ground over the summer. It didn't dip as low as it had at the start of the COVID-19 pandemic in spring 2020, but in August it did reach CHF 1.07, a key support level that the SNB has protected on many occasions in recent years. Once again, the SNB was being watched carefully, particularly by

Swiss exporters, who suffer every time the Swiss franc soars. This time, fears were heightened by the absence of SNB chairman Thomas Jordan, who was on medical leave. For the moment, the support level has held without any major intervention by the SNB. That's at least what the stability in SNB sight deposits in recent weeks would suggest. As the Swiss economy picks up and confidence returns to the financial markets, the SNB seems less willing to pull out all the stops on the forex markets. It may be storing up some ammunition in case there is another surge in COVID-19 cases or instability returns to the financial markets. Or perhaps it is trying as hard as it can not to further increase the already astronomical size of its currency reserves. At the end of August, they stood at nearly CHF 930 billion.

It's highly likely that they will hit the CHF 1 trillion mark, which will no doubt catch people's attention and reopen the debate about creating a sovereign fund. Indeed, Switzerland's central bankers may have to make a brief tactical retreat and lie low until the eurozone and the US normalise their monetary policies and stop pumping so much money into their economies.

USA – the consensus is crumbling



Daniel Steck
Investment analyst and manager

After seven consecutive months on the rise, US stock markets had a somewhat sluggish start to the school year. The S&P 500 hasn't posted such a lacklustre weekly performance since June.

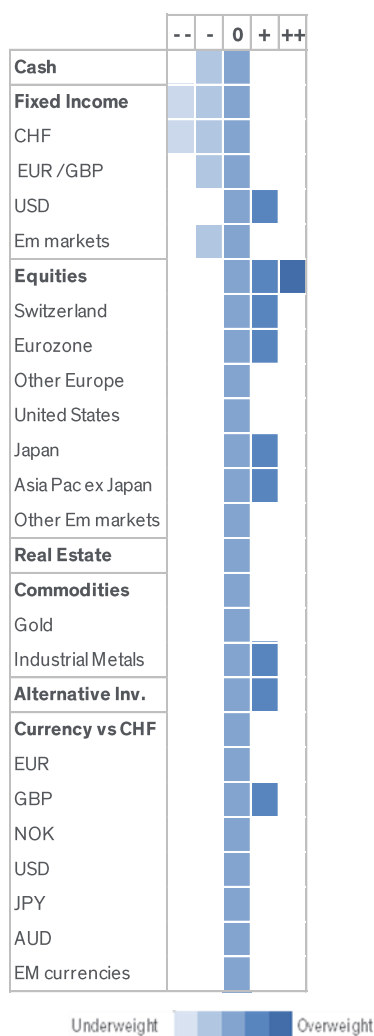
Is this because investors are less enthusiastic about the US economic recovery? It might seem a little too soon to come to that conclusion. Yet the extremely optimistic consensus we've seen since the start of the year is

showing some cracks. More and more economists are concerned about the increase in uncertainty in recent months. Inflation is surging, unemployment insurance relief has ended, the Fed will soon tighten its monetary policy, and the Delta variant is still raging – these are all reasons for investors to be cautious, especially since US equities are still very expensive.

Several big US brokers recently reduced their exposure to the domestic market and

slightly lowered their GDP growth forecasts for this year. This change in outlook is not yet reflected in corporate earnings forecasts, which are still trending upwards. But in the Q3 earnings season, investors will be looking out for the smallest signs of weakness. Until then, analysts will remain focused on the August inflation figures due out this week – and they are unlikely to comfort the most pessimistic among them.

Synoptic view



Recent Recommendations

Easyjet Plc	Buy	September 13, 2021
Holcim Ltd	Hold	September 7, 2021
Zurich Insurance Group AG	Buy	September 6, 2021
Swiss RE AG	Hold	September 6, 2021
Vinci SA	Buy	September 1, 2021
Amundi ETF MSCI France UCITS	Hold	August 24, 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