Piguet Galland & you.
Market Insights
No. 242- November 1, 2021

Essentials

So far, 55% of European companies that have reported their earnings have beaten the consensus forecasts, while 19% have fallen short. If this trend continues, the current earnings season could be just as strong as the last. The reaction from stock markets has been mixed, suggesting that much of the good news had already been priced in.

In October, the S&P 500 posted its best monthly performance of the year, with investors' optimism spurred by corporate earnings. Growth sectors such as communication services and tech fared well, while cyclical stocks struggled. The Nasdaq hit an all-time high, gaining 7.3% over the month.

Japan's ruling Liberal Democratic Party kept its majority in the general election last Sunday, which means that Kishida will stay on as prime minister. He is looking to introduce a new large-scale stimulus plan to speed up the economic recovery, with an additional budget set to be voted in before the end of the year.

	USD / CHF	EUR / CHF	GBP / CHF	EQUITIES SWITZERLAND	EQUITIES EUROPE	EQUITIES USA	EQUITIES JAPAN	EQUITIES EMERGING	GOLD	OIL	ALTERNATIVE FUNDS
*Trend	→	↘	↘	↗	↑	↑	→	↓	↘	↓	→
% YTD	3.5%	-2.1%	3.6%	13.1%	19.6%	22.6%	10.9%	-2.1%	-6.1%	62.9%	4.6%

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

*Weekly trend

Will the euro keep losing ground against the franc?

Daniel Varela
Chief Investment Officer

Even though inflation figures remain surprisingly strong in the eurozone, the European Central Bank (ECB) won't change its monetary policy just yet. ECB president Christine Lagarde is aware that the rise in prices will be less transitory than expected owing to the recent surge in energy prices and the supply chain problems being felt around the world. But she is not prepared to speed up the normalisation process. The ECB's plan is still to gradually scale back its quantitative easing, although the timeline has not yet been defined. Interest rates will be raised well after money stops being pumped into the eurozone's economy. That's unlikely to be in 2022 – or even in 2023 – if Lagarde's recent press conference is anything to go by.

This highly accommodative stance has clearly not been good for the euro, which is still under pressure on the forex market. The single currency has dropped more than 6% against the US dollar this year, mainly because the US Federal Reserve, which is further ahead in its policy normalisation, is getting ready to announce some initial monetary tightening this week. The euro has lost just 2.5% against the Swiss franc since 1 January, but that decline is no less worrying. It's one of the currency pairs most closely watched by a central bank in the developed world. That is, of course, apart from some pegged or partially tied currency pairs, like the Danish krone and the euro. In recent years, the Swiss National Bank (SNB) has made no secret of its desire to rein in the Swiss franc against the euro, even if that means intervening in the forex market. The euro's recent accelerating decline against the franc is particularly concerning. The euro has broken through the CHF 1.07 support level, and all eyes are now on the key 1.05 threshold – a level the currency pair hasn't reached since summer 2015. The euro's decline and the franc's rise have prompted fears that, as monetary policies return to normal around the world, the SNB will be tempted to scale back its interventions or even stop them altogether. As a result, we have reduced our exposure to the euro in our Swiss-franc investment grids.

Alternative funds – a solid uptrend

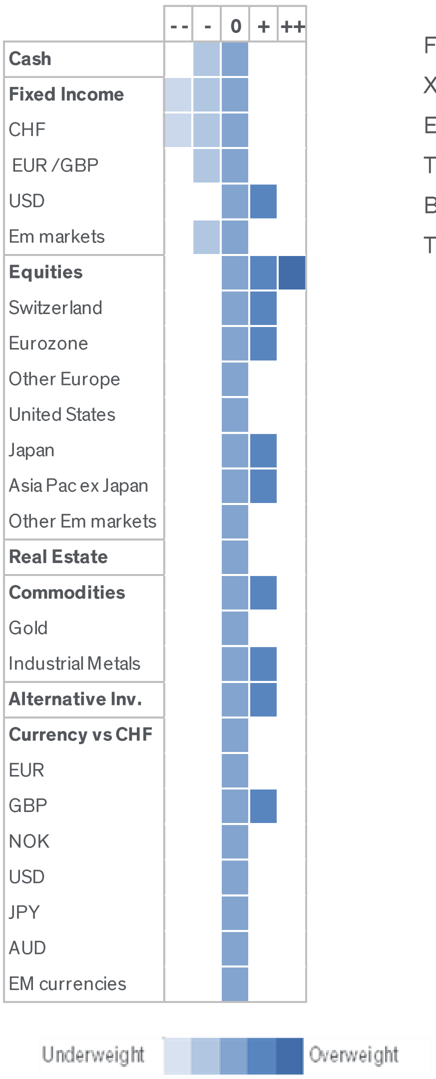
Léonard Dorsaz
Investment analyst and manager

Alternative funds have maintained their strong momentum. Directional strategies continue to post the best returns despite the ongoing rotation between different investment styles. Only arbitrage strategies are lagging behind. Following the markets' return to normal in the first quarter, arbitrage managers have been waiting for the environment to get better for them. After the uptick in volatility in late September, a number of opportunities seem to be gradually taking shape, not only among convertible bonds, but also in M&A arbitrage strategies.

Directional managers have begun to reduce market sensitivity. With stock markets making solid gains at the end of the summer and investment opportunities increasingly scarce, they took profits on their long positions. Their net exposure may still be high in historical terms, but this tactical change served them well when volatility picked up.

Alternative strategies have been performing well for more than a year and are clearly back in favour. They have recorded solid positive inflows, reaching their highest level in six years. What's more, hedge fund launches have picked up, with some of them raising nearly USD 1 billion. Given the level of interest from investors, it is safe to say that alternative strategies have finally moved past the problems caused by the 2008 financial crisis and are back on their feet.

Synoptic view



Recent Recommendations

Facebook Inc-ClassA	Hold	October 27, 2021
Xinyi Solar	Buy	October 26, 2021
Ericsson	Buy	October 26, 2021
Tesco Plc	Hold	October 22, 2021
BNP	Buy	October 19, 2021
Temenos AG	Hold	October 18, 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