Economy

Last week's US statistics were lacklustre. While economic activity remained buoyant in April, with industrial production up 11% MoM and retail sales up a higher than expected 0.9% MoM, leading indicators dropped off. The Empire Manufacturing and Philadelphia Fed indices fell from 24.6 to -11.6 and from 17.6 to 2.6 in May respectively, while the housing sector weakened, with confidence among homebuilders falling from 77 to 69 in May and building permits down 3.2% MoM in April. In the eurozone, consumer confidence remained low in May (-21.1) but did not deteriorate any further. In China, industrial production (down 2.9% YoY), retail sales (down 11.1% YoY) and investment (up 6.8% YoY) all came in lower than expected in April.

Markets

Last week was another risk-off week, particularly in the US, where equities lost 3% (down 0.5% in Europe and up 3.1% in emerging markets) and 10-year sovereign yields fell 14 bps. Gold benefited (up 1.6%), also helped by dollar weakness (with the dollar index down 1.4%). Oil prices rose slightly (up 0.9%) and remain high. To be monitored this week: manufacturing and services PMIs, new home sales, durable goods orders, Chicago and Kansas City Fed leading indicators, Fed minutes and personal income and expenditure in the US; manufacturing and services PMIs and EC confidence indicators (economy, industry and consumers) in the eurozone; and industrial profits in China.

Climate

Germany, Denmark, the Netherlands and Belgium have announced a partnership to quadruple their offshore wind energy capacity (to 65 GW) by 2030 and increase it tenfold (to 150 GW) by 2050. The issue of intermittency aside, that sort of power combined with a utilisation rate of, say, 35% would equate to 460 TWh of electricity a year, equivalent to France's current consumption.

Swiss Market

To be monitored this week (shortened by Ascension Day): World Economic Forum 2022 and FSO Q1 employment barometer.

LEM and Ypsomed are due to report their 2021/22 results. In other news, EPIC is to be listed on the Swiss stock exchange following its IPO. Lastly, **COMET** (Swiss Convictions) has announced the surprise departure of its CEO, citing "personal reasons". He will be replaced by the head of the X-Ray Modules division, who joined the group in 2007.

Bonds

Markets have continued to turn their attention to slowing growth rather than inflation. Against this backdrop, US yields fell for the second week running (with 10Y yields down 14 bps), mainly due to inflation expectations falling (with 10Y expectations down 15 bps) back to where they were before the invasion of Ukraine. In Europe, where the ECB is being seen as increasingly hawkish, sovereign yields rose at the short end of the curve (with the two-year Bund yield up 11 bps). In credit, spreads widened on both IG (EU: +4 bps; US: +9 bps) and HY (EU: +7 bps; US: +27 bps).

Sentiment of traders

Stock markets

The S&P posted its seventh week of falls and, with investors these days tending to see the glass as half-empty, it might not be the last. Especially with the week being so busy: May PMI, durable goods, Nvidia results, Q1 GDP, PCE inflation, monkeypox… the risk of bad news is very real. We could well therefore be heading for an eighth negative week.

Currencies

The ECB is nearing the end of its negative interest rate cycle (July/September), lending temporary support to EUR: EUR/USD 1.0603. Breaking through resistance at 1.0640 would open the way towards 1.0758, failing which support is still in place at 1.0370. USD has fallen victim to profit-taking: USD/CHF 0.9719; supp. 0.9616; res. 1.0066. CHF has quickly risen to EUR/CHF 1.0299; supp. 1.0170; res. 1.0550. Gold is trading at $1,854/oz.

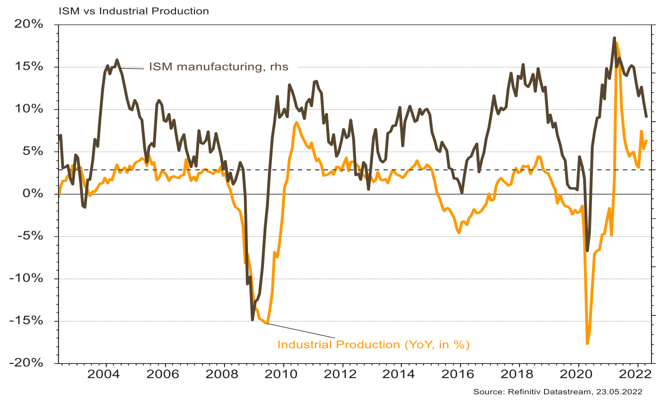
Equities

STELLANTIS (Satellites): management said at a roadshow that the group's H1 results, due end July, should show an uplift in the margin relative to its already high level at end 2021 as well as improved free cash flow. And all this in spite of production constraints. The main drivers are positive price effects, an improved product mix, productivity gains, favourable forex effects and an improvement in the supply of semiconductors.

STRAUMANN (Core Holdings) has announced that it is to acquire German firm PlusDental, which specialises in clear dental aligners, for CHF 135m. Thanks to PlusDental's extensive Europe-wide network of clinics, the deal will accelerate the group's expansion in this area, notably in the Netherlands, Sweden and the UK.

WALMART: although the group's price/product positioning will enable it to attract consumers at this time of high inflation (thanks to down-trading), its Q1 results clearly show that it lacks effective levers (pricing power/well-known brands) to act on input costs and protect profitability. We are moving into a phase of respectable volumes and low margins and have no idea when it will end. We are removing the share from our Satellite Recommendations

Today's graph



Performances

		Since	
	As at 20.05.2022	13.05.2022	31.12.2021
SMI	11 308.98	-2.93%	-12.17%
Stoxx Europe 600	431.10	-0.55%	-11.62%
MSCI USA	3 711.34	-3.07%	-19.21%
MSCI Emerging	1 035.31	3.07%	-15.97%
Nikkei 225	26 739.03	1.18%	-7.13%
	As at 20.05.2022		
CHF vs. USD	0.9753	2.74%	-6.58%
EUR vs. USD	1.0558	1.57%	-7.16%
10-year yield CHF (level)	0.67%	0.69%	-0.14%
10-year yield EUR (level)	0.94%	0.95%	-0.18%
10-year yield USD (level)	2.80%	2.94%	1.50%
Gold (USD/per once)	1 843.73	1.57%	1.17%
Brent (USD/bl)	112.69	0.88%	43.74%

Source: Datastream