

Economy

US statistics were rather disappointing. The manufacturing PMI fell further than expected in May (from 59.2 to 57.5), as did the services PMI (down from 55.6 to 53.5) and the Richmond Fed's indicator (down from 14 to -9). New home sales also declined more sharply than expected in April, down 16.6% MoM. Household income rose slightly less than expected in April (up 0.4% MoM), while household expenditure surprised to the upside (up 0.9% MoM). In the eurozone, the manufacturing and services PMIs fell from 55.5 to 54.4 and from 57.7 to 56.3 respectively in May. M3 growth slowed more than expected, falling to 6% YoY. In China, industrial profits were down 8.5% YoY in April.

Climate

According to the World Bank, carbon pricing generated revenue of \$84bn in 2021, up 60% on 2020. For the first time, revenue from emissions trading schemes (ETS) exceeded that from carbon taxes. Despite this progress, the World Bank found that only 4% of global CO2 emissions are covered by carbon pricing mechanisms in the range needed to achieve climate goals.

Bonds

Markets rallied as US rate hike expectations stabilised. With the release of the Fed minutes not revealing any more hawkish messaging, 10-year yields ended the week down a modest 4 bps. The market is now pricing in a terminal rate of c. 3% (down 12 bps). In credit, US spreads narrowed sharply (HY: -61 bps; IG: -15 bps) and indices posted strong gains (HY: +3.4%; IG: +1.5%). The trend was less pronounced in Europe, where performance was a mixed bag (HY: +0.75%; IG: -0.2%).

Sentiment of traders

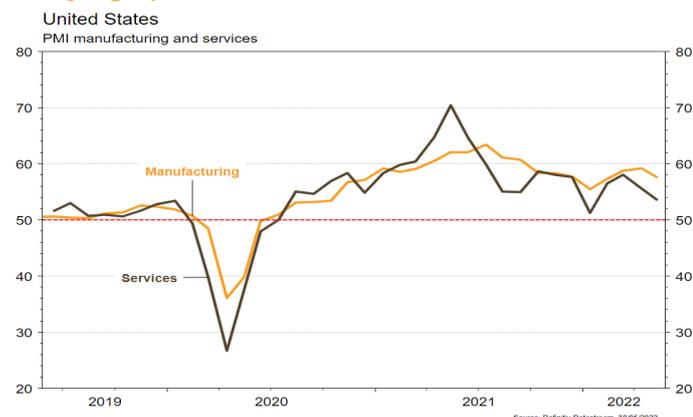
Stock markets

European markets began the week higher, following Asia's lead, after Wall Street finally halted its slide following seven straight weeks of losses. US markets are closed today (Memorial Day). On the macro front, we expect US ISM indices and unemployment and eurozone CPI, PPI and retail sales. The rally should continue this week.

Currencies

EUR continues to be supported by future rate hike expectations: EUR/USD 1.0754. However, for the rally not to run out of steam, the pair will have to break through resistance at 1.0870; otherwise, it will probably head back towards support at 1.0530. USD remains under pressure at USD/CHF 0.9565; supp. 0.9473; res. 0.9988. GBP benefited from the correction in USD: GBP/USD 1.2630; supp. 1.2439; res. 1.2773. Gold has risen to \$1,861/oz; supp. \$1,807; res. \$1,910.

Today's graph



Markets

With markets oversold, US equities rallied more than 6% (Europe: +3%; emerging markets: +0.8%) on the back of less hawkish than expected Fed minutes. Credit spreads also narrowed. The dollar suffered as a result (with the dollar index down 1.4%), enabling gold to gain ground (up 0.5%). Oil also rose sharply (up 6.1%). To be monitored this week: home prices (FHFA and S&P CoreLogic), consumer confidence, ISM Manufacturing and Non-Manufacturing indices and jobs report in the US; EC confidence indicators (economy, industry and consumers), CPI, unemployment rate and retail sales in the eurozone; and manufacturing and services PMIs in China.

Swiss Market

To be monitored this week: FSO Q1 employment barometer, KOF May economic barometer, FOCBS April foreign trade/watch exports, FSO April retail sales, SECO Q1 GDP and FSO May PMIs and inflation.

The following companies are due to release figures: Aryzta and Dot-tikon ES.

Equities

ASTRAZENECA (Core Holdings) is due to present detailed data from its study evaluating Enhertu as a last-line treatment for HER2-low-expressing breast cancer. The degree of effectiveness will provide an indication as to whether the drug could be successful earlier in the treatment regimen (results from the second-line study are expected in 2023). The HER2-low-expressing form accounts for c. 55% of breast cancers.

MEDTRONIC (Satellites) has reported a disappointing Q4. Business was disrupted by supply chain issues and shutdowns in China, which will continue to affect Q1. The trend is expected to improve in H2, which will benefit from a more favourable base effect. These factors are reflected in the 2023 outlook, with EPS expected to come in at \$5.53-5.65 (3-4% below the consensus). The share's valuation reflects these uncertainties (2022 P/E: 17.8x). Hold positions.

Performances

	Since		
	As at 27.05.2022	20.05.2022	31.12.2021
SMI	11 647.17	2.99%	-9.54%
Stoxx Europe 600	443.93	2.98%	-8.99%
MSCI USA	3 954.07	6.54%	-13.92%
MSCI Emerging	1 043.17	0.76%	-15.33%
Nikkei 225	26 781.68	0.16%	-6.98%
As at 27.05.2022			
CHF vs. USD	0.9569	1.92%	-4.78%
EUR vs. USD	1.0710	1.44%	-5.82%
10-year yield CHF (level)	0.68%	0.67%	-0.14%
10-year yield EUR (level)	0.96%	0.94%	-0.18%
10-year yield USD (level)	2.76%	2.80%	1.50%
Gold (USD/per ounce)	1 852.17	0.46%	1.63%
Brent (USD/bl)	119.53	6.07%	52.46%

Source: Datastream

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