

Economy

US statistics tended towards being disappointing. SME confidence (NFIB index) held fairly steady in May at 93.1, while the Philadelphia Fed's leading economic indicator fell from 2.6 to -3.3. Confirming the weakening in the housing sector, confidence among home-builders has fallen from 69 to 67 in June, while housing starts and building permits are down 14.4% and 7% MoM respectively. Lastly, industrial production picked up less than expected in May (up 0.2% MoM). In the eurozone, industrial production came in short of expectations in April (up 0.4% MoM). In China, a more positive relative trend is emerging, with stronger than expected numbers for industrial production (up 0.7% YoY), retail sales (down 6.7% YoY) and investment (up 6.2% YoY).

Climate

Earth's average surface temperature is currently 1.2°C higher than it was in the pre-industrial era. On their current trajectory, greenhouse gas emissions will result in temperatures rising by more than the 2°C maximum provided for in the Paris Agreement. The implications of a world three degrees hotter are on a scale that is barely imaginable. This 16-minute film by The Economist provides key insights into just what they might look like: <https://youtu.be/uynhvHZUOOo>.

Bonds

For the first time since 1994, the Fed has hiked interest rates by 75 bps (to 1.50-1.75%). Although anticipated by the market, this hike is a key turning point and shows that the Fed will do whatever it takes to bring down inflation, and that it intends to do it more quickly than expected. In Europe, the ECB's extraordinary meeting did not result in any new measures but did help ease the pressure on peripheral sovereign debt, with the 10-year BTP-Bund spread now back at the level it was at before Christine Lagarde's speech (c. 200 bps).

Sentiment of traders

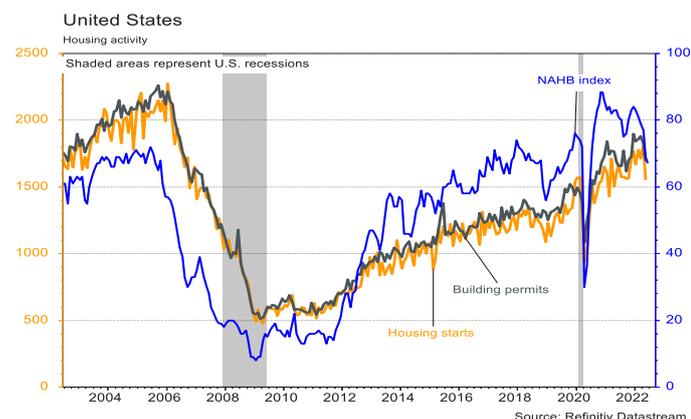
Stock markets

Markets continued to lose ground last week, with talk of recession beginning to be heard. On the macro front, this week will bring US and European housing numbers and Jerome Powell is due to speak twice. With inflationary pressures continuing, markets will probably continue to slide.

Currencies

Central bank decisions made for a volatile week last week. CHF has soared following the SNB's surprise 50 bps rate hike, trading at EUR/CHF 1.016, USD/CHF 0.9650 and GBP/CHF 1.1820 this morning. We anticipate the following ranges – EUR/USD: supp 1.04, res. 1.0630; USD/CHF: supp. 0.9550, res. 0.9850; EUR/CHF: supp. 1.0090, res. 1.0320. Gold is trading at \$1,840/oz.

Today's graph



Markets

Markets had another risk-off week amid widespread monetary tightening (Fed in the US; BoE in the UK; SNB in Switzerland). Ten-year sovereign yields rose (US: +8 bps; EUR: +15 bps; CHF: +24 bps), equities fell (US: -5.8%; Europe: -4.6%; EMs: -4.7%) and credit spreads widened. The ECB managed to convince markets that it is willing and able to manage the risk of fragmentation (with Italian sovereign yields down 18 bps). Oil prices plummeted 7.3% and gold lost 1%, affected by the rising dollar (up 0.5%). To be monitored this week: leading economic indicators (Chicago and Kansas City Feds) and manufacturing and services PMIs in the US; consumer confidence and manufacturing and services PMIs in the eurozone; and one- and five-year borrowing rates in China.

Swiss Market

To be monitored this week: KOF consensus forecast, FOCBS May foreign trade and watch exports, KOF summer economic forecasts, SNB Q1 balance of payments and FSO April construction price index. In company news, Klingelberg and Carlo Gavazzi are due to report their 2021/22 results.

Equities

DEUTSCHE TELEKOM (added to Satellites): the share offers visibility on growth and an attractive valuation. We expect annualised growth of 5% in EBITDA and 7% in free cash flow over the period 2022-2025e. In the US, the merger with Sprint offers significant cost-cutting opportunities and will contribute to growth in both sales and profits.

MERCK & CO (Core Holdings): according to rumours reported in the WSJ, the company is interested in acquiring US biotech firm Seagen, which specialises in oncology (market capitalisation: \$30bn). Seagen is notably developing next-generation antibody-drug conjugates. Size apart (vs. desire to concentrate on bolt-on acquisitions), the areas in which Seagen's treatments and technologies are focused are aligned with Merck's strategy.

SGS (Core Holdings) has launched a new CHF 250m share buyback programme to reduce its capital (by 1.6% at the current share price).

Performances

	Since		
	As at 17.06.2022	10.06.2022	31.12.2021
SMI	10 451.31	-5.71%	-18.83%
Stoxx Europe 600	403.25	-4.60%	-17.33%
MSCI USA	3 492.35	-5.84%	-23.97%
MSCI Emerging	1 004.63	-4.74%	-18.46%
Nikkei 225	25 963.00	-6.69%	-9.82%
As at 17.06.2022			
CHF vs. USD	0.9722	1.67%	-6.27%
EUR vs. USD	1.0458	-0.69%	-8.04%
10-year yield CHF (level)	1.32%	1.08%	-0.14%
10-year yield EUR (level)	1.66%	1.50%	-0.18%
10-year yield USD (level)	3.24%	3.16%	1.50%
Gold (USD/per ounce)	1 840.35	-0.97%	0.99%
Brent (USD/bl)	113.15	-7.31%	44.32%

Source: Datastream

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