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perspectives

03/2015 QUARTERLY MARKET OUTLOOK

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DEAR READER

Developing the mono strategy

Investors use the Swiss franc as a "safe haven" in times of crisis. After the minimum exchange rate against the euro was dropped, upwards pressure on the currency increased sharply. The Swiss National Bank introduced a negative interest rate to counter this development. However, this means local investors now face a new conundrum. Because they are no longer able to park their liquidity cost-effectively, they have also lost their safe haven in volatile markets.

In view of current capital market interest rates, which are in the vicinity of zero, bonds are not much of an alternative. In recent weeks, investors got a taste of what rising interest rates mean for capital markets; bond prices fell sharply. This development also impacted real estate markets. After all, rising interest rates depress house price rises. Against this backdrop, the already overheated real estate market has the potential for a substantial reversal.

The last major investment class available as a haven for the huge volume of available liquidity is consequently the equity market. Equity holdings have been continuously expanded, by small private investors to major pension funds. We do not think this haven will remain untouched by the next big financial market storm.

Mario Geniale, Chief Investment Officer

Economic perspectives

The first quarter of the current year revealed economic weaknesses, particularly in the USA. Despite this, most economists are expecting real global economic growth to accelerate gradually. The Organisation for Economic Cooperation and Development (OECD), for example, has set its global growth expectations for this year and next at 3.1% and 3.8% respectively. While forecasts for the US and China have been reduced to 2.0% and 6.8% for the current year, and to 2.8% and 6.7% for next year, the eurozone provides a ray of hope, particularly as the risks of deflation have fallen significantly in the interim.

Stimulus provided by European Central Bank beginning to be felt

The eurozone's anticipated economic recovery is reflected by the fact that the OECD has lifted its growth estimates to 1.4% and 2.1% for 2015 and 2016. The European Central Bank's monetary policy measures are slowly beginning to have the desired effect, stimulating the economy by reducing the value of the single currency. In addition, the strong decline in the price of oil is providing an added boost. Despite this, EU unemployment remains stuck at 11%, with huge differences between individual member states. While every fourth person in Greece is without work, the rate in Germany is only 4.7%.
The OECD is less optimistic about the Swiss economy, which is having to overcome the consequences of the sharp rise in the value of the Swiss franc. Economic forecasts have been adjusted downwards to 0.8% for this year, and to 1.7% for next year. As a consequence, unemployment is expected to rise sharply to 4.5%. (robol)

The Markets

“Is it time to sell up?”

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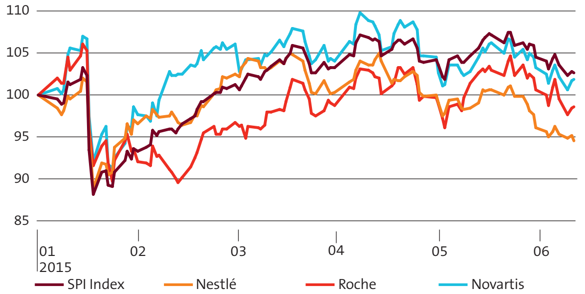
To date, global equity markets have remained in good form. All major markets have been performing impressively or very impressively. However, there are increasing concerns that a bubble may be forming. This is partially because markets have been driven by the European Central Bank’s gigantic bond buying programme. At the same time, alternatives to equities are so scarce that investors have very little choice but to invest in shares. Is it time to sell up, and is the market really set to collapse? We don’t think so yet. In our view, it is worth waiting until the summer to see what new impetus and directions materialise. (mch)

SWISS EQUITIES

Switzerland is heavily dependent upon exports. Following the Swiss National Bank’s decision to abandon the minimum exchange rate against the euro, many experts forecast a bleak future for Switzerland. Until then, the Swiss equity market is likely to hold up well. Nevertheless, the first signs in the form of shrinking growth in the real economy are already plain to see. The direction the stock market takes will be determined by quarterly results reported by the respective companies. On account of the difficult currency situation for Swiss companies, we are taking a relatively defensive position for Swiss equities. For this reason, we are favouring large, broadly-diversified companies that are better able to manage the exchange rate risk, such as **Nestlé**, **Novartis** or **Roche**. (mch)

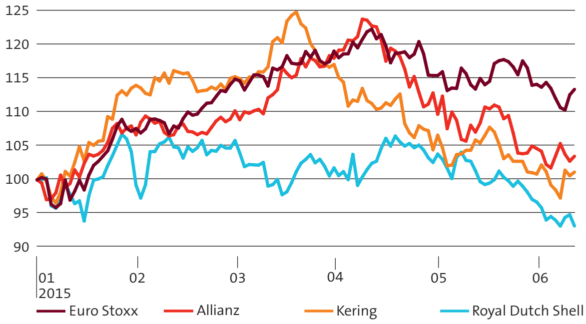
SMI



EUROPEAN EQUITIES

European financial markets remain under the spell of the European Central Bank’s gigantic bond buying programme. Investors are hoping that the additional liquidity and virtually zero interest rate environment will continue to maintain the relative attractiveness of equity securities. However, despite these “ideal” operating conditions the air on the stock exchanges is getting thinner. The economy as well as the progress made with structural reforms continue to show significant regional differences. We continue to recommend well-capitalised companies with above-average dividend yields such as **Allianz**, **Royal Dutch Shell** and **Kering**. (jub)

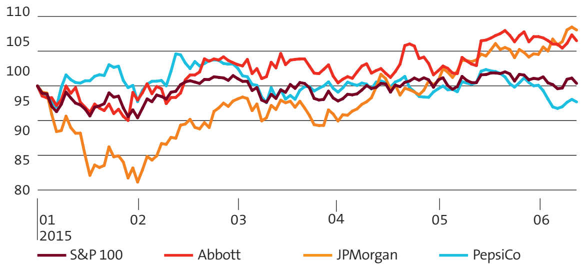
Euro Stoxx 50



US EQUITIES

The US economy is feeling the squeeze on the trade balance triggered by the rise in the value of the USD. US GDP contracted by 0.7% in the first quarter of 2015. However, the dip in growth brought about by the prolonged winter and other one-off factors is likely to be overcome in the second half of the year. In addition, if necessary, the US Federal Reserve will do its best to help the situation by delaying its repeatedly announced normalisation of monetary policy. Nevertheless, the stock market – in particular following its massive rise of recent years – is not a one-way street. Quality remains the key to stock picking. We recommend **Abbott**, **JPMorgan** and **PepsiCo**. (jub)

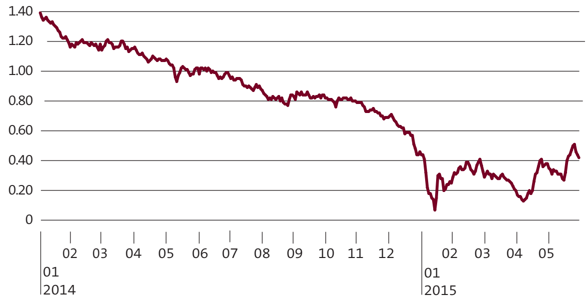
S&P 100



BONDS

Interest rates rose sharply during the second quarter. Yields on the broad Swiss bond market increased from an average of 0.13% to over 0.4% at times. Some market-watchers have even been speaking about a bond market crash. Against this backdrop, Swiss real yields in particular have widened significantly because inflation remains firmly stuck in negative territory. Yet interest rates are still at historic lows. In the current environment we still expect interest rates to rise, not least due to the European Central Bank’s intensive efforts to kickstart the economy. In the interim, core eurozone inflation has risen. This could be an initial indicator that the strategy is working. (muc)

Yields on 10-year Swiss government bonds



The Column

with Giuseppe Ciarmela, Senior Relationship Manager, Key Clients

The right investment solution is a question of time

DEAR READER

Markets are shifting fast. Within seconds, equities move up and then promptly back down again. Even expectations of the economic performance of individual countries are being corrected several times during the course of a year. It is not just political and economic events that continuously and sometimes intensely affect the markets. New products are launched on the market, while others disappear. Purchase recommendations for equities, commodities and currencies come and go. The question remains: is it now time to invest, or is it already too late?

Time is relative

Is an hour a long or a short period of time? It depends. The answer is individual, and depends upon how one experiences this time and how one perceives it. One hour spent on the beach on holiday passes in a flash, while spending the same amount of time in rush-hour traffic seems to last an eternity. The same is true of investments. The amount of time I spend observing the markets, or the amount of time I devote to achieving my investment goals depends very much on my personal needs, preferences and resources. This means investment solutions are required that also take account of your perception of time.

Time is finite

While time is relative, it is for sure limited. You need to consider how to implement your investment goals in the limited time available. It is necessary to assess not just your willingness to take risks, but also your fundamental ability to take risks. On the basis of this, you can obtain a clear fact-based picture of how possible and anticipated price fluctuations affect your situation.

Time is money

Time affects the performance of your assets. The decision when to invest in a particular asset, and when to divest, affects the anticipated return and risk. In addition, the time spent managing the securities portfolio has an impact on the long-term investment performance. If one monitors one's financial investments on a regular basis, and hedges corresponding risks while simultaneously seizing opportunities, this can have a positive effect on the performance. The fact is, investing money is challenging and time-consuming.

How much time do you devote to your financial assets?

There are investors who take the time to study financial and economic topics in close detail. Others delegate this challenging task to an investment advisor, or obtain the opinion of these specialists before taking investment decisions. In addition to saving time, the advantage of delegation for investors is that a systematic approach to capital investment is taken, and that emotionally-based decisions can be avoided. Taking decisions oneself, or delegating, depends upon one's personal preference. It also depends upon the time you have or wish to devote to your money.

It is important that a clearly defined strategy is behind every investment decision. This must be based upon your personal investment goals, risk capacity, and risk appetite.

The column reflects the personal opinion of the author.

Giuseppe Ciarmela is Senior Relationship Manager, Key Clients at Banque CIC (Suisse), and specialises in investment consultancy.

In Brief

Overview of topical investment themes

Investing in partnership

We aim to ensure that our investment consultancy is tailored to your particular needs. For this reason, Banque CIC (Suisse)'s new investment concept offers you a full range of investment solutions with different levels of investment consultancy and monitoring. On the basis of your personal preferences, you decide which of the four investment solutions best meets your needs.

If you wish to profit fully from the expertise and market proximity of our investment specialists, while comprehensively delegating the implementation of your investment strategy to the portfolio managers at Banque CIC (Suisse), then a portfolio management mandate could be the right option for you. If, when building up your assets, you value taking the investment decisions yourself and being able to examine opportunities together with your advisor on an ongoing basis, profiting from the know-how of our specialists and being informed in good time about risks by systematic portfolio monitoring, then an advisory mandate may be suitable.

We begin our consultations by getting to know your expectations and requirements, thus enabling us to develop an investment concept that is tailored to your needs. During the implementation of this, we remain in contact with you, as desired and required, in order to respond to any new circumstances on an ongoing basis. Each year we review your personal situation and the performance, and define the parameters for the coming year together with you. Use the highly-developed senses and eagle eyes of our investment specialists for your investment success, and draw upon the services of the right partner for your investments. Learn more during the course of a personal discussion with your client advisor. (mge)

Banque CIC (Suisse) supports the visually impaired

As part of a three-year partnership agreed with the Swiss National Association of and for the Blind, Banque CIC (Suisse) is supporting the Association in its endeavours to improve the quality of life of deafblind, hearing and visually impaired, blind and partially sighted people. The donation of CHF 30,000 is earmarked for the new development of their second most important tool: the talking watch. The bank is accompanying the innovative project, ahead of the planned introduction in the year 2017.

Thomas Müller, CEO of Banque CIC (Suisse), hands over a symbol of the donation to Matthias Bütikofer, the General Manager of the Swiss National Association of and for the Blind.

Current interest rates in CHF

(as at 01.07.2015)

For savings and pensions	Private clients	Business clients
Savings account	0.400%	no offer
Investment account	0.300%	0.150%
3a retirement account	1.000%	no offer
Vested benefits account	0.500%	no offer
For day-to-day use		
Private account	0.0625%	no offer
Current account	no offer	0.000%

Savings account offer for clients domiciled in Switzerland or the Principality of Liechtenstein.
3a retirement offer for clients domiciled in Switzerland or the Principality of Liechtenstein and Swiss domiciled abroad.
Current conditions and rates of interest can also be found at www.cic.ch.

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