03/2021 QUARTERLY MARKET OUTLOOK

perspectives

IMPRINT
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Dear Clients,

From recession to repression

In the past few months, the global economy has continued to recover from the recession triggered by the outbreak of the pandemic. This recovery has been accompanied by higher prices of late. In this context, the inflation expectations of market participants for the next few years are also increasing all over the world, even if the central banks are tirelessly attempting to downplay the risk of long-term inflation. This is understandable, considering the excessive government debt. After all, higher rates of inflation normally lead in turn to higher interest rates. As long as interest rates remain low, however, the interest rate burden for servicing the debt will remain within reasonable limits. If inflation increases at the same time, the result will be a reduction in the future repayment burden (in real terms). Ordinary savers therefore help to reduce government debt. This situation, referred to as "financial repression", can also be viewed as a stealth tax. In such an environment, savers have little alternative but to invest in equities, real estate or other real assets, e.g. gold.

Mario Geniale
Chief Investment Officer

Economic perspectives

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Annual inflation in the US rose to 4.2% in April 2021 – its highest level since 2008. The rise – which benefited from base effects – is a direct consequence of the reopening of the economy and the resulting increase in consumption. This trend is likely to reach its peak in the next few months, which could further exacerbate fears of inflation.

In Europe, too, it can be assumed that inflation will increase to some extent. However, it is questionable whether higher consumer prices will be sustainable, as there are still no signs of widespread wage rises in the current environment. From the ECB's point of view, the difficulty is mainly likely to be that the European bond market could allow itself to be infected by US yields, which raises the question of when the ECB can reasonably begin to scale back its pandemic emergency purchase programme (PEPP).

Fear of inflation in Switzerland is unfounded in the short term

Consumer prices may have risen back into positive territory (+0.3%) recently, although inflation levels generally tend to vary greatly in Switzerland. While the price of a basket of goods in Switzerland has actually gone down slightly in the last 12 years, it has actually gone up by 20% in Germany and the US Economic growth and inflation in Switzerland are projected to amount to 3.3% and 0.4%, respectively, this year. Inflation in Switzerland therefore seems manageable. However, a potential decline in demand from trading partners as a result of inflation, as well as the special status of the Swiss currency as a safe haven, could present risks for the Swiss economy in the medium term. *(muc)*

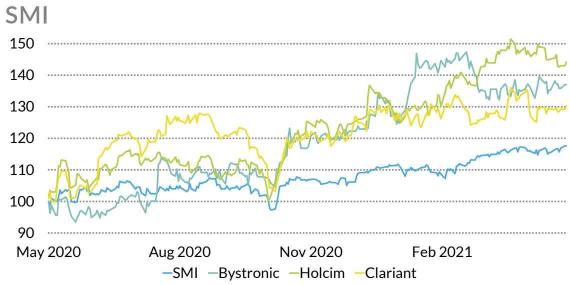
Markets

Will inflation spoil the party for the stock exchange?

Observations have shown that if strong economic growth triggers an increase in inflation, this is compatible with rising share prices. Rising corporate profits outweigh moderately rising interest rates, especially as these should stabilise at a level that remains low by historical standards. In addition, it can be assumed that the economy will quickly get back to normal following a catch-up effect. Consequently, there is nothing to suggest that the party will not continue for the stock exchange, even though the mood music will increasingly vary. *(bae)*

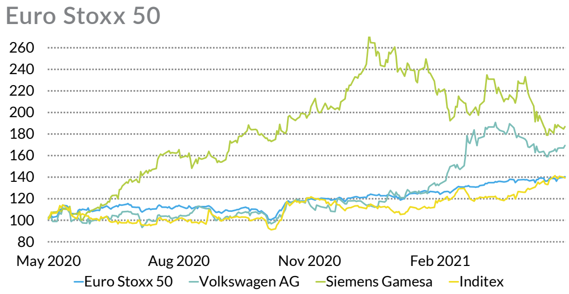
Equities Switzerland

The Swiss equity market is lagging behind by international standards, as the defensive heavyweights Roche, Novartis and Nestlé are stuck in a rut. Investors are focusing on cyclical securities and second-tier stocks, which will benefit disproportionately from an economic upturn that is expected to be the strongest in decades. In Switzerland, we recommend an active investment approach, with the choice of securities being crucial. We favour: **Bystronic, Holcim** and **Clariant.** *(bae)*



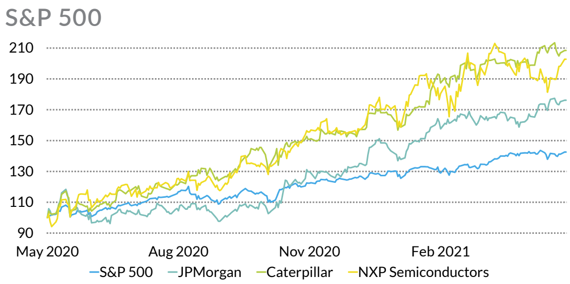
Equities Europe

With the vaccination campaigns and the reopening of the EU economy, the Covid-19 shackles are slowly coming off. This has greatly benefited the cyclical sectors (car and financial) of late. Whether it be consumption that was postponed as a result of Covid-19, or the new EU climate targets, there is a widespread sense that change is in the air. This means that a high level of investment in future technologies will put innovators and plant engineering in the limelight. We favour **Volkswagen, Siemens Gamesa** and **Inditex.** *(goste)*



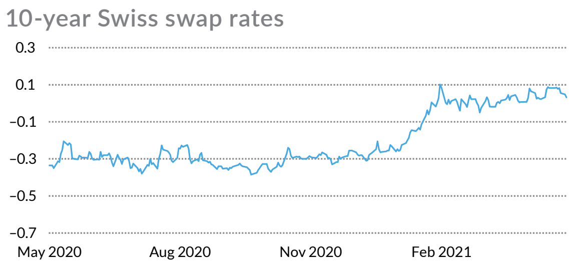
Equities US

There is currently no stopping the US economy. This is confirmed by high prices for construction materials on the domestic market and the fact that retail sales are continuing to recover. In light of the encouraging Q1 figures, US companies raised their projections for the year and are showing that they are more than capable of bouncing back. President Biden's infrastructure plans are ensuring that suppliers' order books are full. At the same time, the aim is to eliminate dependency on Asian importers in the manufacturing industry. We consider **JPMorgan, Caterpillar** and **NXP Semiconductors** interesting. *(goste)*



Bonds

Fears of inflation have driven up interest rates all over the world. Switzerland is no exception, with higher consumer prices leading to rising interest rates and correspondingly lower bond prices. Ten-year Swiss franc interest rates rose from –0.28% in January 2021 to over 0.09%. Swiss corporate bonds have felt this rise in interest rates to a much lesser extent and traded sideways. In our opinion, this type of bond – as well as the recurring new issues of interesting companies – continue to provide a good opportunity to supplement portfolios. *(cal)*



Topic

What do you pack in your suitcase?

How long does it take you to pack your suitcase? If you have finished in a matter of minutes, you are either a shrewd globetrotter or you trust that you will be able to buy anything you are missing when you get to your holiday destination. For most of us, packing a suitcase is a well-thought-out process. Why? Because we opt for diversity in our suitcases, take the time horizon into consideration and prepare for any risks. Our bulging cases contain clothes for all types of weather and every situation, as well as sun cream and an emergency first-aid kit. We pack all these items in order to have everything we need to enjoy the holiday.

The diversified suitcase

Just as you prepare for each individual holiday destination and weather situation, so you should also prepare for all stock market conditions. Even if you are travelling to an island with "guaranteed" sunshine, you take a warm pullover with you, don't you? You should take just as much care when "packing" your portfolio. Because diversification and weighing up risks are integral aspects of targeted portfolio construction. You have enormous influence over both the success of your investments as well as risk mitigation.

Investing in different financial products allows you to spread out your risk and diversify your investments. That applies not just to share allocation, but also to the type of investment class. Do you hold shares and bonds? Do you have investments in commodities, precious metals or real estate? Are your positions listed in Swiss francs or in foreign currencies? Are there tax or legal aspects, in particular for investments abroad?

Weekend break or round-the-world trip?

If you go away for the weekend with your partner, you can safely take the risk of heading off with a small rucksack and limiting yourself to the essentials. If, however, you set off on a round-the-world trip lasting a number of months, your horizon is different. You need to plan ahead, pay more attention to what you pack, calculate more precisely and take a different level of risk compared with a weekend trip.

When constructing a portfolio, risk tolerance and risk appetite – as well as the time horizon – are likewise important factors. This requires the expertise of a relationship manager who will work with you to draw up an investor profile that takes several factors into account including risk tolerance, the investment horizon and your personal circumstances – specifically your current and future income and asset situation, as well as individual goals and experiences. You will then be able to choose the right investment strategy for you – with a focus that ranges from value preservation to capital gains.

Protecting you as an investor is pivotal to this process. If your risk appetite is high, thorough checks have to be carried out as to whether the risk is really tolerable in respect of radical changes in your life such as planning a family, becoming self-employed or being about to retire or hand over your business. Conversely, targeted questions may have to be asked if you are risk-averse so that no opportunities are missed. Since the big picture is what counts in the end, viewing investments individually makes little sense.

Pack the suitcase together

Your relationship manager will be happy to help you select the right investment solution. We will hold a strategy meeting to establish all aspects of your individual situation and gain an insight into your personal goals. We will then jointly draw up your investor profile and subsequently determine your investment strategy. At regular review meetings we will go over your investment strategy and, if necessary, adjust your portfolio to meet your needs and any new life plans.

Please do not hesitate to contact us. We would be happy to advise you.

Noam Rey
Relationship Manager Fribourg

In brief

Payment slips: Switch to QR bills and eBills now

The current payment slips will no longer be supported from 30 September 2022. Companies that have not yet made the switch to their successor products – **QR bills or eBills** – need to act immediately: A degree of lead time is required to adapt the hardware and software. This work should be completed by the end of 2021 at the latest with a view to being ready for the annual dispatches (instalment payments, etc.). Contact your IT partner now to find out about updating your accounting solution.

The new **QR bill** is the further development of the payment slip that is being discontinued. It still contains a receipt and can be issued both on paper and electronically. The Swiss QR code provides all the necessary billing information and offers numerous payment options to make administration easier. The digital **eBill** goes one step further. It connects bill issuers and recipients via the Bank's e-banking system, allowing them to process payments comfortably and seamlessly.

Your relationship manager will be happy to provide you with information about the benefits of **QR bills and eBills.** Further information can be found at **cic.ch/enddate-paymentslip.** *(ter)*

The FCB DreamTeam is in training for the new season

The FCB DreamTeam was founded over 20 years ago. It enables people of all ages with a mental or physical disability to play football and take part in the life of the club. Around 70 players train every week and regularly take part in tournaments. From the 2021–22 season, Bank CIC (Switzerland) Ltd. will be supporting the FCB DreamTeam and thereby promoting the limitless fun that sport can provide. *(ter)*

Current interest rates

in CHF, as at 9 June 2021

Savings	**Private individuals**	**Companies**
Savings account	0.100%	No offer
Investment account	0.100%	0.050%
Pensions		
3a retirement account	0.200%	No offer
Vested benefits account	0.150%	No offer
Payments		
Personal account	0.030%	No offer
Current account	0.000%	0.000%

Rates may be adjusted at any time to reflect market conditions.

Savings account / 3a retirement account: offer for clients domiciled in Switzerland.
Negative interest can be charged regardless of the balance (except with savings accounts and retirement provision accounts).
Conditions for clients domiciled abroad upon request.
The latest interest rates and conditions can be found at **cic.ch**

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