03/2020 QUARTERLY MARKET OUTLOOK

perspectives

IMPRINT
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Dear reader

"If we take the future seriously, we have to stop leaving it to other people and get involved ourselves."
Jane Goodall's words look to the future and are a plea for action – even when times are challenging. Recent weeks have been times of great uncertainty. Our forward-looking strategy of new Swiss Banking, with its disciplined implementation of a combination of technology with the human touch, has allowed us to support you as a flexible partner during this period of crisis. Our services have been uninterrupted and your relationship manager has been able to reach out to you with customised solutions through a range of channels. Our digital service channel CIC eLounge has also always been there for you.
Our strategy of combining traditional banking with the benefits of digitalisation has proven robust in the crisis and allowed us to consistently treat the protection of our clients and employees as a priority. Looking to the future, we are going a step further: we are not leaving the field to others, we are actively approaching you, whether you have needs as a private individual or a company, whether you are looking to borrow or make investments, your contacts will continue to be there for you in the future, without restriction.

The combination of skill and experience means that as partners we will emerge from this crisis stronger than ever. We still have to navigate the turbulent waters ahead in the next few months, but together we can look to the second half of 2020 with confidence.

Thomas Müller
CEO

Economic perspectives

All around the world, governments have put together aid packages and issued huge loan guarantees to combat the economic consequences of the coronavirus crisis. But these on their own will not be enough, and further stimulus programmes and government rescues of companies in difficulties are being lined up. Most industrialised nations can afford it. Even so, the massive increase in government debt will affect future trends in interest rates.

Aid packages and loan guarantees worldwide

Fortunately interest rates are already low, and this will persist as a result of the current situation. The influence of the central banks on the bond market will also lead to low rates.

Governments are issuing debt which the central banks are buying on a huge scale. The profits this generates go straight back to the governments. So effectively they are lending money to themselves and parking the debt with the central bank. This is reminiscent of the situation in Japan. Now the practice is encountering resistance in Europe: the ECB ruling by the German Constitutional Court could potentially put a stop to this and considerably restricts the flexibility available to the European Central Bank.

The issue of how to bring down the mountain of debt remains regardless. The obstacles here are weak inflation and the fact that spending cuts reduce growth. The only way to shrink the debt burden over time is to ensure long-term growth and stimulate rigid demand. *(muc)*

Markets

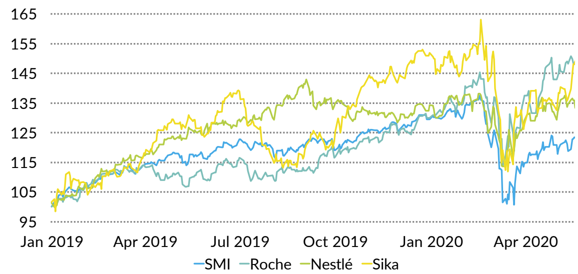
Economic recovery in the second half of 2020

After the sharpest economic collapse since the world economic crisis of 1929, the second half of this year will see a recovery. But how this will unfold, is highly uncertain. The massive economic stimuli provided by politicians and central banks need time to take effect. With consumption providing more than half of GDP, an improvement on the labour market has to come as soon as possible and be sustained. We anticipate a U-shaped recovery and therefore favour consumer staples, healthcare and technology. *(bae)*

Equities Switzerland

Swiss equities again demonstrated their impressive defensive qualities in the first six months of the year. The Swiss market was one of the international star performers. The government responded rapidly and radically to the coronavirus crisis, keeping the number of job losses low with a short-time working scheme. Switzerland is therefore likely to come through the global recession in better shape than other countries and recover faster. We favour quality stocks like **Roche, Nestlé** and **Sika.** *(bae)*

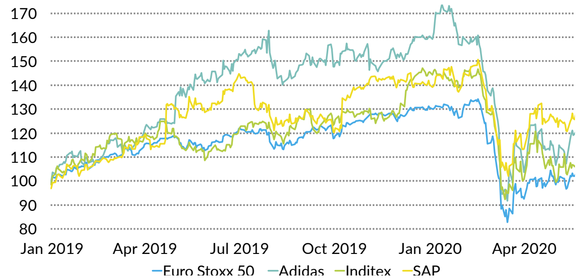
SMI



Equities Europe

The social lockdown is causing problems for the cyclical economy in Europe. Countries have in some cases taken staggered measures and with little coordination, and a common approach is now needed to overcome the economic damage. Estimates for German GDP for 2020 anticipate a decline of –6.2%. Average government debt in the EU is 100% of economic output, which does not leave a lot of scope for emergency bailouts like Germany has just had to provide for Lufthansa. We favour healthy companies like **Adidas, Inditex** and **SAP.** *(goste)*

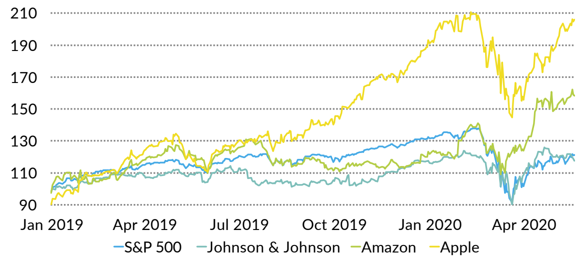
Euro Stoxx 50



Equities US

The coronavirus crisis is having a clear impact on the US election: unemployment is 14%, so the key consumer economy is sliding into lethargy. Congress and the Fed are both poised to patch up the deep cracks in the economy as fast as possible. This is essential; the domestic economy is particularly feeling the pinch, having already been under pressure from trade tariffs. We favour large-cap companies like **Johnson & Johnson, Amazon** and **Apple.** *(goste)*

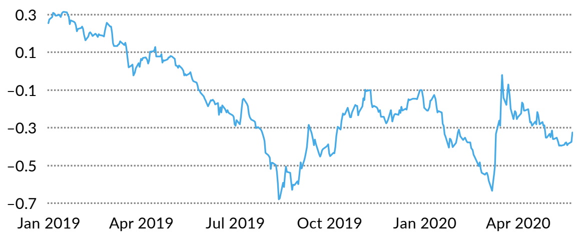
S&P 500



Bonds

After a brief period of rising yields in March, high-grade government bonds have done well from the global uncertainty. The risk premiums on corporate bonds are high, due to the expected economic slowdown. Once risk appetites recover again, there may be a reallocation into corporate bonds. We recommend avoiding sectors heavily exposed to the crisis. The great challenge will be to identify the right moment for taking a more aggressive position in cyclical securities. *(muc)*

10-year Swiss swap rates



Column

Swiss Banking – when the long-established and innovation meet

Trim the garden to perfection, modernise the kitchen and fit the latest devices or replace that dowdy carpet with sleek parquet. If you own a property, or know someone who does, then you'll be familiar with the story: there are always jobs to do around the house. After a few years you often need a full renovation, or even a rebuild. The aim is to keep the property in good shape.

For us as a bank it's just like you as a homeowner: for well over 100 years Bank CIC has been constantly adapting to new situations, holding on to what is tried and trusted and introducing new things. The "New Swiss Banking" concept we rolled out and implemented in 2019 might be compared to major renovation work. And the work is paying off: our "house" is looking splendid and several new functions have been installed in the "rooms", two of them linked to each other.

One of them is CIC eLounge, a pioneering electronic banking system. This is in addition to personal advice over the digital service channel. In other words, you can connect with us over your smartphone, tablet or laptop at any time and wherever you are, and arrange transactions whenever you want. If you have an advisory mandate your portfolio is monitored constantly and you receive an urgent message if
- securities transactions deviate from your investment strategy;
- concentration or currency risks arise;
- a particular product is unsuitable;
- a security has seen major volatility;
- a security reaches your price target;
- interesting investment opportunities arise in the market.

Needless to say, your relationship manager remains at your disposal.

We have also combined the investment and credit business, marking a milestone in client advisory. You receive advice from a single source and will no longer be moved on from one room to the next. This will save you time and nervous energy.

A bank is never completely finished. To make something great you need the right craftsmen. In our case that means all our staff who are committed to "New Swiss Banking" every day. That's the only way our bank – like your property – can stay in prime condition and fit for the future.

"New Swiss Banking" at a glance:

1. Combining proven values with innovative ideas creates the best solutions.
2. Our activities and advice are even more closely focused on the client.
3. We use new regulations to offer our clients added value.
4. The CIC eLounge is a decisive step in digitalising our bank.
5. Putting together the investment and credit businesses means you get the two from a single source – your personal relationship manager.

Sandra Marugg
Head of Corporate Development

In brief

Improve your retirement savings with the 3a retirement fund that's just right for you

Solid retirement savings are more important than ever in turbulent economic times like the present. Because of the current situation on the financial markets, interest rates on a 3a retirement account are pretty much zero and the money just sits there idle. Investing your 3a assets in a retirement fund is a way of making the most of your savings.

The benefits of retirement saving with funds at a glance

- Make your own choice from more than 30 different funds from six well-known providers
- Access to institutional (lower cost) unit classes
- We offer retirement funds with up to 80% in equities
- Initial investments from as little as CHF 1,000, and CHF 500 thereafter

Curious? Go to **cic.ch/vorsorgesparen** to find out which fund is best suited to your needs.
Incidentally: With first-time clients, Bank CIC will waive the flat fee for the first three months. You could also win a valuable laptop. *(komar)*

Less paper with CIC eLounge

With our new Swiss Banking approach we bring together the strengths of traditional banking business and the advantages of digitalisation. By using CIC eLounge, which is an electronic service channel, all bank documents are automatically available to clients digitally. This is an important contribution to reducing paper consumption. If you would like to stop receiving physical documents, please inform your relationship manager.
From now on, if you still wish to receive them, all bank documents will only be sent by second-class post.
If you are not yet using eLounge, would you like to benefit from the advantages of this service channel? Take a look at **cic.ch/cic-elounge** *(sam)*

Current interest rates

in CHF, as at 01.07.2020

Savings	Private individuals	Companies and entrepreneurs
Savings account	0.200%	No offer
Investment account	0.150%	0.050%
Pensions		
3a retirement account	0.300%	No offer
Vested benefits account	0.250%	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**

CIC

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