

IMPRINT

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Economic perspectives



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Dear reader

Interaction

The most prolonged economic expansion on record for the US came to an abrupt end this year due to the COVID-19 crisis. Each crisis posing a potential threat to economic growth has in recent years repeatedly been combated with the universal remedy of low interest rates and endless liquidity injections. And true to the saying “Never change a winning team”, the players on the financial markets are continuing to be fed the same medicine in the COVID-19 crisis. The risk in administering different medicines is that completely new symptoms or effects can arise. The side effects already observable today are an additional inflation of central bank balance sheets and overwhelming state budget deficits. The latter have been reflected in the US in a depreciation of the US dollar and globally in panic-induced gold purchases. So far the equity markets have not yet built up any “central bank resistance”, and confidence in the prescribed measures appears unbroken. However, sustainable therapies would be more likely in future to advance the further healing of the ailing economy.



Mario Geniale
Chief Investment Officer

Since the market slump in February, the financial markets have made a V-shaped recovery. This development stems from the expectation of a significant economic upturn in the second half of the year. However, a possible end to the recession through monetary policy measures and high expectations in the future should not be confused with the current crisis being overcome. It will still be some time before economic output returns to its precrisis level. This situation poses the risk of a possible rise in corporate insolvencies from autumn.

A study by S&P reaches the conclusion that the default rates of loans with poor creditworthiness are set in a baseline scenario to more than double to 8.5% in the next twelve months. The sectors most at risk from loan defaults are leisure, travel, energy, aviation and the automobile industry.

The way remains uneven

It is not anticipated at present that the expected loan defaults will result in a further European banking crisis. However, what is undisputed is that the earnings situation for banks will deteriorate in the current environment, which is set to accelerate further the market consolidation process brought about by digitalisation. In order to secure long-term competitiveness and increase profitability again, financial institutions will need to take swift strategic action. Radical measures are therefore also unavoidable in the financial sector. (*muc*)

Markets

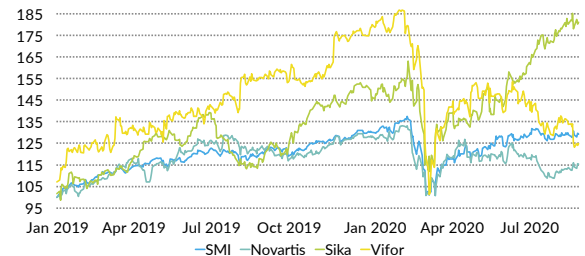
End-of-year rally?

Following the V-shaped economic recovery in the third quarter, the further development will decide whether or not there is to be another end-of-year rally. Owing to the ailing labour market, we expect a flattening of growth momentum. The US presidential election in November is creating additional uncertainty. Although an election victory for Joe Biden is priced in, his policy platform remains vague. We remain cautious and favour investments in healthcare, consumer staples and technology. *(bae)*

Equities Switzerland

Compared internationally, Switzerland has so far held up very well in the COVID-19 crisis. Owing to its low government debt and flexible labour market, the impact has so far remained manageable. Although the strongly weighted pharmaceutical securities were recently under pressure due to discussions about the reduction of US drug prices, the Swiss equity market proved robust. As the economic uncertainties are large, it is among our favourites thanks to its defensive stance. We recommend **Novartis**, **Sika** and **Vifor**. *(bae)*

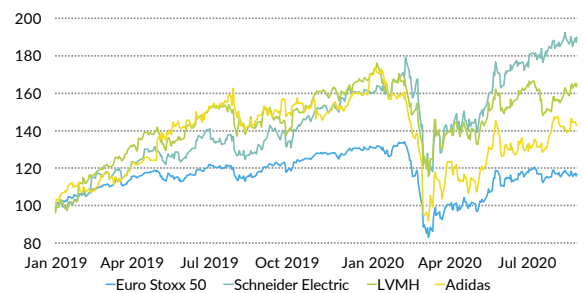
SMI



Equities Europe

Europe's economy is forecast to shrink by more than 8% this year. A stabilisation of expectations can be seen in the purchasing managers indices published monthly. This is a sign that sentiment is picking up a bit. At the same time, the weak US dollar and hence the strong euro are curbing exports, a development that can prove painful as the Achilles heel for the European economy. We favour companies with agile strategies such as **Schneider Electric**, **LVMH** and **Adidas**. *(goste)*

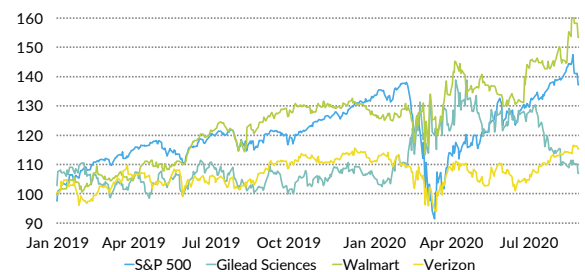
Euro Stoxx 50



Equities US

An eventful year is coming to an end. The threat of a renewed lockdown continues to hover pervasively like the sword of Damocles, but the equity markets are rushing from one high to the next. The performance of the technology sector is particularly striking, while the other sectors are exposing the economic problems of the COVID-19 pandemic with their weak performance. The US presidential election will further churn up investors' temperaments. We favour defensive securities such as **Gilead Sciences**, **Walmart** and **Verizon**. *(goste)*

S&P 500



Bonds

The zero interest rate policy era of the central banks is continuing unabated. The US Fed and other major central banks have intervened in an unprecedented manner in response to the COVID-19 crisis. The liquidity of the central banks has supported the bond markets and further pushed down yields. While in the past investors were able to generate a reasonable return with bonds, in the current low interest environment the fixed income part of the portfolio as a rule primarily serves as a means of capital preservation. We recommend a well-diversified portfolio with an admixture of BBB bonds with a short duration. *(cal)*

10-year Swiss swap rates



Topic

CIC eLounge – the combination of individual advice and digital solutions

The basis for our success lies in the consistent implementation of the forward-looking strategy and in particular the new Swiss banking that combines technology with the human touch. The core of this comprises the individual and needs-based support and advice of our clients. Together with the values practiced by Bank CIC and the courage to innovate and implement forward-looking digital solutions, this forms part of the new Swiss banking. It is with this in mind that around one year ago we launched CIC eLounge to provide, a highly flexible electronic banking system that can be used on computers, tablets and smartphones. This web-based platform that so far remains unparalleled in Switzerland is allowing us to turn our vision of new Swiss banking into reality. This multichannel solution enables clients to take advantage of our personalised advice while being able to manage and utilise their banking relationship easily at any time and from any location – entirely according to their needs. eLounge has created an innovative service channel with numerous functions that places an even stronger focus on our client's needs through the combination of personal advice and digital services.

More efficiency and time for what's important

eLounge offers private individuals, entrepreneurs and companies a wide range of attractive functions around the clock that make a surprisingly simple and straightforward experience.

Payment instructions and security buy and sale orders can be placed at any time. Clients gain efficiency by using the eBill service as the payment instructions no longer have to be entered.

With the intelligent Global Search function, clients can find transparent lists of payment recipients, trades, etc. simply and easily by entering rudimentary data. All payments already entered are recognised, so that it is no longer necessary to create payment templates.

User administration in eLounge also facilitates the assignment or amendment of individual authorisations to persons of trust or employees for the execution of transactions or viewing of accounts. Clients therefore have less administrative effort as there is no need to sign additional agreements and powers of attorney. Amendments to and deactivations of authorisations granted for the use of eLounge are possible at any time.

Reduction of paper flow

As well as bank statements, all valid contracts with the bank and relevant correspondence are also automatically stored in eLounge and can be viewed at any time. The intelligent

filter function marks the end of endlessly combing through printed documents: the desired documents can be tracked down in eLounge within seconds.

Hybrid advice – even closer to the client's needs

The hybrid advisory model is a client need in the banking sector. Personal meetings remain indispensable for understanding needs and individual requirements and drawing up solutions with a client. At the same time, digital solutions offer many benefits that clients can make use of individually according to their own preferences.

Based on the following example, we illustrate what hybrid advice looks like in practice: clients with an advisory mandate for investment transactions have round-the-clock access via eLounge to added value:

- market assessments with specific recommendations for action from the bank and third-party institutions
- notification about exceptional price fluctuations in a portfolio
- rating changes of individual securities
- or the reaching of fixed limits.

Should one of these or many other events occur, prompt notification is sent via the channel requested by the client (SMS, push message or email). Based on the information provided, the client can make decisions, directly initiate transactions or contact his or her advisor from the application in order to seek advice before placing an order.

We aim to establish eLounge as a unique service channel in Switzerland that stands out due to its user-friendliness and attracts private clients and in particular entrepreneurs and companies with innovative solutions. **With the new multi-banking with payment transactions, we are going one step further with eLounge and investing in added value for our clients.** By pursuing such innovation we aim to integrate the strategy of new Swiss banking into everyday life.

CIC eLounge at a glance:

- Available 24/7 – any place and any time
- Individually configurable dashboard
- A single login for all your banking relationships thanks to multibanking
- Available as an app and on your desktop
- Access to all bank statements, contracts and documents
- Market assessments by our experts and a third party to support your investment decisions
- Secure electronic communication with your client advisor
- Up-to-date security standards and numerous setting options

In brief

Benefit from a higher potential return when investing in retirement funds – now up to 100% equity weighting

New: retirement funds with up to 100% equity weighting

Are your retirement savings a source of concern to you? If so, you're not unlike many people in Switzerland. Take the bull by the horns and invest your pillar 3a assets in retirement funds. This way, you'll not only save tax but also benefit from the opportunity of a greater return compared with the interest on the account.

Your benefits with Bank CIC at a glance:

- Maximum flexibility: free subscription and redemption at all times
- Selection of more than 30 first-class funds from six different banks and insurance companies
- Exclusive access to fund tranches for institutional investors with genuine price benefits
- Initial investment from CHF 1,000, follow-up investments from CHF 500

Would you like to find out more?

Visit cic.ch/retirement-savings today and find the fund that best meets your needs.

Our insider tip: We'll waive the flat fee for the first three months!* (krs)

* Applies to first-time clients



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Social commitment

As a traditional bank, we are conscious of our social responsibility and support selected social institutions. We are therefore proud as part of our sustainable commitment to announce that we will support the Magic Lamp Foundation for the next three years. For around twenty years, the Foundation has been making the wishes of sick children and young people come true. To find out more, visit cic.ch/wunderlampe (bon)



Current interest rates

in CHF, valid from 01.10.2020

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