

IMPRINT

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Economic
perspectives

In spring of this year, President Donald Trump tweeted: "If the Fed had done its job properly, which it has not, the stock market would have been up 5 000 to 10 000 additional points, and GDP would have been well over 4% instead of 3%... with almost no inflation. ..."

The challenge of low inflation

The US Federal Reserve has based its policies over the past few years on the assumption of rising financial markets. Both economic growth and hourly wages steadily increased and unemployment is at its lowest level since 1970. Yet neither the current chairman of the Federal Reserve, Jerome Powell, nor his predecessor, Janet Yellen, were able to propel consumer prices over the target. After the central banks spent 2000 to 2010 trying to get inflation under control, they are now using all means at their disposal to drive expectations for an increase in prices. During a press conference Jerome Powell described low inflation as "one of the greatest challenges of our time".

In Switzerland and Europe the situation is even more precarious. Average prices have stagnated since 2009 – and in Switzerland they have even been on the decline by 0.01% per quarter.

The solution to this problem is anything but trivial. Approaches such as helicopter money (an increase in the money supply, paid directly to the public) or tax cuts are not sustainable. Central banks have only limited room for manoeuvre. But they have demonstrated in the past that they have creative ways of controlling money. (*cal*)

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With CIC eLounge* we have linked two aspects of banking that are especially important to us: the personal advisory approach and digitalisation. This means we can use the latest technical opportunities to meet clients' needs in a flexible way. At the same time, we maintain personal contact with our clients to ensure we can offer individual and comprehensive advice.

This modern solution gives you a new level of freedom: our bank is open for you around the clock through CIC eLounge. The various functions will simplify your day-to-day banking through modern features. For example, CIC eLounge gives you access to comprehensive information, trends and news about the most important stock markets, and you can make payments easily and securely.

We are pleased to be able to make this new solution available to you in late summer. Have your name put on the interest list (cic.ch/interest-elounge) and be among the first to use CIC eLounge. I can assure you: you will enjoy using it.



Thomas Müller
CEO

* This service is available to clients domiciled in Switzerland and in selected domicile countries.

Markets

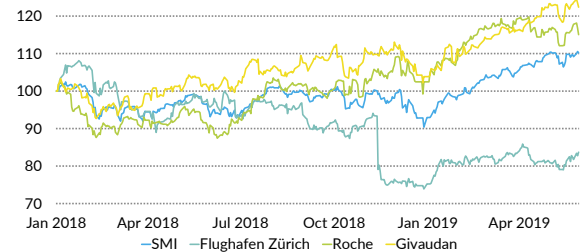
“The markets in the frenzy of a flood of money.”

Record low interest rates sustained the upswing in the equity market up until the middle of the year and provided a distraction from the general economic slump. Without support of the central banks, the rising bond markets and steadily falling sentiment indicators in the economy would be an alarming signal for market participants. However, the first cracks in this “good mood façade” are starting to show: the trade disputes disclose deeply rooted structural challenges, and the flood of money gives false incentives in the real economy and on the bond markets. (goste)

Equities Switzerland

Growth estimates for the Swiss economy were most recently revised down, making the strong price development on the equity market in the first third of the year even more surprising, as the heavyweights of the Swiss Market Index even climbed to new all-time highs. In the upcoming consolidation phase for Swiss equities, we do not anticipate any major reversals due to the defensive nature of the stocks and their attractive dividend returns. We prefer **Flughafen Zürich, Roche** and **Givaudan**. (robo)

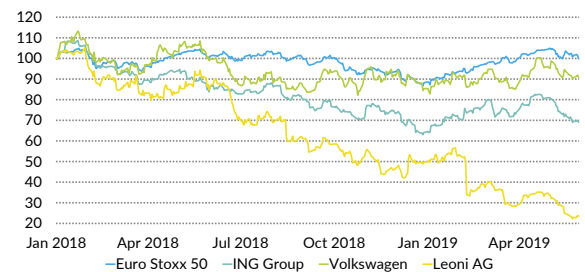
SMI



Equities Europe

The political “grumbling” in the Brexit intermezzo is now being accompanied by the end of the dividend season, the ECB zero-interest policy and a fragile economy. The latter two have an especially hard marked impact on two European sectors in particular: banking and automotive, both with price trends that have been trailing behind this year. Additionally, young companies have repeatedly been fuelling fears in the automobile industry with their disruptive drive technologies. In terms of valuation, however, we see entry opportunities with **ING Group, Volkswagen** and **Leoni AG**. (goste)

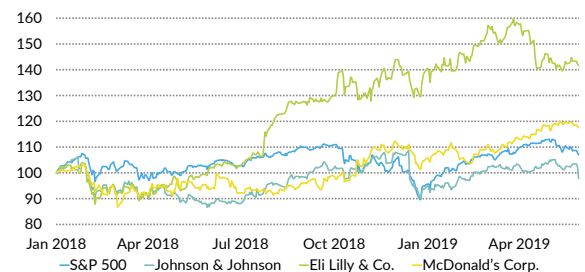
Euro Stoxx 50



Equities US

Contrary to general expectations of a dent in growth in the first quarter of 2019, the US economy has been growing strongly since the beginning of the year. The US stock market gratefully welcomed the stimulus and soared above the lows of December. For this year, high equity valuations stand in contrast to rather reserved analyst earnings forecasts, which make US equities seem unattractive. For this reason we remain cautious and prefer defensive stocks: **Johnson & Johnson, Eli Lilly & Co.** and **McDonald's Corp.** (jb)

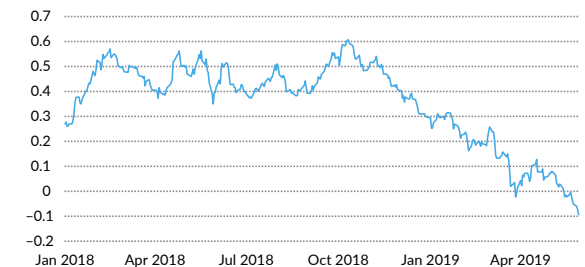
S&P 500



Bonds

Yields in Europe and the US came under considerable pressure this year, and even the Swiss yield curve has flattened out significantly since the beginning of the year. This is a consequence of dwindling economic growth and reflects not only the risk aversion of market participants but also the ongoing expansive policies of the European Central Bank. Against this backdrop we recommend selective profit taking for bonds with long durations and high credit risk. (muc)

10-year Swiss swap rates



Column

Video gaming gains in popularity – even among investors

The topic of video games is interesting for young and old alike and is more than just the controversial “shoot-em-up games”. I’m not a gamer, and yet the subject still fascinates me. And not without reason.

My son Simeone is 19 years old. What do 19-year-olds do in their free time? They game. And Simeone is an avid gamer. I can understand if you are now picturing a pale-faced and slightly overweight young man who rarely leaves the house during the day, if at all. However, my son is the exact opposite and has a healthy social life.

Up until a few months ago, I didn’t really approve of this gaming thing. That is, until Simeone euphorically – and successfully – explained his fascination with gaming over lunch. The fun factor, the interaction, affiliation with the community and the chance to submerge in foreign worlds that you can design yourself, all makes it so appealing. You don’t just play in isolation, alone in a quiet room, but you game with like-minded gamers from across the globe.

And e-sports, the competitive playing of computer and video games, is rapidly growing in popularity. Even FC Basel 1893 has its own e-sports team. A fact I didn’t know until recently.

After that discussion with my son, I couldn’t get the topic of gaming off my mind, and I decided to talk to my team about it. We started a veritable research offensive and analysed the market, investment opportunities and return potential in detail.

“Video games are a strong driver for economic growth.”

Networking within the gamer community is growing by the day, creating a huge buzz. The numbers we found left us at a loss for words.

Take a look for yourself:

- The billions in sales for certain bestseller games such as Fortnite, The Sims, Call of Duty, World of Warcraft, Guitar Hero, Candy Crush Saga, and the like are real.
- Epic Games, for example, generated USD 3 billion in the past year alone, mostly attributable to Fortnite.
- Video games are a strong driver for economic growth: in 2016, the industry sold over 24.5 billion games and achieved revenues of more than 30.4 billion dollars.
- While only 26% of smartphone users gamed on their phones in 2011, this figure has soared to 61% in 2018.
- Apple, one of the most valuable companies in the world, recently announced its venture into the gaming business with its own platform “Apple Arcade”. This move into the market speaks clearly for the potential of the industry.

There is no lack of investment opportunities: there are bonds with coupon payments of up to 4.5% a year, and an array of structured products is available. Such future themes are always associated with a certain amount of risk – the risk profile and the investment horizon of the investor play an important role in the selection of an investment strategy and the decision for or against investment opportunities. Of course, investors with a greater risk tolerance who also have the right investment horizon can also invest directly in equities.

If you would like to know how video gaming would fit into your portfolio, our client advisors would be happy to assist you.

Incidentally: Simeone is now a shareholder of Electronic Arts and has the opportunity to get back his gaming spending in the form of return. A classic win-win situation, right?



Mario Geniale
Chief Investment Officer

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The column reflects the personal opinion of the author.

In brief

Top Yield BRC

Investors often want to combine fixed coupon payments with participation in the equity market. A Barrier Reverse Convertible (BRC) offers a return that depends on the level of volatility of the stock and the correlation between the underlying assets. To ensure an optimum risk-return ratio, our asset management team has launched the monthly "Top Yield BRC" line. The three stocks selected stand out for their simplicity: companies with solid fundamentals, favourable investment timing and high volatility promise an average of 10–15% return with a risk buffer of 30%. (*paudi*)

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cic.ch/en/publications/cic-weekly

Pillar 3a: potential at hand

The third representative national study on private pension provision, or pillar 3a, shows that the share of 3a savers has risen since 2012. But the potential of the 3rd pillar is far from exhausted. Half of respondents indicated that they don't pay into the pillar 3a.

The majority of pillar 3a savers continue to rely on the conservative 3a account. Only every one in four use the investment options of a 3a pension provision fund. Here



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savers should look out for the return and costs, especially in low-interest phases. Compared to a solution that only offers an account, investment in 3a funds is significantly more attractive. Invest in investment funds if your investment horizon is four years or more to increase your return opportunities. Calculate your surplus return at wertschriftensparen.ch.



You can find the full results of the 3a study at cic.ch/studie. (*krs*)

Current interest rates

in CHF, as at 01.07.2019

Savings	Private individuals	Companies and entrepreneurs
Savings account	0.200%	No offer
Investment account	0.150%	0.050%
Pensions		
3a retirement account	0.400%	No offer
Vested benefits account	0.250%	No offer
Payments		
Personal account	0.030%	No offer
Current account	0.000%	0.000%

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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Sandra Marugg
Head of Business Development
and Overall Project Manager



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Sandra Marugg

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Benefit 1: You are independent.

With CIC eLounge, you are not constrained by opening hours.

With the eLounge, you decide the **opening hours of your bank**. You decide when you want to **make payments or buy and sell securities**. You can use your **phone or laptop** to check your investments when you are on the go and access the latest financial information. You have a **paperless** document filing system. You're free to request a **personal consultation** whenever you need it.

Benefit 3: We take care of your financial security.

You have full control over your finances.

You can **set up your eLounge individually**. You decide how you wish to be informed. And **you decide** about which financial movements you want to be informed. You are **automatically informed** about serious **market fluctuations** or **possible risks** to your investment portfolio. You therefore always have time to react.

Enjoy our CIC eLounge. It will make your life easier and you will enjoy greater independence.



Cyril Bubendorf
CIC eLounge
Workstream Leader

*“With Bank CIC’s eLounge, you can **easily and securely** take care of your banking business **at home and on the go**. Whenever it suits you. We’re always at your service.”*



Mario Geniale
Head of Asset Management

*“With the CIC **market assessments** and a third-party opinion we offer you the **best possible foundation for investment decisions**.”*



Andreas Dill
Head of Key Accounts and Institutional
Investors German-speaking Switzerland

*“It’s great that we can offer our clients a **modern and innovative tool for their banking business**.”*

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- Do you like that the eLounge **proactively gives you investment recommendations**?



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the attractive CIC eLounge functions.