

#### IMPRINT

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# perspectives

01/2018 QUARTERLY MARKET OUTLOOK



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on the reverse



#### DEAR READER

“Carpe diem”, from the ode by the poet Horace is interpreted in many different ways. Often translated as “seize the day”, the ode’s literal translation “pluck the day” encourages you to make the most of the short life you have. We should appreciate that time is one of the greatest gifts of all, especially at the turn of the year, when gifts and wishes are everywhere.

The progress in our society generates and consumes this limited commodity. Increased mobility, more automation and new ways of transferring knowledge and information lead to reduced transportation times, greater productivity and shorter working hours. However, this progress also uses up so much time that big data is required. Although it cannot read our minds to find out our wishes, they can still be determined from our behaviour. Our bank aims to combine both worlds. Automation should reduce the effort required from our clients and digitalisation should guarantee constant availability, while personal contact ensures the necessary foundation of trust.

Whether you put your investments in the hands of our experts by issuing a mandate, keep things firmly under control with our advisory service or implement your ideas on your own – it’s your choice how much time you want to invest with us in financial matters.

In this light, I want to thank you for your trust and wish you every success in your individual use of “Carpe diem” in 2018!

Thomas Müller, CEO

## Economic perspectives

The Swiss economy can certainly be described as robust at the moment. Positive news from the labour market, continually rising nominal wages and the resulting healthy development of consumer prices have all put investors in the Swiss equity market in a buying mood.

So what’s the outlook for the Swiss economy in 2018? The analysis of three early indicators can provide some clues as to how the economy will develop in future: The Purchasing Managers’ Index enables us to gauge the mood on the supply side of the equation. The KOF Economic Barometer shows us the monthly GDP growth rates, among other things. The UBS Consumption Indicator provides data on consumption trends, including everything from consumer confidence and new vehicle registrations to hotel booking figures for Switzerland. All of these indicators tell the same positive story, as the associated figures have been on the rise since June.

### Historically familiar pattern

When these indicators are compared historically, the prospect of positive equity-market development for the next 12–24 months appears even more likely. The expansionary monetary policy of the ECB and the SNB with low interest rates will continue in 2018 and will have a stimulating effect on economic growth. At the same time, this positive mood could lead to overheating in the medium term. For example, the 62 points recorded by the Purchasing Managers’ Index in October was the highest in seven years and the market has already sufficiently rewarded this achievement with higher share prices. The equity market will likely slow down somewhat over the medium term, after which the positive trend will resume. (st)



# The Markets

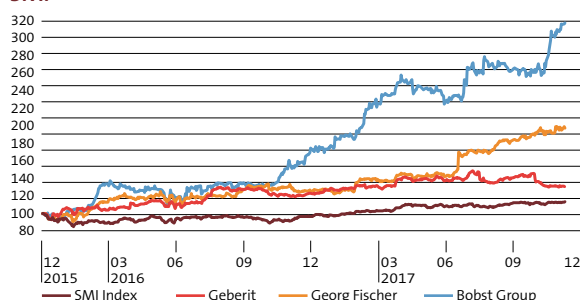
## “What goes up must come down!”

And the earth keeps turning – even a year after Donald Trump’s surprising election victory. It seems that the original slogan of “America First” has been replaced by “US Business First”, which has had quite a positive effect on global equity markets. Nevertheless, the interest rate policies of the world’s leading central banks remain the biggest and most important influencing factor. Under its designated chairman, Jerome Powell, the Federal Reserve will only be allowed to raise interest rates slowly, if at all, while the ECB and the Bank of Japan really have no choice but to increase rates only slowly – again, if at all. One thing is certain: even the central bank chairmen cannot suspend the “law of financial market gravity” for any considerable period of time. For the equity market, this simply means “what goes up must come down!” (jub)

### SWISS EQUITIES

The current global economic expansion is broadly based. This is also benefiting Swiss companies, which have stood out over the last few quarters through a resumption of organic revenue growth. Earnings are expected to develop positively both this year and next. In particular, companies extensively involved in the eurozone will likely gain momentum from the stronger euro. Despite its higher valuation based on price/earnings ratios, the Swiss equity market is attracting investors with favourable dividend yields. We therefore favour stocks that pay out high dividends, with a focus on the eurozone, whereby names such as **Geberit**, **Georg Fischer** and **Bobst Group** come to mind. (robol)

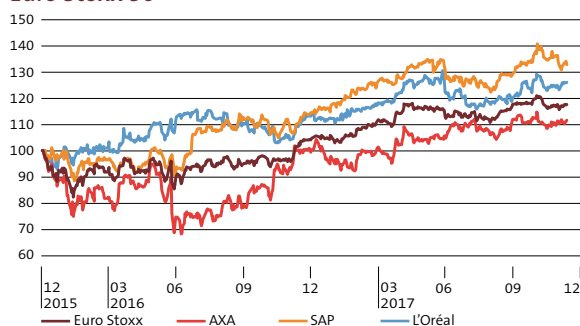
### SMI



### EUROPEAN EQUITIES

The European economy – excluding the “secessionist” UK – is performing extremely well. The economic indicators for all member states have repeatedly been upwardly adjusted. The architect of this veritable economic miracle is the ECB under the direction of Mario Draghi. Indeed, the ECB’s never ending low interest rate policy and the resulting flood of liquidity have compensated for latent problems and weaknesses. At the same time, virtually nothing continues to be done in terms of urgently needed government restructuring measures, and little inspiration is to be gained from political developments as well. We remain cautious despite the general euphoria; our selection of securities leans towards globally oriented and financially sound companies, such as **AXA**, **SAP** and **L’Oréal**. (jub)

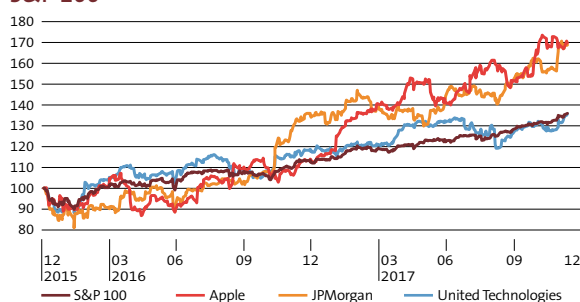
### Euro Stoxx 50



### US EQUITIES

The US economy is displaying outstanding performance, with virtually full employment (unemployment rate of 4.1%), economic indicators on the rise (Purchasing Managers’ Indices > 50) and double-digit earnings increases expected for 2018 (approx. +10% year-on-year). As a result, stock markets in the USA have sky-rocketed and broken one record after another. This market boom has been accompanied by continually increasing valuations, which is why some investors doubt whether the upswing can be sustained. We therefore advise investors to keep a cool head. The blue chips **Apple**, **JPMorgan** and **United Technologies** appear solid and interesting. (jb)

### S&P 100



### BONDS

The bond markets have moved sideways as of late. The decision announced by the ECB on 26 September 2017 to reduce monthly bond purchases, yet also extend the QE programme and leave the base rate at zero, was well received on the bond markets. Interest rates fell slightly after the announcement, which had a positive effect on bond prices. The increasingly encouraging economic data from Europe and the USA, as well as the fact that the Federal Reserve is expected to implement two further interest rate increases in 2018, reaffirms our underweighting of long-term bonds. We expect to see a slightly steeper yield curve in the coming year. (muc)

### 10-year Swiss franc interest rates



# The Column

Luca Carrozzo, Deputy Chief Investment Officer



## Stay cool

DEAR READER

You've probably heard a thousand times that perfect timing isn't easy – and perhaps even utopian – when it comes to investing. "Don't try it!", everyone says. "Too much

time and was set to become one of the leading developers of graphic processors and chipsets for PCs and game consoles, you would have increased your investment five-

act without emotion. Remain cool and don't chase after every trend. Pretty simple, right? Well, it also helps if you get some assistance.



trend-chasing leads to the poorhouse" is also a well-known saying in the financial world. There's a certain truth to this, as investors often miss out on the lion's share of returns because they purchase or sell a stock at the wrong time.

Indeed, typical investors tend to act in line with cyclical developments. Such investors are unable to cope with the complexity and dynamic nature of financial markets – not to mention the time pressures. They are also influenced by emotions such as hope, greed and euphoria. This makes it difficult to maintain an overview of all the key factors that impact markets. Investors often ask themselves things like: Will the share price perhaps fall a little bit further after all? Should I even invest at all, now that share prices are rising so sharply? Such investors rarely pick the exact right time to make a move.

Still, if their timing does turn out to be right, they can exploit completely new opportunities and achieve outstanding returns. For example, if you realised two years ago that NVIDIA was doing the right thing at the right

fold by now. I myself experienced absolutely perfect timing on 15 January 2015, when the euro-franc minimum exchange rate was scrapped and the franc soared from CHF 1.20 to CHF 0.85 against the euro. We were able to react quickly and finished our euro-dollar currency hedging with a profit.

So what's the secret to getting your timing right? We recommend you follow the 80:20 rule. This means you should invest 80% of your assets in a long-term and broadly diversified portfolio. You should focus here on growth potential rather than the perfect time to buy. Companies that are entering new markets and exploiting the dismantling of market barriers offer attractive investment opportunities here. There are many small and medium-sized companies hidden on the market whose innovative concepts will allow them to displace the established blue chips in future. Your job is to find these "story enablers". You can then use the remaining 20% of your assets to exploit opportunities on the market. You have to be careful not to get in your own way, however. In other words, you should identify opportunities systematically and

In any case, our advice is to stay cool but use a system. At Banque CIC (Suisse), we have developed a system that greatly simplifies the decision-making process for us. This system is based on a combination of tried-and-tested fundamental data analysis and the utilisation of automated tools. We use the fundamental data analysis to examine companies down to the last detail, after which we filter out those that display the greatest potential for returns. We then put the automated tools to work on these preselected companies. More specifically, these tools conduct time series analyses of share prices and then identify those stocks that are about to take off. This enables us to act in an anti-cyclical manner and invest at the right point in time.

Why not make use of these tools and obtain top-class advice from true specialists? We can adapt our 80:20 rule to your specific needs and help you monitor your positions, and in this manner expand the spectrum of your investment opportunities.

Luca Carrozzo is Deputy Chief Investment Officer of Banque CIC (Suisse). He is a fund manager and a specialist in the bond market. He is also responsible for portfolio management and advisory services.

## Capital protection for bonds – the conservative alternative

Things aren't easy for bond investors in the current low interest rate environment. Bonds are yielding little to no returns and it appears that interest rates will continue to fall, which will raise bond prices even further.

The solution for bond investors in this situation is capital protection with increased participation. It's possible to buy products that replicate positive performance by up to 150% and simultaneously hedge against price losses over three years. Consider this example: If the prices of purchased bonds rise by 10% over the next three years, the investor will receive +15% back. If, however, interest rates rise and the bond prices therefore decline, the investor will receive 100% of their invested capital back. The risk for Swiss investors is thus limited to the investment currency. Given the low interest rate environment in Switzerland and Europe, it doesn't make sense to purchase such a product in Swiss francs.

We recommend that such investments be made in US dollars. The approach described here offers a good alternative to conventional bonds. Speak with your investment advisor to learn more. (cal)

## 3a funds: the favourites in 2017

What were the most popular 3a retirement funds in 2017 at [www.wertschriftensparen.ch](http://www.wertschriftensparen.ch)? First place goes to the Swisscanto BVG 3 Index 45 R fund, followed by Swisscanto (CH) Vorsorge Fonds 75 Passiv VT, the equity fund that has been quickly catching up with others since it was launched in July 2017. The Credit Suisse Mixta-BVG Index 45 I was the third most popular retirement fund in 2017. All three funds utilise a passive investment policy and are therefore more favourably priced than actively managed funds. All of them also have a high equity component, which promises higher yields in the long term.

Make your own selection at [www.wertschriftensparen.ch](http://www.wertschriftensparen.ch) and start the new year with a boost for your Pillar 3a investments. (krs)

## Support for KulturLegi



**KulturLegi**

A total of 1 085 000 people in Switzerland live in poverty or are threatened by poverty. This has far-reaching consequences for those affected. For example, poverty often makes it difficult to participate in social and cultural life. However, thanks to the KulturLegi organisation operated by Caritas, some 85 000 low-income individuals are currently able to participate in cultural, educational and athletic programmes in Switzerland. Banque CIC (Suisse) is supporting KulturLegi for a period of three years. The bank is committed to expanding KulturLegi programmes both in terms of their content and their geographic reach. Find out more at [www.kulturlegi.ch](http://www.kulturlegi.ch).

## Current interest rates in CHF

(as at 01.01.2018)

For savings and pensions	Private clients	Business clients
Savings account	0.200%	no offer
Investment account	0.150%	0.050%
3a retirement account	0.550%	no offer
Vested benefits account	0.250%	no offer

### For day-to-day use

Private account	0.030%	no offer
Current account	no offer	0.000%

Savings account/3a retirement account: offer for clients domiciled in Switzerland. Current conditions and rates of interest can also be found at [www.cic.ch](http://www.cic.ch).

### Harmonising Swiss payments

Is your company ready for ISO 20022? Find out now at [www.cic.ch/harmonisation-pt](http://www.cic.ch/harmonisation-pt).



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# Overview of range of accounts of Banque CIC (Suisse)

PAYMENTS			
Type	PRIVATE ACCOUNT	CURRENT ACCOUNT	
Holder	Private individuals	Private individuals	Entrepreneurs and companies
Description	For your salaries, payments and securities transactions	For your bank transactions in a foreign currency or as a settlement account for a line of credit that has been granted	For all transactions within the framework of your business activities
Currency	CHF, EUR, USD and GBP	CHF and foreign currency	CHF and foreign currency
Interest rate <sup>3</sup>	CHF 0,030% EUR 0,0625% USD 0,125% GBP 0,125%	CHF 0,000% EUR 0,000% USD 0,125% GBP 0,125%  Other foreign currencies on request	CHF 0,000% EUR 0,000% USD 0,125% GBP 0,125%  Other foreign currencies on request
Interest limit	Interest rate above CHF 10 million on request	Interest rate above CHF 10 million on request	Interest rate above CHF 10 million on request
Opening and closing	Free of charge	Free of charge	Free of charge
Account management	Included in the client relationship fee <sup>1</sup>	Included in the client relationship fee <sup>1</sup>	CHF 6 per month
Availability / withdrawal limit	CHF, EUR, USD, GBP 500 000 p. a.  Higher amounts are subject to a notice period of 3 months.  If the notice period is not met, 0,500% of the amount exceeding the limit is charged at the end of the year or upon account closure.  No limit on purchases of securities and precious metals or for interest and amortisation payments at Banque CIC (Suisse).	Up to the available balance, not subject to a notice period.	
Account overdrafts	No facility  Individually authorised overdrafts are charged interest at the default rate. <sup>3</sup>	Possible  Amounts that exceed the authorised credit limit are charged interest at the default rate (plus 0,250% credit commission per quarter on the highest debit balance). <sup>3</sup>	
Statements	Monthly if there were any transactions, more often and copies CHF 0,50 per statement plus postage		
Account balancing statements	Annually, free of charge	Quarterly, free of charge	
Payment transactions	Available	Available	
eBanking	Account queries and payment transactions	Account queries and payment transactions	
Maestro card	Available for CHF and EUR accounts CHF 50 p. a. (or equivalent)	Available for CHF and EUR accounts CHF 50 p. a. (or equivalent)	
Credit card	Available for CHF, EUR and USD accounts Silver CHF, EUR, USD 100 p. a. Gold CHF, EUR, USD 200 p. a.	Available for CHF, EUR and USD accounts Silver CHF, EUR, USD 100 p. a. Gold CHF, EUR, USD 200 p. a.	
Link to custody account	Available	Available	

<sup>1</sup> **Client relationship fee CHF 25 per quarter Simple and transparent – a fee for all accounts**  
Banque CIC (Suisse) charges a simple and transparent flat-rate fee per client relationship for private clients instead of an account management fee. This client relationship fee includes the account management for all the transaction accounts held under one client relationship, including foreign currency accounts and other services. You can find details of this in the tariff schedule "Fees and conditions for private clients". For clients domiciled abroad and with a business volume of less than CHF 100 000 the rate of CHF 75 per quarter generally applies. A higher fee may be charged depending on the country in question. Your client advisor would be pleased to inform you about the individual countries.

<sup>2</sup> Offer for clients domiciled in Switzerland.

<sup>3</sup> The interest rates published apply to clients domiciled in Switzerland. Conditions for clients domiciled abroad upon request. Debit interest on account overdrafts p. a.: CHF 9.000%, EUR 8.500%, GBP and USD 8.000%. Further terms and conditions on request.

	SAVINGS			RETIREMENT PROVISION	
Type	INVESTMENT ACCOUNT		SAVINGS ACCOUNT <sup>2</sup>	3A RETIREMENT ACCOUNT <sup>2</sup>	VESTED BENEFITS ACCOUNT
Holder	Private individuals	Entrepreneurs and companies	Private individuals	Private individuals	Private individuals
Description	For flexible saving with high availability for your medium to long-term investment aims	For flexible investment saving with high availability and for the medium-term secure placing of your liquidity	For traditional, long-term saving Minimum deposit CHF 10 000	For private savings within the framework of private retirement provision under Pillar 3a	For the ring-fenced investment of your Pillar 2 assets (BVG) from a Swiss pension fund
Currency	CHF, EUR	CHF, EUR	CHF	CHF	CHF
Interest rate <sup>4</sup>	CHF 0.150% EUR 0.125%	CHF 0.050% EUR 0.0625%	0.200%	0.550%	0.250%
Interest limit	Interest rate above CHF, EUR 500 000: CHF 0.000% EUR 0.0625%  Interest rate above CHF 10 million on request	Interest rate above CHF 5 million, EUR 500 000: CHF, EUR 0.000%  Interest rate above CHF 10 million on request	CHF 500 000  Interest on amounts above this: Same interest rate as for private account	None	None
Opening and closing	Free of charge	Free of charge	Free of charge	Free of charge Exception for full repayment: processing fees will be charged in the event of an early withdrawal for self-occupied residential property or definitive departure from Switzerland. <sup>4</sup>	
Account management	Free of charge	CHF 6 per month	Free of charge	Free of charge	Free of charge
Availability / withdrawal limit	CHF, EUR 50 000 p. a.  Higher amounts are subject to a notice period of 3 months.  If the notice period is not met, 0.500% of the amount exceeding the limit is charged at the end of the month or upon account closure.  No limit on purchase of securities and precious metals or for interest and amortisation payments at Banque CIC (Suisse).		CHF 25 000 p. a.  Higher amounts are subject to a notice period of 6 months.  If the notice period is not met, 0.500% of the amount exceeding the limit is charged at the end of the month or upon account closure.	Transfers to a new Pillar 3a pension provider are subject to a notice period of 3 months.  No notice period for all other withdrawal options provided for by law.  Partial withdrawals are only possible in the event of an early withdrawal for self-occupied residential property. <sup>4</sup>	No notice period within the framework of the withdrawal options provided for by law (e.g. transfer to another pension fund, definitive departure from Switzerland, etc.).  Partial withdrawals are only possible in the event of an early withdrawal for self-occupied residential property. <sup>4</sup>
Account overdrafts	Not possible		Not possible	Not possible	Not possible
Statements	Monthly if there were any transactions, more often and copies CHF 0.50 per statement plus postage			Annually, free of charge	Annually, free of charge
Account balancing statements	Annually, free of charge		Annually, free of charge	Annually, free of charge	Annually, free of charge
Payment transactions	<ul style="list-style-type: none"> <li>▪ conditional availability</li> <li>▪ free of charge: Investment account four / savings account two payment orders p. a., other orders subject to charges according to the tariff "Fees and conditions for private clients" and "Fees and conditions for business clients"</li> <li>▪ no direct debits</li> </ul>			Not available	Not available
eBanking	Account queries and account transfers		Account queries and account transfers	Account queries	Account queries
Maestro card	Not available		Not available	Not available	Not available
Credit card	Not available		Not available	Not available	Not available
Link to custody account	Available		Not available	Saving through securities possible, details on application	Saving through securities possible, details on application

<sup>4</sup> Processing fees in the event of full repayment or partial withdrawal:

- for early withdrawal for self-occupied residential property: CHF 300 (if financing is obtained from Banque CIC (Suisse), this charge will be waived)
- for early withdrawal as a result of definitive departure from Switzerland or if the withholding tax must be levied: CHF 300

Valid as per 01.01.2018

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