

## IMPRINT

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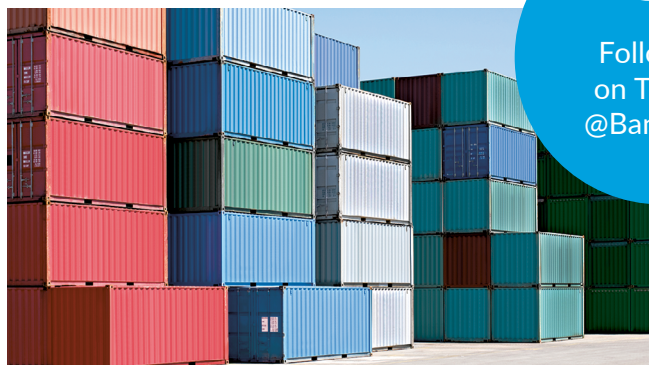
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Economic  
perspectives

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## Dear reader

“Courage comes at the beginning of action, happiness at the end.” This is how the Greek philosopher Democritus explained the meaning of life 2 500 years ago.

Those who act can lose – this risk is emphasised more than enough in our society. And it's often forgotten that those who don't act have already lost. Such as the farmer who keeps the seed in his storage shed instead of creating new life.

Courage and belief in the future are crucial for success. Steve Jobs served as our example; impassioned by an entrepreneurial idea he had the courage to act. Being courageous doesn't mean to blindly rush into danger, but rather to circumspectly overcome danger.

Innovation, entrepreneurial commitment and a strong vision are just as much a part of success as strong partners with the most diverse expertise. The turn of the year is a good time to think about the goals we wish to reach. Let's focus on action and show the courage to pursue happiness!

As a flexible bank partner, we offer you our comprehensive expertise in all fields of banking that are relevant to your success.

I wish you a courageous start to a successful 2019 with many moments of happiness.



  
Thomas Müller  
CEO

Despite many incalculable factors from around the globe including the Brexit negotiations, alarm concerning a possible escalation in the trade war between the US and its key partners and fears related to Italy's mounting national debt, the Swiss economy remains robust.

**Swiss exports at new all-time high**

Exports just recently set a new record, with the published figures showing that, in absolute terms, Switzerland's exports have never been higher in recorded history. A closer look at the data reveals increased exports in the pharmaceutical and watch industries, in particular.

Leading indicators might have dipped slightly, but remain at a very high level. The Swiss Purchasing Managers' Index, which is compiled based on a survey of selected purchasing managers working at relevant companies, is still well above 50. A figure below 50 indicates a contraction, while a figure above 50 predicts economic expansion.

Positive sentiment can also be felt on the domestic labour market. Switzerland is seeing its highest level of employment since 2008, and the current unemployment rate is very low at 2.6%.

An analysis of global economic indicators shows that the general macroeconomic conditions remain positive, yet how long this will continue to be the case remains to be seen. We anticipate that the economic fair-weather phase will be threatened by the looming storm clouds of geopolitical risks. (*cal*)

# Markets

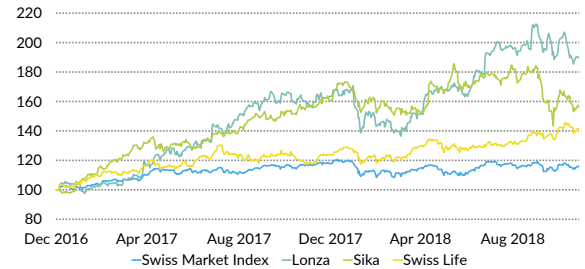
## “Kicking off a challenging year on stock markets”

Following a difficult year on the stock markets in 2018, investors are now facing even bigger challenges. While interest rates might be historically low and corporate profits are (still) making the coffers ring, global growth is losing momentum, in part due to central banks' more restrictive monetary policies. Efforts to define successful investment policies are being hampered by two incalculable factors, namely Donald Trump and the US-China trade war. Conclusion: the years of “fat” yields are over. *(jub)*

### Equities Switzerland

For the first time, certain indicators are pointing toward a slowdown in global economic momentum. While growth in profits at Swiss companies is likely to slow down due to their great dependence on global trade, they should still remain at a record-high level. Other factors in favour of Swiss equities include attractive dividend yields and the strong focus on defensive sectors, both of which are in demand on volatile stock markets. We like solid securities such as **Lonza**, **Sika** and **Swiss Life**. *(robo)*

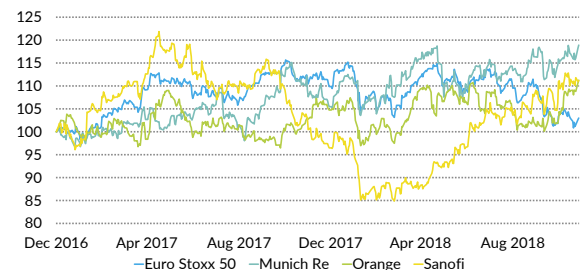
### SMI



### Equities Europe

The political realm continues to ensure a supply of negative headlines, and there is little reason for euphoria from an economic perspective, either. Germany, the export world champion, is suffering under the US-China trade dispute. Economic support from the ECB will diminish due to the upcoming reversal in monetary policy. Additional unease is stemming from the handover of the ECB's presidency. We are holding on to our cautious stance. We are focusing on companies like **Munich Re**, **Orange** and **Sanofi** for a defensive portfolio. *(jub)*

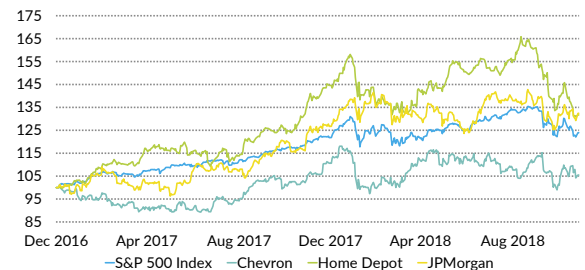
### Euro Stoxx 50



### Equities US

A cross section of global economies shows that the US economy is experiencing dynamic growth. This conclusion is underpinned by record-low unemployment, which will likely remain at 3.6%. Macro indicators, on the other hand, are pointing toward a gradual slowdown in line with the global economy. Interest rate hikes and the trade dispute are showing initial traces of this, and corporate profits have already peaked. Infrastructure programmes and new trade agreements could add new momentum. We see opportunities for **Chevron**, **Home Depot** and **JPMorgan** in this environment. *(jb)*

### S&P 500



### Bonds

The market environment made a more volatile showing in October 2018. In the meantime, Swiss and European bonds were able to benefit from increasing risk aversion. Interest rates in the US, on the other hand, have remained largely unchanged, whereby both the interim elections in November 2018 and rising hourly wages generally drove up interest rates. The correction to stock markets negatively impacted convertible bonds and resulted in a wider credit spread on bonds with higher interest rates. We will remain overweight on short-term bonds. *(muc)*

### 10-year Swiss swap rates



# Column

## Retreat!

With respect to European monetary policy, 1 January 2019 is supposed to mark the start of a new era, at least for the time being. The European Central Bank plans to discontinue the extremely controversial bond purchases it has been making since 2015. This move represents a shift away from Europe's cheap money policy!

In a first phase of measures following the 2008 financial crisis, major central banks flooded the financial system with trillions in cheap liquidity to buy some extra time for market players. This helped avert a collapse of the financial system, and the economy continued to grow. If we assess the success or failure of the first phase based on these two indicators, central bankers would probably be patting themselves on the back despite the temporary dip in growth that occurred in 2012 and 2013.

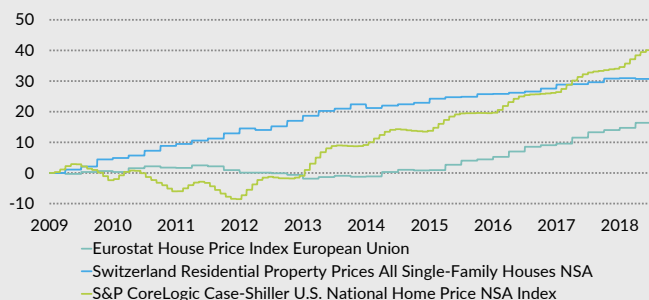
The "flood of liquidity" experiment is now entering its second phase. The US Fed started taking steps to reduce its balance sheet in early 2018, and its European counterpart is now following suit. The repercussions of this, both on the economy and the financial system, are extremely difficult to predict.

Fact is that politicians and companies in many European countries missed the chance to use the extra time they received from central banks for making structural, forward-looking changes. Most European banks are still groaning under massive amounts of bad debt and relatively modest economic growth. While the debt-to-GDP ratio in the eurozone might have fallen from its record high of 91.8% in 2014 to 86.8% at the end of 2017, that is cold comfort given the 60% debt limit agreed in the Maastricht Treaty!

A critical look at the US, however, shows that it is not doing much better. The country's national debt has already exceeded the total value of its annual economic output for five years now. And because the US national debt continues to rise, growth is lagging behind and implicitly dissipating the impact of the so-called government expenditure multiplier. In other words, the bottom line is negative. In the years leading up to the financial crisis, economic output still rose by a factor of 1.5 to 2.5 every time US debt increased. So if the liquidity gained through increased indebtedness is failing to strengthen economic output, where is the money going?

US equity markets have nearly quadrupled since 2008. Indices in the other major equity regions, with the exception of the Euro Stoxx 50, have also risen by around 200%. Prices on the real estate market – thought to be the root of all evil – also went up between 16% and 40% in Europe and the US during that same period. These figures suggest that these two markets have seen large inflows of liquidity.

### House prices indexed to March 2009: Switzerland, eurozone and USA



**“We need new approaches to keep the global economy running smoothly.”**

Efforts to reduce debt are inevitably accompanied by a reduction in the money supply and a subsequent shortage in liquidity. The consequences for the two asset classes mentioned – equities and real estate – are obvious. To prevent the new phase from causing renewed turmoil on financial markets, we need new approaches to keep the global economy running smoothly. People on the street have only benefited to a limited extent from the measures initiated by the central banks. Now would be a perfect time to give the next growth cycle a little nudge by increasing wages. This would boost consumption and could usher in a sustained period of moderate inflation, with the latter not only capable of boosting economic output but also of lowering the debt ratio. Maybe we can all look forward to a higher salary soon.



**Mario Geniale**  
Chief Investment Officer

The column reflects the personal opinion of the author.

# In brief

## 3a retirement funds: 2018 favourites

Which 3a retirement funds were favourites in 2018? First place goes to "Swisscanto (CH) Vorsorge Fonds 75 Passiv VT", with "Swisscanto BVG 3 Index 45 RT" coming in second, followed by "Credit Suisse Mixta-BVG I". Since all three of these funds have a medium to high equity exposure, they promise to generate greater yields over the long term. These three top-ranking funds also boast low costs. Increased demand has prompted us to expand our offering to include three new funds with a higher equity exposure from Bâloise, Credit Suisse and Swiss Life.

### Give your pension savings a boost

New retirement funds with equity allocations of up to 80%: [wertschriftensparen.ch](http://wertschriftensparen.ch)



Choose the fund that's right for you at [wertschriftensparen.ch](http://wertschriftensparen.ch) to boost the yield you earn on your pillar 3a assets. (krs)



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## Crédit Mutuel particularly resilient

According to the third stress test conducted by the European Banking Authority (EBA), the French banking group Crédit Mutuel continues to be one of the best-capitalised banks in Europe. Even assuming an adverse scenario involving a dramatic economic slump, Crédit Mutuel has a healthy equity ratio of over 13% for 2020, well above the ratio of 5.5% required by the European Central Bank. The strength of this group, which also includes Bank CIC, lies in its cooperative structure. This guarantees its shareholders and over 30 million clients long-term security and financial solidity. Find out more about our group at [cic.ch/en/credit-mutuel-cic](http://cic.ch/en/credit-mutuel-cic). (fabot)

## Current interest rates

in CHF, as at 01.01.2019

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

\* Upon request for customer relations opened as of 1 December 2018. Savings account / 3a retirement account: offer for clients domiciled in Switzerland. The latest interest rates and conditions can be found at [cic.ch](http://cic.ch).