

## IMPRINT

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Editorial deadline: 17.09.2019

## Economic perspectives



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### Dear reader

#### Worthless

If it doesn't cost anything, it's not worth anything. Albert Einstein wasn't the first person to quote this piece of wisdom, but he was the one who was key in bringing it to our attention in 1927. In an environment where capital earns hardly any interest and even borrowing has only a modest cost, it seems more pertinent than ever today.

Ever since the financial crisis erupted, central banks have been cutting interest rates and pumping vast amounts of liquidity into an economic system which continues to recover only sluggishly. The interest rate cut in the USA has now made it clear that this environment of low interest rates is going to be with us for some time to come. Given this context we can assume that the liquidity will continue flowing not so much into business as into real assets like equities, property and gold. The latter has seen an unexpected rise this year to over USD 1,500 per ounce; here too, no end to the trend is in sight for the next few years!



**Mario Geniale**  
Chief Investment Officer

Recessions may always be described in negative terms, cause uncertainty and frighten investors – but they are a natural stage in the economic cycle. We talk of a recession if a country or a region reports negative economic growth in two or more successive quarters.

#### Recession clears the way for expansion

We are witnessing a degree of cooling in the economy in Europe, Switzerland and the USA. US growth has been slowed by the trade dispute with China. The Eurozone is suffering from economic weakness in Germany, while in Switzerland the growth figures are solid but forecasts indicate a slowdown in the quarters ahead.

The central banks are keen to sustain the expansion in the world economy that has been under way since 2009. The European Central Bank is maintaining its bond-buying programme, while the US Federal Reserve has already started cutting rates and will continue to do so under pressure from President Trump. The Swiss National Bank too is considering artificially extending the current economic cycle in order to make the franc less attractive.

Phases of economic weakness are part of the economic cycle and have always been overcome. In a sense, a downturn is a natural way of clearing out the economy. Inventories fall to a sensible level, ailing companies are squeezed out by healthy ones and unprofitable investments are dropped. This allows capital and other resources to be used more productively and clears the way for a new expansion. (*cal*)

# Markets

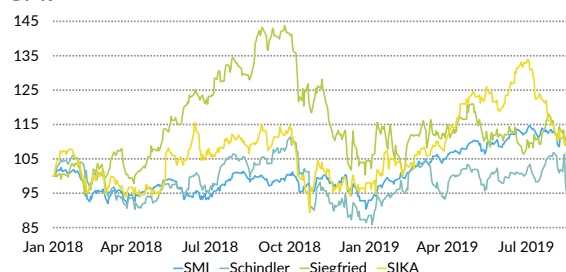
## All-time highs and economic pessimism

Despite the sustained economic slowdown, equity markets are almost at record levels. The sharp decline in economic performance is causing the central banks to resort to their expansive monetary policy again. In this environment, investors are mainly backing large-cap stocks in defensive sectors. The final quarter will bring more clarity about where the economy, interest rates and the trade conflict are going. Until we have this, equity markets are likely to remain volatile. *(bae)*

### Equities Switzerland

Swiss equities have once again shown their defensive quality and outperformed the rest of Europe by a considerable margin. However, this strong performance was driven by a small number of index heavy-weights which are now looking overvalued. In an environment of low interest rates and sluggish growth, stocks which have lagged but can still offer growth and sustainable dividends remain attractive. This includes companies like **Schindler**, **Siegfried** and **Sika**. *(robot)*

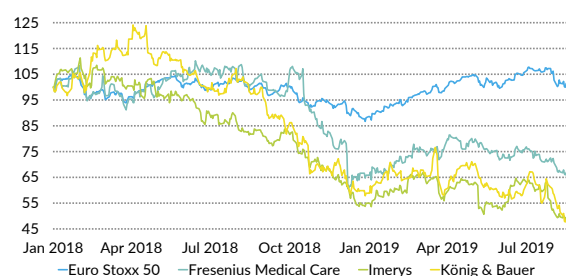
### SMI



### Equities Europe

Investors' good spirits will face major challenges in the fourth quarter. There is a full political agenda, with new appointments at the European Central Bank and the European Commission and the decision over Brexit at the end of October. Punitive US tariffs on European cars (starting in mid-November) and low interest rates are weighing on sentiment in the banking and auto sectors. This discount offers opportunities, though, in terms of valuations. Our favourites: **König und Bauer**, **Fresenius Medical Care** and **Imerys**. *(goste)*

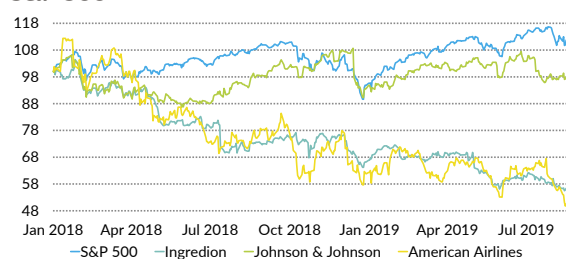
### Euro Stoxx 50



### Equities US

With trade uncertainties and a fixed income market indicating fears of recession, the S&P 500 keeps on climbing to new highs. There may be pessimism, but investors lack any alternatives to equities which offer a decent return. Low interest rates all over the world have forced the Chair of the Federal Reserve Jerome Powell to initiate a new cycle of rate cuts, pleasing equity investors and President Donald Trump. We prefer defensive stocks such as **Ingredion**, **Johnson & Johnson** and **American Airlines**. *(goste)*

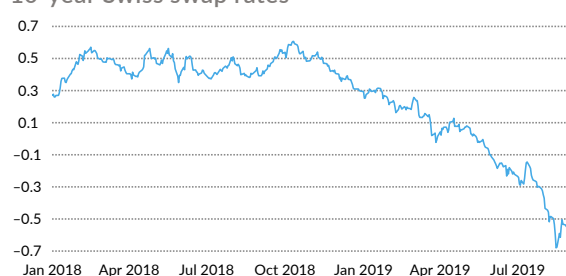
### S&P 500



### Bonds

Bond yields are at record lows. At mid-year the European Central Bank prepared the markets for even looser monetary policy, and the Fed has already started cutting. There remains a host of political and economic risks, and we regard both the current level of yields and the flattening of the yield curve as overdone. Yields will not reach their turning point for some time, but we feel a degree of reaction is likely at the long end. *(muc)*

### 10-year Swiss swap rates



# Column

## Improve your pension provision with 3a retirement funds

Do you know what Swiss people are most worried about? According to the Credit Suisse 2018 Worry Barometer, it's their pension provision. Surprised? I'm not.

Following the failure of the two "Reform der Altersvorsorge 2020" referendum proposals on retirement benefits, politicians need to come up with solutions that will find majority acceptance. To an extent, these are in the next reform package. Proposals in the AHV 21 reform include raising the retirement age for women to 65 and increasing VAT. Whether the next step will be to raise the retirement age to 67 across the board is still unclear.

But either way, the best thing you can do is take responsibility for your pension provision yourself with pillar 3a. This offers both considerable tax savings and much more potential too.

Admittedly, the days of retirement capital earning 3% or more in pillar 3a are gone. Depending on the institution, interest rates are currently between 0 and 0.40%. Even so, there is an opportunity for much better returns. Would you like to know how that works?

**"Simply go to [cic.ch/vorsorgesporen](https://cic.ch/vorsorgesporen) and learn how you can optimise your retirement assets."**

It's simple: invest your pillar 3a capital, or at least some of it, in retirement funds. Over the last 10 years, if you had invested in the Bank CIC retirement funds and held an average equity weighting of 45%, you would have earned 49% more than in a traditional 3a account with Bank CIC. All the more astonishing that the latest figures show that only one person in four uses 3a retirement funds to build up capital.

One reason might be that clients are confused by the jungle of countless funds of this type. That's why we have created our new platform [cic.ch/vorsorgesporen](https://cic.ch/vorsorgesporen) to help.

Which fund is the right one for you? Which one matches your risk appetite and investment horizon? We use these and other questions to support you in taking your decisions. Take my word for it: you will find the perfect fund for your retirement savings – that's a promise. It's definitely worth trying.

### My Pillar 3a tips

1. Enjoy the annual tax deduction and pay into the 3a account even when you're still young.
2. Benefit from a full year of preferential interest by paying in to the 3a account at the start of the year.
3. If you have several 3a accounts you can reduce the tax progression later by making withdrawals in stages.
4. If your investment horizon is four years or more, invest in securities and increase your return prospects.
5. Achieve optimum diversification by investing in stages.
6. As a general rule of thumb: the longer the investment horizon, the higher your equity exposure should be – taking into consideration your personal risk appetite.

My  
insider tip:

Bank CIC will  
waive the flat fee  
for 2019!\*

\* Applies to initial fund subscriptions made by 31 December 2019



### Stefan Kron

Head of Product Management and Managing Director of the 3a and VB Retirement Foundations at our head office in Basel.

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The column reflects the personal opinion of the author.

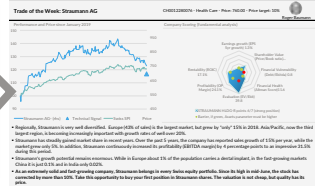
# In brief

## CIC Weekly Markets Newsletter

In our **market commentary** we show you the current state of the market, what the mood is on the stock exchange and how it might perform. So you can react quickly and flexibly to changes and seize opportunities.



**Trade of the Week** gives you our preferred trade this week. Find out our latest ideas for your investment portfolio.



Sign up for our CIC weekly markets newsletter and receive the most important key data on economic trends and our outlook for the markets every week: [cic.ch/publikationen/weekly](http://cic.ch/publikationen/weekly)



## CIC eLounge: a flexible tool

CIC eLounge is Bank CIC's new e-banking. Process your banking transactions even more efficiently. Intuitive use and an interactive dashboard make this possible. You can make payments and buy and sell securities in just a few clicks. With CIC eLounge you no longer need to keep any physical



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## Data cube – excellent energy efficiency

Since September 2019 our data centre has been in the data cube belonging to Tineo AG in Münchenstein in the canton of Basel-Landschaft. By using the data cube we are doing something important for the environment. The data cube has outstanding energy efficiency and won an award from the PUEDA funding programme run by the Swiss Federal Office of Energy. 100% of the energy comes from renewable resources. Find out more at [cic.ch/datacube](http://cic.ch/datacube).

## Current interest rates

in CHF, as at 17.09.2019

Savings	Private individuals	Companies and entrepreneurs
Savings account	0.200%	No offer
Investment account	0.150%	0.050%
<b>Pensions</b>		
3a retirement account	0.300%	No offer
Vested benefits account	0.250%	No offer
<b>Payments</b>		
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](http://cic.ch).