Cross-Asset Weekly

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J. Safra Sarasin

Currencies moving financial markets in 2023

Japan macro and FX: Despite the Bank of Japan's (BoJ) decision to leave its yield curve control (YCC) policy unchanged, we stick to our conviction that it will drop YCC once additional hard data have confirmed the expectation that inflationary pressures are becoming more engrained. While the recent rally in the yen is likely to stall for now, we expect it to embark on another leg higher once wage negotiations conclude, which should be at the beginning of 2Q23. This should bring the USD-JPY pair closer towards 120.

Global fixed income: As a first step towards a likely policy normalisation, the Bank of Japan could widen the target corridor for 10 year government yields. This would lead to higher real rates and a stronger yen. The Japanese yen yield curve is very steep compared to the developed markets (DM) space as ultra-long-term rates have already been allowed to reprice roughly in line with other developed markets. We would expect the forthcoming policy normalisation to lead to a flatter yield curve, as in other DM markets. Long-term DM yields will likely price lower global inflation and slow growth over coming quarters, hence ultra-long yen rates could present an interesting opportunity, supported by a stronger currency.
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Global equities: Currency markets are important as the centre of global growth is moving from the US to China, reversing the forces which supported the US dollar in recent years. A weaker US dollar is weighing on most equity markets, bar emerging markets (EM) equities. EM should benefit the most in this environment, while Japanese equities are coming under severe pressure from their outsized sensitivity to the yen. Swiss, UK and EMU equities are all affected by FX moves, but not to the same extent as Japanese and EM equities. We describe the channels through which FX moves impact regional equity performance and show sensitivities of individual markets to their home currencies and to the US dollar.

This week's highlights

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Japan macro and FX

Yen to pause before embarking on a leg higher

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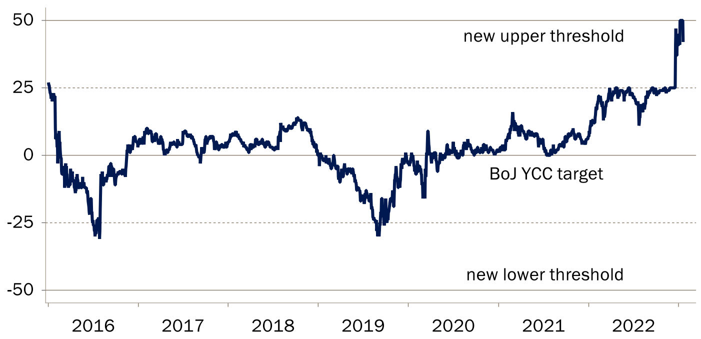
The Bank of Japan's (BoJ) decision to leave its yield curve control (YCC) policy unchanged caught markets by surprise. We stick to our conviction that the BoJ will drop YCC once additional hard data have confirmed the expectation that inflationary pressures are becoming more engrained. In our view, the earliest the Bank could abandon YCC and its negative policy rate would be in Q2 under the leadership of Governor Kuroda's successor. For the Japanese yen, this means that the recent rally is likely to stall for some time, while its volatility is set to remain elevated in the near term. We expect the yen to embark on another leg higher once wage negotiations conclude, which should be at the beginning of 2Q23. This should bring the USD-JPY pair closer towards 120.

BoJ's message to the market: we will determine when we exit YCC, not you

The Bank of Japan (BoJ) surprised markets on Wednesday by keeping its Yield Curve Control (YCC) policy unchanged. The BoJ's decision temporarily pushed Japanese government bond (JGB) yields lower and the USD-JPY pair back above 130. After the unexpected widening of its cap on the 10-year government bond yield to 0.5% from 0.25% at its December meeting, investors have been testing the Bank's resolve in defending it (Exhibit 1), forcing the BoJ to spend about 34tn yen (5½% of GDP) on bond purchases (Exhibit 2). While the pace of buying is not tenable, we view Wednesday's BoJ decision as a signal sent to the market: It will manage its way out of YCC at the pace it deems necessary and will not be forced to change its stance prematurely. Economic data, and not market pressure, will determine the timing of its exit.

Exhibit 1: Upward pressure on JGB yields likely to persist

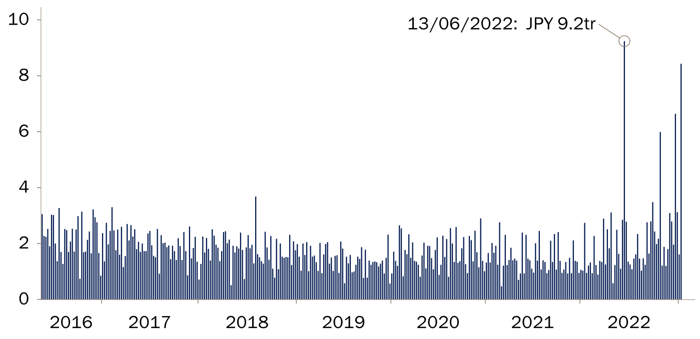
Japanese Government Bond (JGB) 10y yield in basis points



Source: Macrobond, Bank J. Safra Sarasin, 19.01.2023

Exhibit 2: The BoJ had to step up its JGB purchases markedly

BoJ, weekly outright purchases of JGBs in JPY tr, 2016 – present

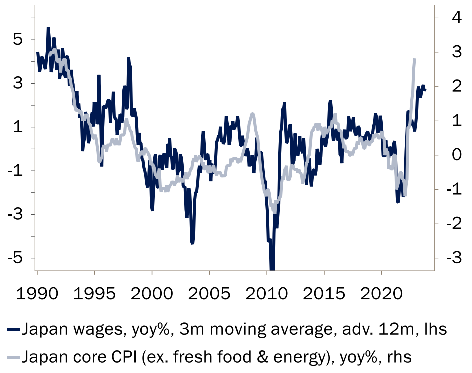


Source: Macrobond, Bank J. Safra Sarasin, 19.01.2023

Inflationary pressures are more sustained than often believed – we expect the BoJ to abandon both YCC and its negative interest rate policy later this year

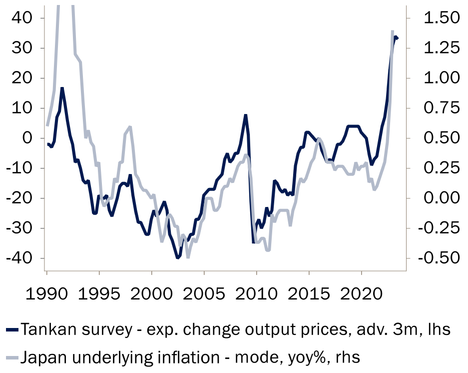
We remain convinced that the BoJ will end both YCC and its negative interest rate policy (NIRP) later this year. Since we first made this call in early November, economic data, anecdotal evidence and the BoJ's own macroeconomic forecasts have largely supported our view. Core inflation moved to 2.8% in November, its highest level since the early 1990s and wages (including bonuses) have grown at close to 3% in 2022. Japan's largest federation of trade unions recently said it will ask for a 5% rise in base pay in the annual February/March round of wage negotiations for 2023, known as *shunto*. This is unusual, as the union usually demanded significantly less, and reflects the emerging political consensus for higher wages, as well as a relatively benign economic outlook. In fact, the owner of the Japanese fashion chain Uniqlo already announced that it will raise annual salaries by up to 40% in 2023. The BoJ expects the economy to grow above its trend rate over the coming two years, and a strong rebound of the Chinese economy would make this prediction even more likely. In short, we think that inflationary pressures in Japan will probably be more sustained than is generally believed (Exhibits 3-5).

Exhibit 3: Wages and core inflation are up



Source: Macrobond, Bank J. Safra Sarasin, 19.01.2023

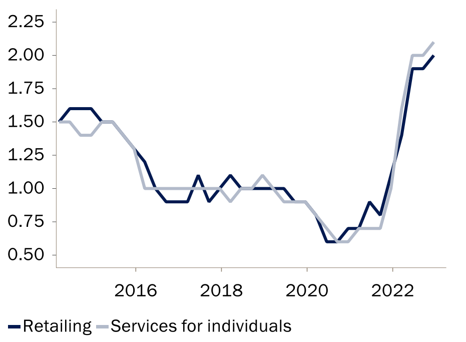
Exhibit 4: Corporates expect higher prices…



Source: Macrobond, Bank J. Safra Sarasin, 19.01.2023

Exhibit 5: …which is also true medium term

Tankan survey - outlook for inflation 3y ahead



Source: Macrobond, Bank J. Safra Sarasin, 19.01.2023

But the BoJ wants to see strong evidence of more engrained inflationary pressures. No change should be expected before Q2

So when could the BoJ's pivot unfold? After years of deflation, the Japanese authorities don't want to take any chances. First, they will want to see that the *shunto* negotiations are indeed delivering stronger wage gains and second, they will wait for evidence that companies are passing on some of their cost increases to customers before making any major move. This suggests that the earliest point in time the BoJ could abandon YCC and NIRP would be in the second quarter of this year under the leadership of a new governor.

Recent yen rally to stall for some time, while near-term volatility is set to remain elevated

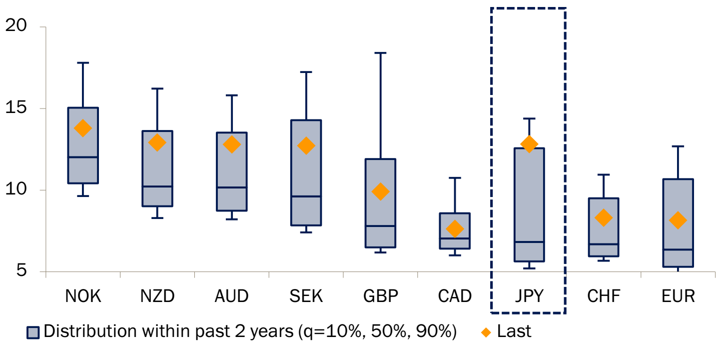
For the Japanese yen, this means that its recent rally is likely to stall for some time. Hence we expect the USD-JPY pair to be range bound at around 130 in the near term. Yet uncertainties with respect to the timing of the BoJ's further policy steps are set to remain elevated and will likely peak around the last days of BoJ Governor Kuroda's term. This suggests that the yen will continue to be exposed to an unusually high volatility over the coming months (Exhibit 6).

Medium term, yen to rise further as JGB yield differentials should continue to narrow

In the medium term, the yen's dynamics are set to remain closely aligned to relative yield moves. In particular the US dollar's yield advantage against the yen should come under further pressure, which should provide ample support to the yen (Exhibit 7). Given that the US cycle has slowed substantially as of late, the market increasingly expects the Fed to pivot sooner, which is weighing on UST yields. At the same time, upward pressure on JGB yields should be quick to resume as the market awaits further adjustments to the BoJ's monetary policy stance. In anticipation of these, we expect the yen to embark on another leg higher once *shunto* negotiations conclude, which should bring the USD-JPY pair closer towards 120.

Exhibit 6: USD-JPY volatility to remain at comparatively high levels

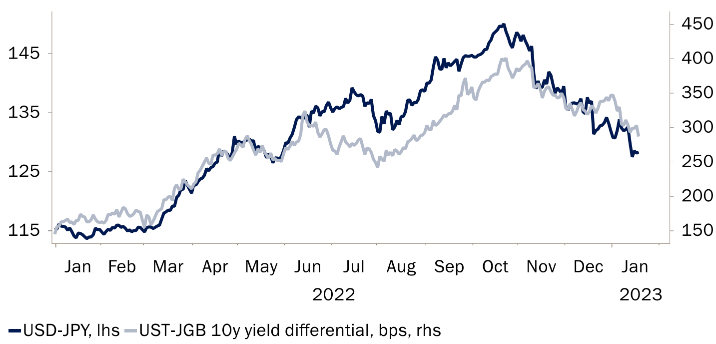
3m option-implied vola of USD pairs



Source: Bloomberg, Bank J. Safra Sarasin, 19.01.2023

Exhibit 7: Yields to remain most important driver for USD-JPY

USD-JPY vs 10y yield differential



Source: Macrobond, Bank J. Safra Sarasin, 19.01.2023

Global fixed Income

BoJ prepares the ground for policy normalisation

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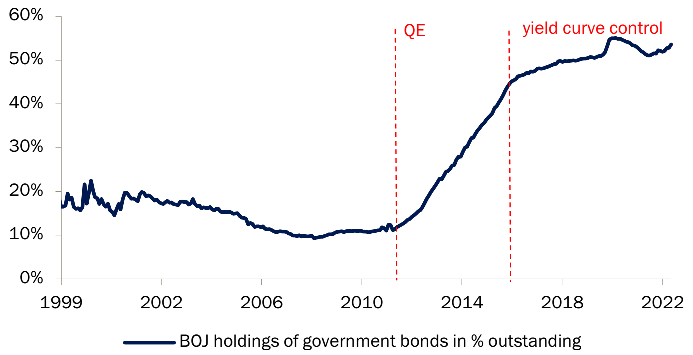
As a first step towards a likely policy normalisation, the Bank of Japan could widen the target corridor for 10 year government yields. This would lead to higher real rates and a stronger yen. The Japanese yen yield curve is very steep compared to the developed markets (DM) space as rates beyond 10 years have been allowed to reprice roughly in line with other developed markets. We would expect the forthcoming policy normalisation to lead to a flatter yield curve, as in other DM markets. Long-term DM yields will likely price lower global inflation and slow growth over coming quarters, hence ultra-long yen rates could present an interesting opportunity, supported by a stronger currency.

BoJ Yield Curve Control, an enhancement to QE introduced in 2001

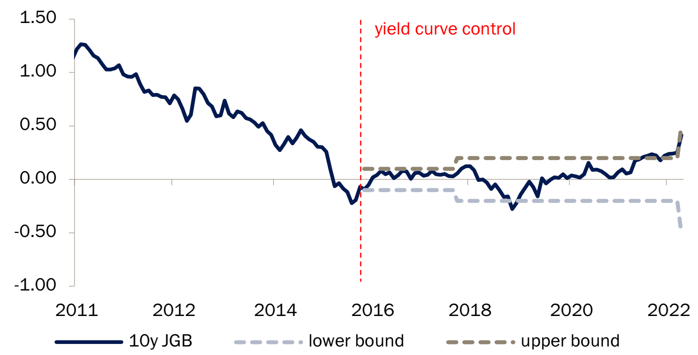
The BoJ introduced quantitative (QE) easing in 2001 with large scale purchases of financial assets to ease monetary conditions. As a consequence, the BoJ ended up holding almost half of all outstanding domestic government bonds by 2016 (Exhibit 1), which significantly hampered liquidity in this market. In September 2016, the Bank of Japan (BoJ) modified its policy framework by setting a yield target of zero percent for the 10-year yield for Japanese Government Bonds (JGB) and basically fixed the yield curve up to that point. With the introduction of a credible target corridor, the BOJ was able to substantially reduce the amount of purchases necessary to keep yields near the target. While the target corridor around the zero percent mark on the 10-year yield spot was initially an implicit 10bp, it was officially widened in 2018, and to 50bp in December 2022 (Exhibit 2).

Exhibit 1: The BoJ holds over 50% of outstanding government bonds



Source: Bloomberg, Bank J. Safra Sarasin, 19.01.2023

Exhibit 2: Yield curve control bounds have been successively widened



Source: Bloomberg, Bank J. Safra Sarasin, 19.01.2023

Moving closer to normalising policy

With the widening of the target corridor to +/-50bp around zero percent for 10-year government yields in December 2022, the BoJ reacted to the sharp depreciation of the yen, fuelled by an ever increasing negative real yield differential to other currency spaces. The surge in commodity prices, magnified by the weak domestic currency has driven inflation to levels not seen in decades. As currency interventions had no discernible effect, the BoJ allowed 10 year JGB yields to rise in what is likely a first step towards policy normalisation.

Normalising policy implies much needed higher real rates and tighter financial conditions

Policy normalisation implies higher (real) rates and tighter financial conditions, which help reduce inflation by softening aggregate demand. Additionally, in the case of the export-driven Japanese economy, the exchange rate plays a crucial role in determining financial conditions, in fact, one reason for the introduction of QE and yield curve control in 2001 and 2016 was to keep the yen weak and hence financial conditions loose. Currently, a stronger yen is welcomed and indeed very much needed to tighten financial conditions quickly in order to bring down inflation.

Yen swaps are leading the way

While the JGB yield curve up to 10 years was kept artificially low, prices for longer maturities have traded relatively freely, resulting in a steep yield curve 10 years and out. The yen swap market, on the other hand, has been granted its price discovery function and is already trading substantially above JGB yields except at the ultra-long end, providing at least some information about where JGB levels would settle without Yield Curve Control. In fact, implied policy rates for the Bank of Japan, derived from the yen OIS curve, already reflect a policy rate of 0.3% in 12 months and 0.7% in 3 years, from -0.1% currently.

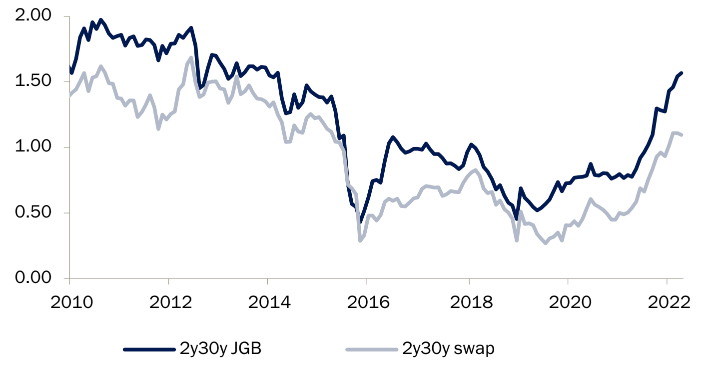
BoJ unlikely to deliver a negative price shock to investors

The BoJ stepped up its purchases of JGBs aggressively as it widened the target band in order to maintain the 0.5% upper limit. However, it is likely that the target band will need to be widened further or scrapped altogether, allowing yields to perform their price discovery function. This process is intended to be a gradual and, in some way, predictable process. The BoJ is willing to take on duration risks from the private sector and to absorb losses incurred on these fixed income assets as their yields rise. It does not intend to deliver a negative price shock to investors, nor does it want large spikes in JGB yields that would then lead to spikes in the yen.

Yen curve is still very steep, ultra-long maturities look cheap

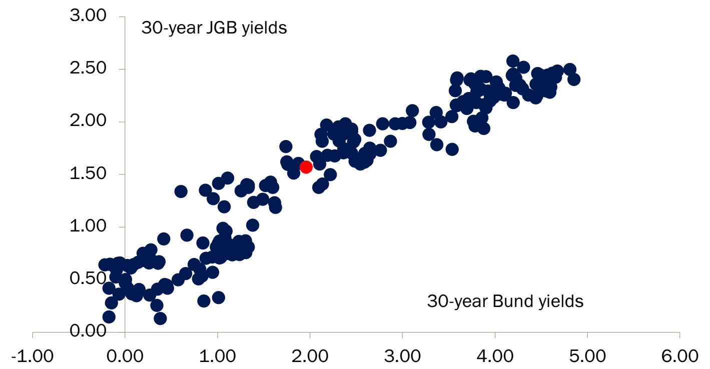
Contrary to most other developed market government curves, which are flat or inverted as central banks continue to raise policy rates into an economic slowdown, the yen curve is still very steep. Of particular interest is the 2y/30Y segment that currently trades with a steepness of 150bp in the JGB market and 115bp in the swap market (Exhibit 3). Ultra-long yen yields (beyond 20y) have been driven up sharply by the rise in global DM long-term yields already (Exhibit 4). Policy normalisation will likely be more gradual and less aggressive than in other developed currency spaces, yet a flattening of the yield curve will likely happen, and ultra-long rates should outperform the rest of the yield curve significantly. Long-term DM yields will likely price lower global inflation and growth over coming quarters, hence ultra-long yen rates could be an interesting opportunity, supported by a stronger currency.

Exhibit 3: The yen curve has steepened sharply as ultra-long-term bond yields are driven by international developments



Source: Bloomberg, Bank J. Safra Sarasin, 19.01.2023

Exhibit 4: 30-year JGB yields have repriced in line with other DM government bonds



Source: Bloomberg, Bank J. Safra Sarasin, 19.01.2023

Spill-over effects into other markets

Japanese institutional investors are important investors, primarily in European and Australian bond markets. The incentive for currency-hedged investments is small due to almost prohibitive hedging costs. Unhedged foreign currency bond positions, on the other side, are exposed to yen appreciation risk. With higher domestic yields in the case of policy normalisation, the incentives for yen-based investors to allocate funds to domestic bonds will grow and likely push (real) yields somewhat higher, in particular in euro area and Australian bond markets.

J. Safra Sarasin

Global equities

Currencies loom large for equities in 2023

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Currency markets are in the spotlight as the centre of global growth is moving from the US to China, reversing the forces which supported the US dollar in recent years. This happens as the upward pressure on the yen is rising and the ECB's catch-up with the Fed is supporting the euro. Regional equity performance is materially affected by these FX gyrations, with a weaker US dollar weighing on most equity markets, bar one major exception: emerging markets (EM) equities. EM should benefit the most in this environment, while Japanese equities are coming under severe pressure from their outsized sensitivity to the yen. Swiss, UK and EMU equities are all affected by FX moves, but not to the same extent as Japanese and EM equities. We describe the channels through which FX moves impact regional equity performance and show sensitivities of individual markets to their home currencies and to the US dollar.

Global growth dynamics are shifting, with China turning from laggard to leader

As we start a new year, global growth dynamics have shifted materially. While the US was the engine of global growth coming out of the 2020 recession and has led the cycle over the past two years, China will likely fill this role in the coming quarters. The re-opening from the zero-COVID policy has not only started to led to a revival of economic activity in Asia, but will also help parts of the European economy to recover more strongly and quickly than previously expected – adding to the support Europe is receiving from fading energy shortage fears.

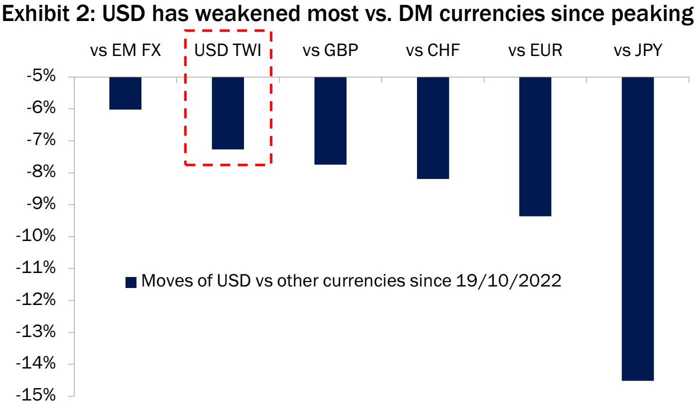
Currency moves are reflecting the shift in global growth dynamics

Typically, in episodes likes this, when the centre of global growth is shifting from one region to another, currencies move substantially and often hit inflection points. The current episode is no exception. Most notably, the US dollar topped out in the fourth quarter of last year and has since depreciated by around 8% on a trade-weighted basis (Exhibit 1). The weakness has been most pronounced against major developed market currencies, while it has held up better against a basket of emerging markets (EM) currencies. The dollar has seen the steepest drop against the Yen, losing a mighty 14.5%, followed by the euro, the Swiss franc and the British pound (Exhibit 2).

Exhibit 1: The US dollar's peak is likely behind us

Source: Refinitiv, Bank J. Safra Sarasin, 18.01.2023

Exhibit 2: USD has weakened most vs. DM currencies since peaking



Source: Refinitiv, Bank J. Safra Sarasin, 18.01.2023

Currencies are a key driver of regional equity market performance

These FX moves matter substantially for equity markets. Regional performance often hinges on currency moves, in particular vs the US dollar. The table below shows the explanatory power that currency moves have for equity market performance. For example, 52% of the Swiss market's relative changes vs global equities over the past 20 years can be explained by the Swiss franc's change in value vs the US dollar. For UK large-cap equities, the R-squared of GBP (vs USD) is even higher, at 73%, reflecting the outsized influence FX movements have on the UK equity market.

Exhibit 3: R-squared shows explanatory power of FX movement in equity market performance

R-squared of FX vs relative equity performance, 6-month changes, last 20 years					
	Switzerland	EMU	Japan	UK	EM (US $)
vs USD TWI	50%	22%	22%	38%	40%
vs local FX TWI	6%	19%	28%	41%	52%
vs USD/local FX	52%	26%	51%	73%	

Source: Refinitiv, Bank J. Safra Sarasin, 18.01.2023

Most regions benefit from a stronger US dollar and a weaker domestic currency – EM is the exception

A stronger US dollar tends to help most equity markets, with the exception of EM, which typically benefit from a weaker US dollar (Exhibit 4). The fact that the EM index is denominated in US dollar is one reason for the inverse correlation, but far from being the only one. A weaker US dollar also reduces the pressure on EM central banks to support their domestic currencies by tightening policy and limits the burden on US dollar debtors. As a result, EM equity markets are key beneficiaries of a depreciating US dollar, in particular vs the rest of the world.

Exhibit 4: The coefficient reflects the direction and significance of FX's impact on equities

Correlation coefficient of FX vs relative equity performance, 6-month changes, last 20 years					
	Switzerland	EMU	Japan	UK	EM (US $)
vs USD TWI	0.71	0.47	0.47	0.62	-0.63
vs local FX TWI	-0.24	-0.44	-0.53	-0.64	0.72
vs USD/local FX	0.72	0.51	0.71	0.86	

Source: Refinitiv, Bank J. Safra Sarasin, 18.01.2023

Developed markets benefit from a weaker currency vs the US dollar through various channels

In developed markets, these EM mechanics do not apply. US dollar debt is not an issue and exchange rates are only of second-order concern for central banks. Yet currency movements heavily affect corporates through their foreign sales exposure. A weaker domestic currency improves competitiveness on the one hand, but more importantly and more directly, lifts foreign currency revenues and earnings when translated into local currency.

The Swiss equity market relies on US revenues and earnings, making it sensitive to US dollar swings

The table below shows the share of foreign revenues in various markets (Exhibit 5). The Swiss equity market, for example, has a heavy tilt towards US sales. 27% of total revenues are generated in North America, with the pharma sector accounting for a large part of this. While a regional earnings split is difficult to come by, North America should account for an even larger share of earnings, given that pharma margins tend to be much higher in the US than they are in other regions.

The UK market's sensitivity to the US dollar is driven by commodity revenues

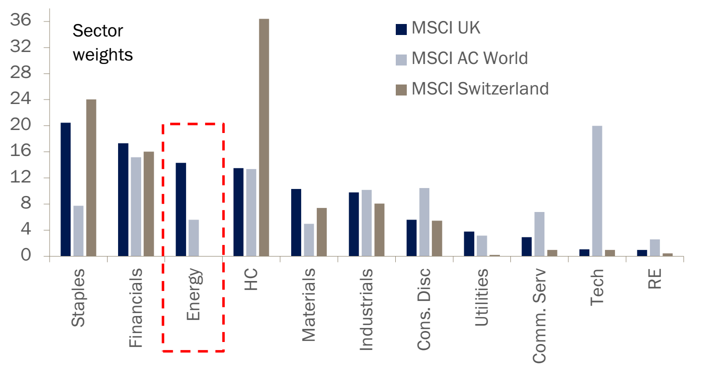
For UK equities, the large sector weighting of energy and mining plays a major role, raising the UK equity market's sensitivity to the US currency beyond and above its exposure to US demand (Exhibit 6). This results from the fact that oil and other commodities are typically traded in US dollars, no matter where in the world. Furthermore, many UK-listed firms only have a small operational base in the UK, limiting their cost-base denominated in British pound. As a result a drop in sterling often translates one-for-one into higher (sterling-denominated) UK equity market earnings.

Exhibit 5: Regional revenue shares of different indices

Sales share by region, %	Europe	Asia Pac	US & Canada	Other	Home	Foreign
Switzerland	38	28	27	8	15	85
UK	43	24	21	12	26	74
EMU	48	19	21	12	45	55
Japan	9	71	17	3	55	45
US	11	12	71	6	71	29

Source: Company data, Bank J. Safra Sarasin, 18.01.2023

Exhibit 6: The UK is heavily tilted towards energy and materials

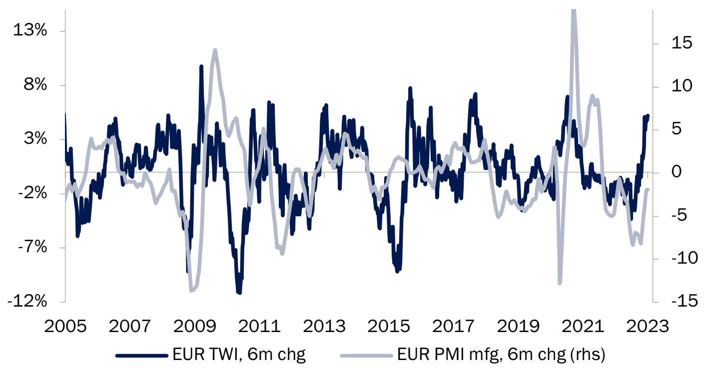


Source: Refinitiv , Bank J. Safra Sarasin, 18.01.2023

Euro area equity gains are sometimes offset by a strengthening euro

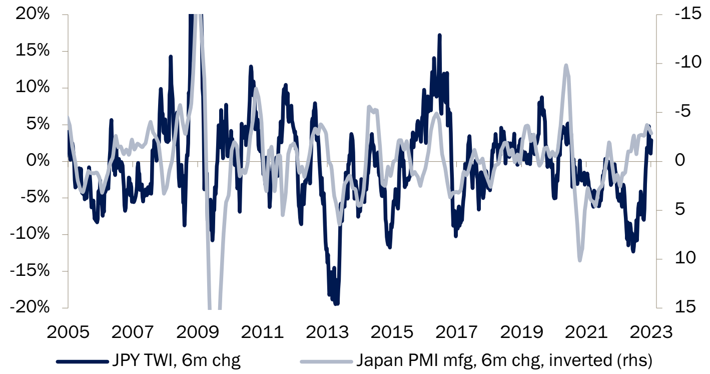
For euro area and Japanese equities, the situation is slightly more complex, given the currencies' impact on competitiveness and the domestic cycle on the one hand and the cyclical characteristics of the euro and the Japanese yen on the other. The euro tends to be pro-cyclical, while the Japanese yen tends to behave counter-cyclical (Exhibits 7 & 8).

Exhibit 7: The euro is a pro-cyclical currency...



Source: Refinitiv, Bank J. Safra Sarasin, 18.01.2023

Exhibit 8: ...as opposed to the Japanese yen, which is counter-cyclical



Source: Refinitiv, Bank J. Safra Sarasin, 18.01.2023

As a result, cyclical moves in the equity market are partly offset by the currency in the euro area, while moves in the Japanese equity market tend to be reinforced by yen moves.

We run 3-factor regression models for each regional equity market in order to estimate the sensitivity to FX moves

In order to quantify the impact local currency moves (vs the US dollar) have on regional equity indices, we put together the table below. It shows the sensitivity of regional equity markets to domestic currency moves, based on 3-factor regression models (Exhibit 9).

A coefficient of -0.8 implies a 10% appreciation in the currency translates into 8% underperformance

How to read it? Looking at the Swiss market for example: the FX coefficient of -0.8 means that a 10% rise in the Swiss franc vs the US dollar translates into 8% Swiss equity market underperformance relative to global equities. Obviously, these are not deterministic numbers, but show what has statistically been the case over the past 20 years.

Given that some currencies are significantly more cyclical than others, we are also showing how a one standard deviation rise in the domestic currency would affect relative performance. Again, taking the Swiss market as an example: while the FX coefficient is relatively high, the FX impact is somewhat limited by the lower variance of the Swiss franc, compared to other currencies.

Exhibit 9: The FX coefficient shows the markets' sensitivity to their domestic currency vs the US dollar. Japan and EM equities stand out

20-year relative performance models	Currency vs USD	FX coefficient in regression	Impact of 1 Stdev rise in currency vs USD	Other model factors	R^2 of regression model
Switzerland	CHF	-0.8	-4.6%	Global PMI, CH 10Y yield	59%
EMU	EUR	-0.4	-3.0%	EMU PMI, Bund 10Y yield	43%
Japan	JPY	-1.0	-7.2%	Global PMI, US 10Y yield	59%
UK	GBP	-0.6	-4.2%	Global PMI, Brent	76%
EM	EM FX index	1.1	5.5%	Global PMI, US 10Y yield	58%

Source: Refinitiv, Bank J. Safra Sarasin, 19.01.2023

We prefer EM equities over the rest of the world and are the most cautious on Japanese equities, partly driven by our FX assumptions

Where does this leave us with regards to market positioning? FX is a key consideration for our regional equity market preferences. The weakness in the US dollar, which we expect to continue this year, should prove to be a headwind for Swiss and UK equities in the months to come. Yet it does not necessarily lead them to underperform, as the US dollar strength should partly be offset by the Swiss equity market's defensive character (on a relative basis) and the support the UK market receives through the commodity channel. Euro area equities in general should be affected less by a weaker US dollar and receive some support from the improving macro backdrop in China. Yet headwinds from a strengthening euro should still loom large, driven by a narrowing central bank policy gap between Europe and the US.

The two regional equity markets which stand at the opposing ends of the spectrum are the Japanese market and EM. EM equities, with the most promising tactical outlook, are not only receiving a boost from the Chinese recovery, they are also set to benefit outright from a weaker US dollar. Lastly, Japanese equities are most exposed to further downside risks, given the combination of a market which is highly sensitive to domestic currency moves and the outlook for substantial strength in the yen over the coming months.

Economic Calendar

Week of 23/01 – 27/01/2023

Country	Time	Item	Date	Unit	Consensus Forecast	Prev.
Monday, 23.01.2023						
US	16:00	Leading Index	Dec	mom	-0.70%	-1.00%
Tuesday, 24.01.2023						
JN	14:30	Jibun Bank Japan PMI Mfg	Jan P	Index	--	48.90
GE	08:00	GFK Consumer Confidence	Jan	Index	-33.00	-37.80
FR	09:15	France Manufacturing PMI	Jan P	Index	--	49.20
GE	09:30	Germany Manufacturing PMI	Jan P	Index	48.50	47.80
EU	10:00	Eurozone Manufacturing PMI	Jan P	Index	48.50	47.80
UK	10:30	UK/CIPS Manufacturing PMI	Jan P	Index	--	45.30
US	14:45	US Manufacturing PMI	Jan P	Index	--	46.20
	16:00	Richmond Fed Mfg Index	Jan	Index	--	1.00
Wednesday, 25.01.2023						
GE	10:00	IFO Expectations Index	Jan	Index	85.00	83.20
US	13:00	MBA Mortgage Applications	Jan20	wow	--	27.90%
	13:00	Philadelphia Fed Non-Mfg Index	Jan	Index	--	-17.10
Thursday, 26.01.2023						
US	14:30	Initial Jobless Claims	Jan21	1'000	--	190k
	14:30	Durables Ex Transportation	Dec P	mom	-0.10%	0.10%
	14:30	Cap Goods Orders Nondef Ex Air	Dec P	mom	-0.20%	0.10%
	16:00	New Home Sales	Dec P	1'000	615k	640k
	17:00	Kansas City Fed Manf. Activity	Jan	Index	--	-9.00
Friday, 27.01.2023						
JN	00:30	Tokyo CPI Ex Food, Energy YoY	Dec	yoy	2.90%	2.70%
UK	08:00	PCE Core Deflator MoM	Dec	mom	0.30%	0.20%
GE	08:00	PCE Core Deflator YoY	Dec	yoy	4.40%	4.70%

Source: Bloomberg, J. Safra Sarasin as of 19.01.2023

Market Performance

Global Markets in Local Currencies

Government Bonds	Current value	Δ 1W	Δ YTD	TR YTD in %
Swiss Eidgenosse 10 year (%)	1.09	-3	-53	4.1
German Bund 10 year (%)	2.07	-10	-51	3.9
UK Gilt 10 year (%)	3.28	-13	-40	2.9
US Treasury 10 year (%)	3.41	-10	-47	3.8
French OAT - Bund, spread (bp)	42	-5	-12	
Italian BTP - Bund, spread (bp)	171	-13	-43	

Stock Markets	Level	P/E ratio	1W TR in %	TR YTD in %
SMI - Switzerland	11,259	16.3	-0.3	4.9
DAX - Germany	14,920	11.9	-0.9	7.2
MSCI Italy	811	8.4	-1.0	7.3
IBEX - Spain	8,793	11.2	-0.4	7.3
DJ Euro Stoxx 50 - Eurozone	4,094	12.4	-0.8	8.1
MSCI UK	2,225	10.3	-0.6	3.9
S&P 500 - USA	3,899	17.4	-1.8	1.6
Nasdaq 100 - USA	11,296	21.5	-0.9	3.3
MSCI Emerging Markets	1,028	12.4	1.0	7.5

Forex - Crossrates	Level	3M implied volatility	1W in %	YTD in %
USD-CHF	0.92	8.3	-1.1	-0.9
EUR-CHF	0.99	6.2	-1.1	0.4
GBP-CHF	1.13	8.0	0.0	1.3
EUR-USD	1.08	8.1	0.0	1.2
GBP-USD	1.24	9.9	1.1	2.3
USD-JPY	129.1	12.6	1.0	-1.5
EUR-GBP	0.88	6.9	-1.1	-1.0
EUR-SEK	11.17	7.7	-0.8	0.1
EUR-NOK	10.72	9.9	0.0	2.1

Commodities	Level	3M realised volatility	1W in %	YTD in %
Bloomberg Commodity Index	112	15.9	2.1	-0.7
Brent crude oil - USD / barrel	86	39.1	3.3	1.0
Gold bullion - USD / Troy ounce	1,928	14.6	1.7	5.7

Source: J. Safra Sarasin, Bloomberg as of 19.01.2023

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