J. Safra Sarasin
Cross-Asset Weekly

11 August 2023

Monthly economic and strategy forecast update

The soft-landing narrative has recently gained traction amid better than expected growth in the US and some positive surprises on inflation. However, we expect inflation to remain sticky and central bank rates to stay elevated for an extended period of time with risks to our terminal rate projections skewed to the hawkish side. Consequently, we remain sceptical of the soft-landing view and continue to forecast a 'mild' recession in the US and the UK, while euro area growth will likely remain anaemic. The trajectory for bond yields will therefore be somewhat more elevated than previously assumed. Yet we are still looking for meaningfully lower bond yields over the next 6-12 months.

In currency markets, the resilience of the US economy should translate into dollar strength, while the euro is facing increasing headwinds. We remain positive on the Japanese yen, yet the pace of its appreciation is set to be slower than previously assumed. Gold will likely stay range-bound before pushing higher next year, when we expect real yields to move lower.

Finally, turning to equities, our general view remains unchanged. The market remains priced for perfection. Valuations remain elevated, even on the basis of optimistic 2024 consensus earnings numbers. These will be difficult to achieve in our base case scenario, which projects a slowing cycle well into next year. The main change to our forecasts is a downgrade to our end-year target for euro area equities, which have moved to a "least preferred" position in April. In terms of sectors, we stick to our (European-focused) defensive preference with value and US small caps looking attractive as compared to growth.

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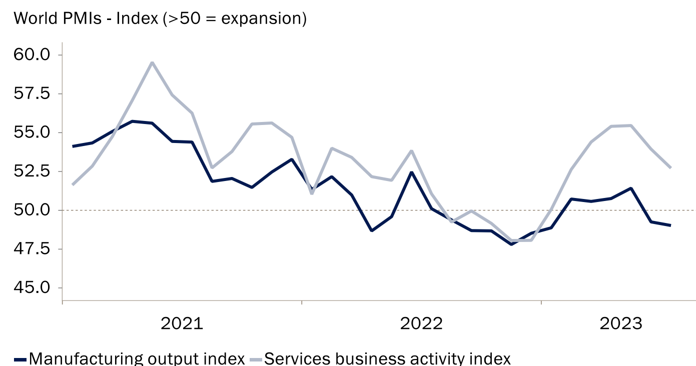
With growth in the US resilient and inflation falling, investors have grown increasingly confident that the US economy is heading towards a soft landing. Although we acknowledge these positive developments, we remain sceptical of that view and continue to forecast a 'mild' recession starting around the turn of the year. In Europe, growth is set to remain anaemic but core inflation will probably be sticky. We continue to expect central bank rates to stay elevated for an extended period of time with risks to our terminal rate projections skewed to the hawkish side. The trajectory for bond yields will therefore be somewhat more elevated, however, we are still looking for meaningfully lower bond yields over the next 6-12 months. As regards credit, we continue to prefer high quality and IG, while advocating a moderate underweight in lower rated borrowers. We expect a somewhat stronger US dollar and the euro to face some headwinds in the near term. While we continue to be positive on the Japanese yen, we have slightly reduced our forecast. Gold will likely stay range bound before pushing higher next year. Our equity view remains broadly unchanged, as we remain cautious on the market in general. We prefer defensive exposure, with a focus on Europe, while value and US small caps are looking attractive as compared to growth.

Global macro

Our view remains broadly unchanged, with minor revisions to our forecasts

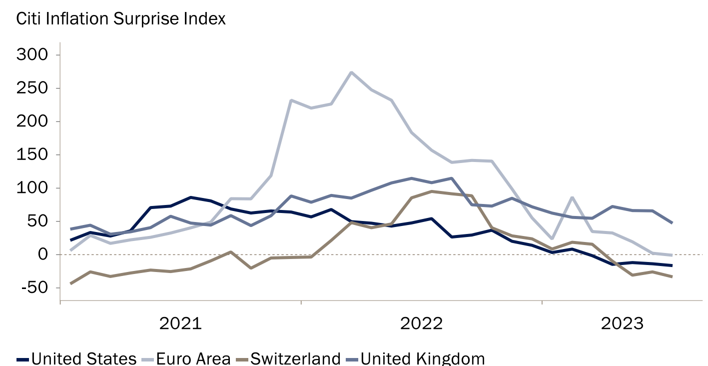
We have made only minor changes to our forecasts this month, following significant revisions in July. On the growth side, we do not see an immediate turning point. Global manufacturing is still under pressure, notably in China and Europe, while the services sector is generally holding up better, but slowing, and labour markets remain tight (Exhibit 1). Regional differences mainly reflect the importance of manufacturing in the different economies. Regarding inflation, the last couple of months have brought some pleasant surprises, notably in the UK and the US (Exhibit 2). However, we remain sceptical that central banks will manage to bring inflation all the way down to 2% without causing some increase in unemployment.

Exhibit 1: Services activity is falling towards manufacturing levels



Source: Macrobond, Bank J. Safra Sarasin, 02.08.2023

Exhibit 2: Inflation surprises have fallen in past months



Source: Macrobond, Bank J. Safra Sarasin, 02.08.2023

Resilient US growth and falling inflation have boosted hopes for a 'soft landing'

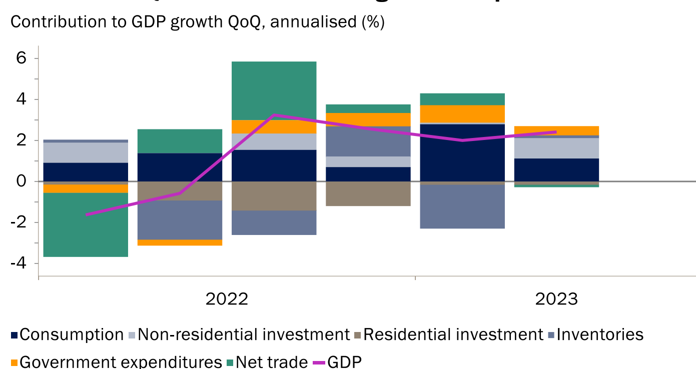
The US economy continues to surpass expectations. In the second quarter, GDP expanded by 2.4% qoq saar, once again outperforming the consensus forecast and exceeding most estimates of potential growth (Exhibit 3). At the same time, core inflation decreased over the past two months, including a decline in the closely monitored core services excluding housing category. Additionally, excess demand for workers has been falling, albeit only

slowly. As a result, financial markets and many economists have grown increasingly confident that the US economy is heading towards a soft landing.

We continue to expect the US economy to fall into a 'mild' recession at the turn of the year

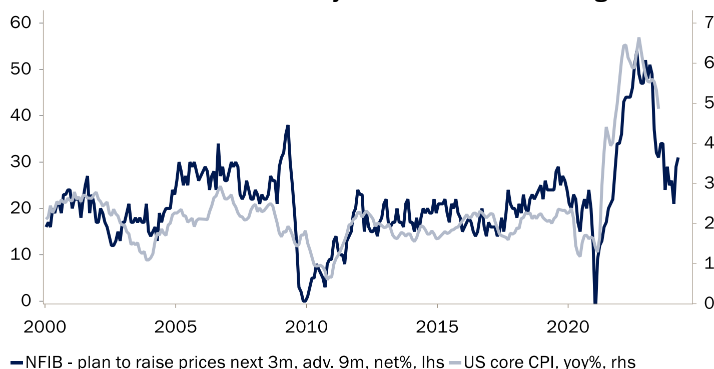
While we also see a potential path leading to such an outcome, we consider it convoluted and less probable – we explain at depth this view in a recent note ("The soft-landing narrative has returned" – *Cross-Asset Weekly*, 21.07.2023). Our expectation remains that the US will fall into a 'mild' recession around the turn of the year. If anything, the resurgence in economic activity increases the odds that inflation will not come down in a straight line, and that the Fed will be slow in reversing its stance (Exhibit 4). In our view, the FOMC will deliver one more interest rate hike this year, with the timing heavily dependent on incoming inflation and labour market data.

Exhibit 3: US Q2 GDP came in stronger than expected



Source: Macrobond, Bank J. Safra Sarasin, 03.08.2023

Exhibit 4: US inflation is unlikely to come down in a straight line



Source: Macrobond, Bank J. Safra Sarasin, 03.08.2023

Q2 euro area GDP also surprised positively

The preliminary reading **for Euro area** GDP in the second quarter exceeded our expectations with a 0.3% qoq rise and highlights upward risks to our below-consensus annual forecast of 0.2% for 2023 if confirmed when the full set of countries are included in the second estimate. At this stage, we leave our forecast unchanged for both 2023 and 2024.

But surveys suggest that growth will turn negative again in Q3

Unfortunately, surveys and leading indicators are painting a dim picture for the second half of the year, with growth projected to remain anaemic at best and a good chance that output declines again in the third quarter. The manufacturing sector shows no signs of a recovery and the services sector is facing increasing pressure.

Lending conditions suggest that growth will remain weak at best in coming quarters

In the goods sector, new orders weakened further in July, while the stock of uncompleted work should dry up soon. In response to weak demand, more manufacturers are laying off staff. Adding to the economic challenges, the latest Bank Lending Survey of the European Central Bank offers a gloomy outlook for future economic activity (Exhibit 5). Tightening credit standards and declining loan demand will further weaken investment activity, exacerbating the existing economic stagnation. Nevertheless, there is a silver lining: the decline in headline inflation should bolster real wages, consumer confidence and spending, thereby acting as a stabilising force against the effects of tight monetary policy. However, this tailwind may falter if the recent upturn in energy prices proves to be sustained.

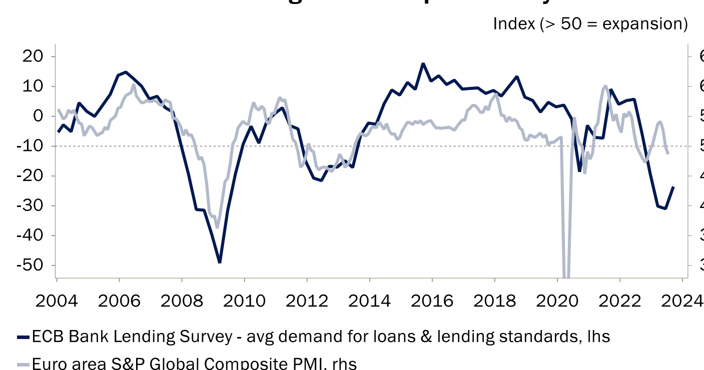
Euro area headline inflation should continue to fall, but core inflation remains sticky

While headline inflation has fallen as expected over past months, services inflation has picked up further to reach an-all time high of 5.6% in June while negotiated wages across the bloc continue to move higher (Exhibit 6). Given the recent rise in energy prices and stickier core inflation rates, we have revised up our inflation forecast from 5.2% to 5.4% for 2023 and from 2.6% to 2.7% for 2024.

ECB should stay on a hawkish footing even if risks around a further hike have become more balanced

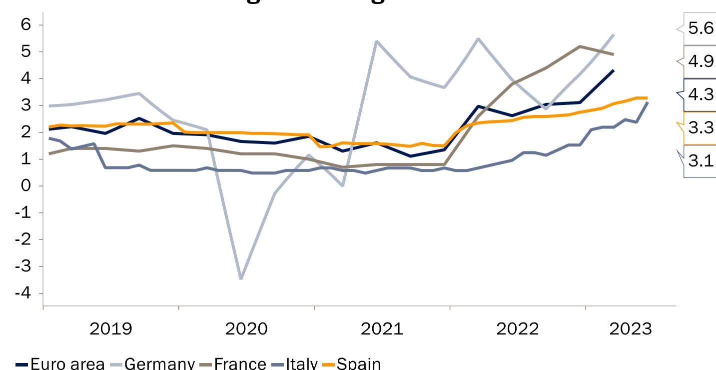
This should keep the ECB on a hawkish footing. This however, is more likely to be reflected in its willingness to keep rates elevated for an extended period of time, despite slowing growth, instead of tightening policy much further. Our view remains that the ECB will only raise rates once more in this cycle, although the case is becoming more balanced. As explained above, indicators suggest that activity will barely expand over the coming quarters, and GDP is likely to contract in the third quarter. On the other hand, sticky core inflation and some indications that inflation expectations have drifted higher, such as the 5y5y break-even rate, might persuade the ECB that additional tightening is still needed.

Exhibit 5: ECB bank lending conditions point to very weak outlook



Source: Macrobond, Bank J. Safra Sarasin, 02.08.2023

Exhibit 6: Euro area negotiated wages continue their ascent



Source: Macrobond, Bank J. Safra Sarasin, 02.08.2023

Downside risks to our Swiss Q3 GDP forecast

We have kept our Swiss GDP forecasts unchanged, at 0.6% for 2023 and at 1% for 2024. As economic surveys have deteriorated lately, however, downside risks to our projection for the third quarter have increased.

Switzerland's inflation is likely to remain contained

Inflation in July came in at 1.6% yoy, as expected (Exhibit 7). We maintain our forecast for inflation unchanged (2.2% for 2023 and 2.4% for 2024). Low wage growth and a strong exchange rate continue to keep inflationary pressures in check. Notably, services inflation remains below 2%, which suggests that second-round effects have not materialised. Only regulated rent inflation is likely to pick up in the coming quarters as will electricity prices at the beginning of next year.

SNB flagged its intention to hike September, we are not convinced

We have maintained our forecast that the SNB will implement one final interest rate increase in the upcoming quarters. However, we are not convinced that this needs to occur in September, as implied by its inflation forecast during their most recent policy meeting.

UK economy is in stagflation but the BoE is likely to tighten policy somewhat further

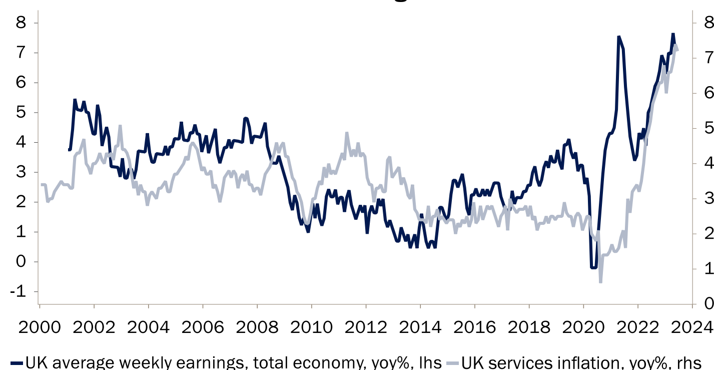
Dynamics in the UK economy are similar to those in the euro area and can be characterised as stagflationary, with subdued growth and high inflation rates. The likelihood of a contraction in activity in the second half of the year is high, in our view, as elevated interest rates are expected to dampen activity further, particularly in the manufacturing and construction sector. One piece of goods news was the larger-than-expected drop in core inflation in June. Moreover, the drop in short-term inflation expectations and a further loosening of labour market conditions should weigh on wage growth over the rest of the year. We have therefore revised down our inflation forecast for the year to 7.5%, from 7.8% previously. Yet better news on inflation is unlikely to prevent the Bank of England (BoE) from tightening monetary policy further in the coming months. Services inflation is currently at 7.2% year-on-year, and the Monetary Policy Committee (MPC) believes that inflation has become more persistent, with wage and price setting becoming somewhat unstable (Exhibit 8). This implies that the BoE has become highly data dependent, and, as a result, backward looking. We therefore see very little growth over our forecast horizon –

we expect GDP to expand by 0.2% this year and to contract by 0.3% in 2024. While the upward revision of our projection in July for the terminal rate to 6% looks stretched if inflation surprises further to the downside, we still believe that an additional 25bp rate hike in September is highly likely. Whether that is repeated in November is a more open question, and will very much depend on how services inflation behaves between now and then.

Exhibit 7: Swiss inflation is within the SNB target bands

Source: Macrobond, Bank J. Safra Sarasin, 03.08.2023

Exhibit 8: BoE is concerned about wage and services inflation

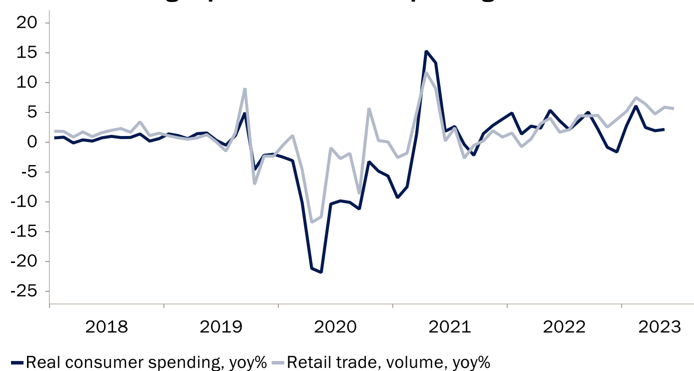


Source: Macrobond, Bank J. Safra Sarasin, 03.08.2023

We expect the BoJ to gradually normalise its monetary policy stance

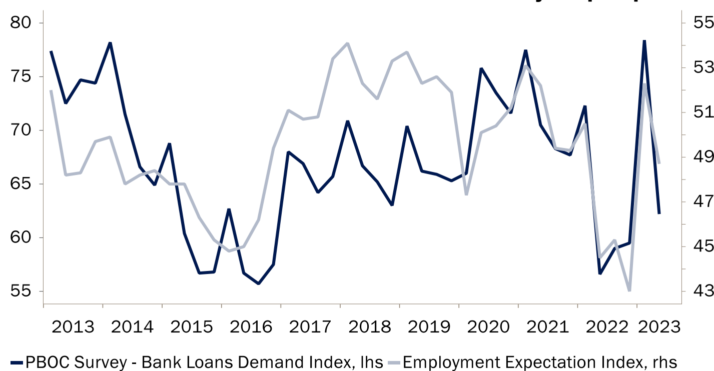
Japan's economy is performing as expected. The manufacturing sector remains under pressure, but the services sector is benefiting from the reopening of the economy and from rising labour income (Exhibit 9). We continue to believe that inflation rates are likely to be more persistent in Japan as well, enabling the Bank of Japan (BoJ) to continue with the (very) gradual normalisation of its monetary stance. Our GDP growth and inflation projections remain unchanged.

Exhibit 9: Strong Japanese consumer spending



Source: Macrobond, Bank J. Safra Sarasin, 31.07.2023

Exhibit 10: Lower demand for credit and uncertain jobs prospects



Source: Macrobond, Bank J. Safra Sarasin, 31.07.2023

China's incoming stimulus is unlikely to be a game changer. We have revised down our 2023 GDP forecast to 5.1%, from 5.6%

China's economic recovery has lost momentum. With a growth rate of 0.8% qoq, GDP in the second quarter fell short of expectations. July surveys indicate a weak start to the third quarter in the industrial sector. The Caixin/S&P Global manufacturing PMI fell to 49.2 last month, from 50.5 in June, marking the first decline in activity since April. Falling new orders, bleak employment prospects and high inventory levels point to subdued factory activity in the coming months. This also suggests that manufacturing activity the rest of the region is likely to remain under pressure.

However, there is hope for stronger GDP growth in the second half of the year as the government is set to support the economy. Still, the promises of additional stimulus from the

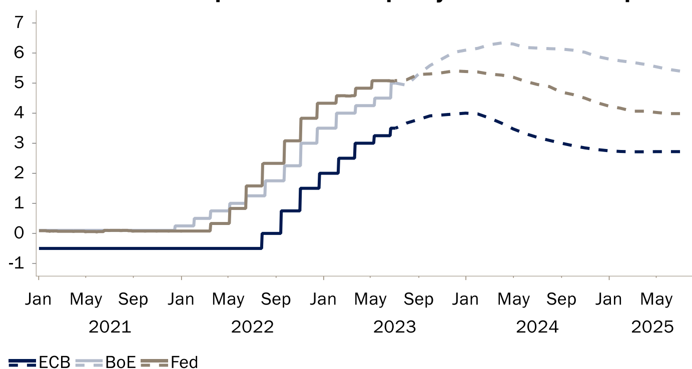
Politburo were light on details. In our opinion, authorities are likely to roll out targeted measures to boost growth, such as tax exemptions, initiatives to boost consumer spending and private investment, and an easing of restrictions for home buyers. But these measures are unlikely to be large enough to boost growth meaningfully in the second half of the year. In particular, credit demand has fallen sharply among the private sector, despite lower interest rates, indicating a desire to reduce debt burdens (Exhibit 10, above). Therefore, we don't expect China to provide much of a support for the global economy. It is likely to act as a disinflationary force instead. We have revised down our GDP forecast for the year to 5.1%, from 5.6%, and inflation to 1.5%, from 1.6%.

Fixed income

No changes to yield forecasts, yields to remain elevated over coming months, a sustained bond rally likely to come later

After revising the forecast trajectory for bond yields somewhat higher in July, there are no changes this time. Monetary policy continues to be tight, as evidenced by real yields hitting the highest level since 2008, and by inverted yield curves. The cumulative effect of the sharp monetary tightening is likely not fully reflected in economic activity yet. The US economy in particular is holding up better than expected, while growth rates in the euro area and in the UK are more sluggish. Inflationary pressures remain a concern. The core inflation trajectory, in particular in the UK and in the euro area, does not yet exhibit the convincing downward trend which would be necessary for the Bank of England and the ECB to pause with rate hikes. However, the peak in policy rates is coming closer.

Exhibit 11: Markets price restrictive policy for an extended period



Source: Macrobond , Bank J. Safra Sarasin, 10.08.2023

Exhibit 12: US Treasury long end premium has continued to build

Source: Bloomberg, Bank J. Safra Sarasin, 10.08.2023

Priced policy rate trajectories above neutral for an extended period of time

Long-term bond yields are a function of expected future central bank policy rates plus a risk premium for duration risk. Forward markets already price policy rate trajectories for developed markets' (DM) central banks that are substantially above neutral rates for an extended period of time (Exhibit 11). This is exemplified by the sharp rise in our proxy for the term premium in the US Treasury market, defined as the priced terminal Treasury short-term rate minus the Fed's own estimate of its long-run equilibrium policy rate (Exhibit 12). Over the next few months, markets will continue to grapple with the pricing of the appropriate policy rate to break the back of inflation, hence volatility in high beta markets such as the Sterling rates market will continue to run high.

Backdrop for fixed income remains positive, although a sustained bond rally will likely come later

The sharp repricing of developed markets rates structures and the weak economic outlook continue to provide a positive backdrop for high-quality fixed income instruments over 6 to 12 months. Having said that, bond yields will likely drop a bit later than so far expected

as policy rates stay elevated for longer. As regards credit, we continue to prefer high quality and IG, while advocating a slight underweight in lower rated borrowers.

We continue to prefer EM local currency bonds

Most emerging markets (EMs) have seen more resilient growth while inflation has fallen faster than the market expected. Central banks will likely start their policy rate cut cycle sooner rather than later, in particular in countries with large policy rate differentials to the US (e.g. Brazil and Chile). We therefore continue to prefer EM local currency bonds.

FX

Euro and sterling experienced a «July bump»

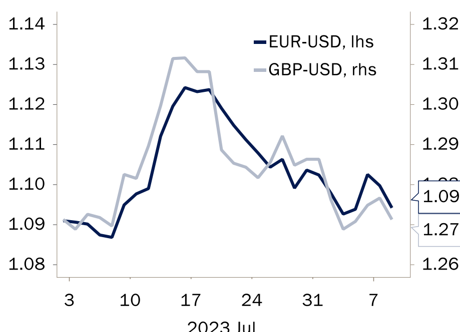
FX pairs have seen considerable swings over the past month. Softening inflation combined with somewhat weaker than expected US nonfarm payrolls pushed European currencies such as the euro and the pound markedly higher in July, which also reflected the relative dynamics in bond yields. Yet the rally was quick to die down when data on European activity surprised to the downside and markets started to reassess European rate expectations in the second half of the month (Exhibit 13).

Weakness in global activity argues for a stronger US dollar and ongoing support for the Swiss franc, while we expect the euro and the British pound to weaken

The «immaculate disinflation» scenario remains distinctly possible. Yet we think that on balance, the degree of global financial tightening argues for a further weakening in global activity. This should weigh on cyclical currencies, while supporting a stronger US dollar towards year-end. Moreover, the softening of Chinese activity, as indicated by Tuesday's disappointing Chinese export and import data, highlights that more downside for the euro is likely. The state of China's economy should be less of a concern for the UK, but we believe that sterling should trend lower once the BoE has delivered its final policy rate hike. Moreover, stretched speculative long positions suggest that sterling is prone to a repositioning (Exhibit 14). The Swiss franc should remain well-supported into 2024 as the Swiss inflation advantage is set to remain sizeable for longer. In consequence, we left most of our July FX forecasts unchanged.

Exhibit 13: Euro and sterling rallied in July, yet their upward move was quick to reverse

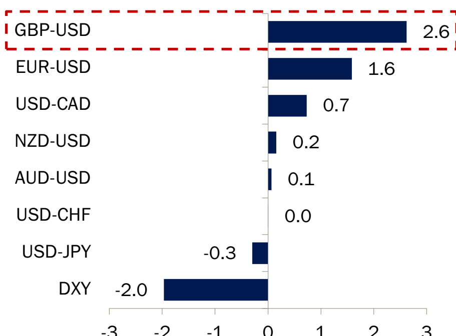
EUR-USD and GBP-USD



Source: Macrobond, Bank J. Safra Sarasin, 10.08.2023

Exhibit 14: Net speculative positions on sterling are among the most stretched

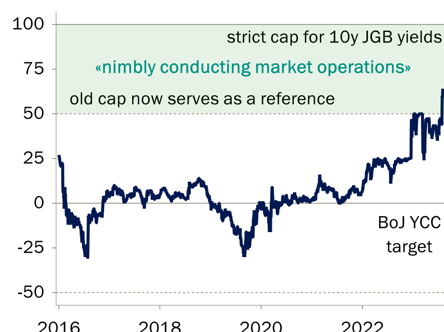
CFTC COT net speculative positions, 2y z-score



Source: Macrobond, Bank J. Safra Sarasin, 10.08.2023

Exhibit 15: With the latest YCC tweak, the BoJ allows JGB yields to rise gradually

Japanese Government Bond (JGB) 10y yield in bps



Source: Macrobond, Bank J. Safra Sarasin, 10.08.2023

We recalibrated our yen forecast to the BoJ's recent communication and YCC tweak in July

The BoJ's tweak to its yield curve control (YCC) policy at its July meeting warrants a small adjustment to our yen forecast. We have long held the view that the BoJ would scrap its YCC policy more swiftly once strong evidence on a sustainable increase of underlying inflation emerged. The BoJ's communication and the recent adjustment to its YCC policy however point to a more gradual approach. The added flexibility to the upper band of the YCC (Exhibit 15) suggests that the BoJ wants to engineer a gradual rise in yields. This will

translate into a slower pace of yen appreciation that will continue to drag on throughout the coming year. As a result, we recalibrated our yen forecast accordingly.

We expect gold to trade range-bound over the coming months

We left our forecasts on gold unchanged as we think that the precious metal will be range bound over the coming months. On the one side, the stronger dollar should represent a headwind. On the other side, we might see a pickup in market volatility as the macro outlook becomes more uncertain, which would provide some support. We expect gold to make more meaningful gains in the coming year, when markets start to reassess the prospects for policy rate cuts, which should also push real yields significantly lower.

Equities

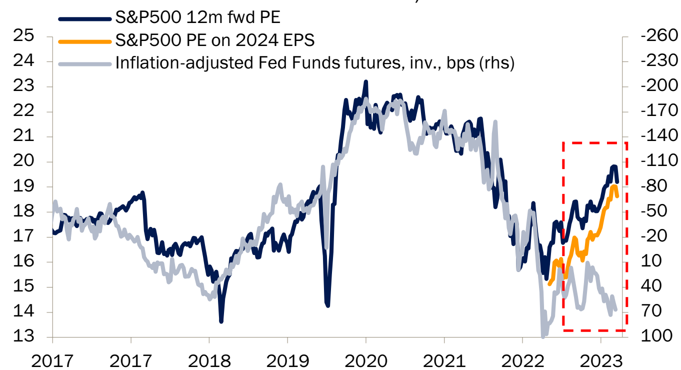
Cautious on equities despite solid Q2 earnings as recession base case remains

We remain cautious on global equities as we continue to expect the global cycle to cool in the second half of the year and into 2024. Even though 2023 consensus earnings have received a boost from stronger than expected Q2 reporting (Exhibit 16), we see downside potential to earnings estimates. In particular to 2024 numbers, which consensus still projects to rise by 12% over 2023 in the US. With valuations already stretched, even on these optimistic 2024 consensus EPS numbers, we would caution against adding risk in equities (Exhibit 17). Fading economic strength in H2 may well lead the market to reprice to more moderate valuation levels.

Exhibit 16: US consensus EPS ticked higher after solid Q2 reporting

Source: Refinitiv, Bank J. Safra Sarasin, 09.08.2023

Exhibit 17: Valuations remain elevated, even on a 2024 EPS basis



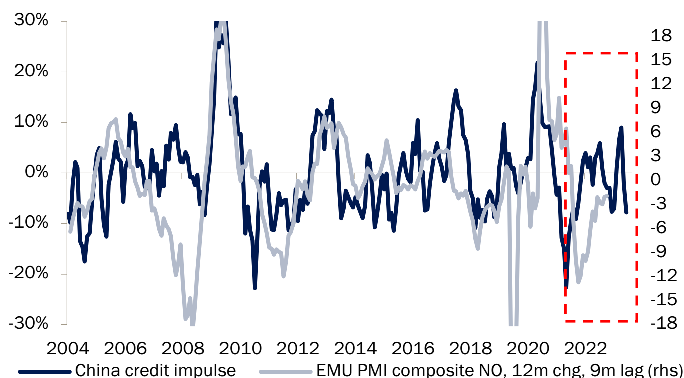
Source: Refinitiv, Bank J. Safra Sarasin, 09.08.2023

Downgrade of euro area end-year target as recession looms and China demand weakens

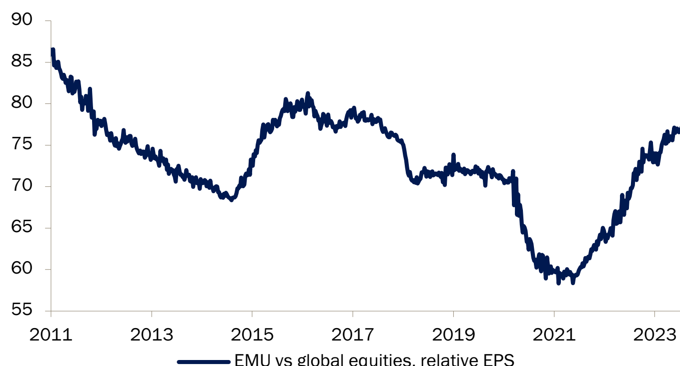
One change we are making to our end-year targets is in the euro area. After downgrading euro area equities to least preferred in April, we remain cautious on the region and lower our end-year target for the MSCI EMU to 4000, which would imply around 8% downside from current levels. The market backdrop in Europe remains challenging. The boost from a Chinese reopening, which helped parts of the euro area equity market at the beginning of the year, has faded and should increasingly weigh on the European cycle (Exhibit 18). Domestically, inflation has remained sticky while the economy is set shrink in the third quarter. We would expect the strong rebound in euro area earnings of the past 1.5 years to fade as a result (Exhibit 19).

Exhibit 18: Softening China credit data headwind for European cycle

Exhibit 19: Euro area earnings are at the highest relative since 2017



Source: Refinitiv, Bank J. Safra Sarasin, 09.08.2023

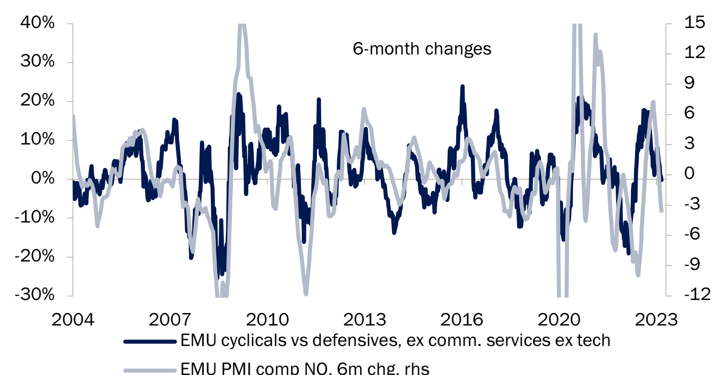


Source: Refinitiv, Bank J. Safra Sarasin, 09.08.2023

In the euro area in particular, we prefer defensives over cyclicals

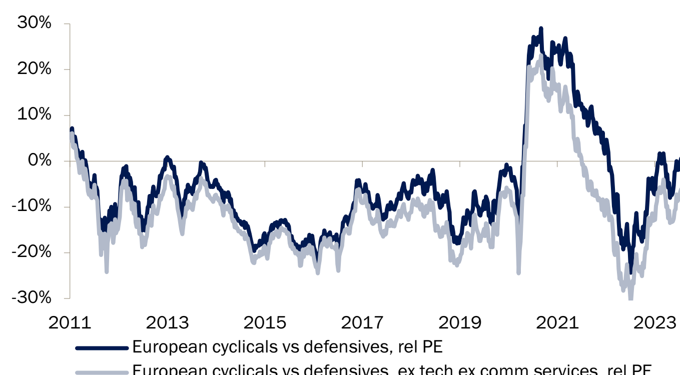
Furthermore, we stick to our defensive positioning, in particular in the euro area, where a weakening cycle has started to weigh on cyclicals' relative performance. As we expect the cycle to remain soft and given that valuations of cyclicals vs defensives are at levels at which they have always peaked in the last decade (except in 2020), we think the odds are clearly in favour of the more defensive end of the market (Exhibits 20, 21).

Exhibit 20: A softening euro area cycle is set to weigh on cyclicals



Source: Refinitiv, Bank J. Safra Sarasin, 09.08.2023

Exhibit 21: Relative valuations of EMU cyclicals at typical cycle peak



Source: Refinitiv, Bank J. Safra Sarasin, 09.08.2023

Tactical preference for UK and Swiss equities, more cautious on EMU

Lastly, from a regional point of view, we continue to prefer UK equities, given their mixture of value and defensiveness as well as the potential lift they may receive from a weakening sterling. We also think that Swiss equities continue to look attractive, while other European markets are likely to suffer on a relative basis in a deteriorating macro environment. US equities and the tech sector remain our key preference from a structural point of view, yet tactically no other market looks as stretched, leaving little room for outperformance in the short term.

J. Safra Sarasin

Cross-Asset Weekly

11 August 2023

Exhibit 22: JSS Forecast overview

Breakdown per Asset Class

Equities Countries / Regions	
USA	→
Eurozone	↓
Switzerland	↑
United Kingdom	↑
Japan	↓
Emerging Markets	→
China	→

Equity Sectors	
Energy	→
Materials	↓
Industrials	↓
Consumer Discretionary	→
Consumer Staples	↑
Health Care	↑
Banks	→
Insurance	→
Information Technology	→
Communication Services	→
Real Estate	↑
Utilities	↑

Fixed Income Performance	
US Treasuries	→
German Bunds	→
UK Gilts	→
Swiss Eidgenossen	→
IG Credit	→
HY Credit	↓
EM USD Government Bonds	↓

↑ **Overweight** → **Neutral** ↓ **Underweight**

Asset class views (overweight, neutral, underweight) express a tactical recommendation with a 3-month horizon. Tactical views might diverge from year-end stock index targets, which are based on our long-term economic and interest rate forecasts.

Stock Index Price Targets

	08.08.	4Q23	2Q24	4Q24
S&P 500	4'499	4'000	4'300	4'600
MSCI UK	2'147	2'150	2'225	2'300
DJ Euro Stoxx 50	4'289	4'000	4'250	4'500
DAX	15'775	15'000	15'900	16'800
SMI	11'057	11'500	12'050	12'600
MSCI Japan	1'403	1'300	1'400	1'500
MSCI EM	1'004	1'000	1'025	1'050
MSCI China	64	65	68	70

Key Policy Rates in %

	08.08.	4Q23	2Q24	4Q24
US Fed Funds	5.50	5.75	5.25	3.75
EUR Depo Rate	3.75	4.00	4.00	2.75
SNB Target Rate	1.75	2.00	2.00	1.50
BoE Base Rate	5.25	6.00	5.50	3.50
BOJ Policy Balance Rate	-0.10	-0.10	0.15	0.15

Bond Yields (10yr Benchmark)

	08.08.	4Q23	2Q24	4Q24
USA	4.02	3.85	3.65	3.35
Germany	2.44	2.50	2.25	2.05
Switzerland	0.97	1.30	1.20	1.20
United Kingdom	4.38	3.95	3.85	3.50
Japan	0.60	0.75	0.75	0.75

FX-Forecasts

	08.08.	4Q23	2Q24	4Q24
EUR-CHF	0.96	0.96	0.96	0.95
EUR-USD	1.09	1.05	1.08	1.10
EUR-GBP	0.86	0.84	0.88	0.90
GBP-USD	1.27	1.25	1.23	1.22
USD-JPY	143	130	125	120
USD-CHF	0.88	0.91	0.88	0.86
USD-CNY	7.21	7.10	7.05	7.00
Gold, USD per ounce	1'928	1'930	1'990	2'050

Macro Forecasts

		2022	2023	2024
US	GDP	2.1	1.8	-0.3
	CPI	8.0	3.9	2.2
Euroland	GDP	3.3	0.2	0.5
	CPI	8.4	5.4	2.7
Switzerland	GDP	2.1	0.6	1.0
	CPI	2.8	2.2	2.4
UK	GDP	4.1	0.2	-0.3
	CPI	9.1	7.5	3.0
Japan	GDP	1.0	1.3	0.9
	CPI	2.5	3.0	2.0
China	GDP	3.0	5.1	4.5
	CPI	2.0	1.5	1.5

Economic Calendar

Week of 14/08 – 18/08/2023

Country	Time	Item	Date	Unit	Consensus Forecast	Prev.
Monday, 14.08.2023						
Tuesday, 15.08.2023						
JN	01:50	GDP SA QoQ	2Q P	qoq	0.7%	0.7%
	01:50	GDP ann. SA QoQ	2Q P	qoq	2.9%	2.7%
GE	11:00	ZEW expectations	Aug	Index	--	-14.70
EU	11:00	ZEW expectations	Aug	Index	--	-12.20
US	14:30	Retail Sales Control Group	Jul	mom	0.4%	0.6%
	14:30	Empire Manufacturing	Aug	Index	-0.80	1.10
	16:00	Business Inventories	Jun	mom	0.2%	0.2%
	16:00	NAHB Housing Market Index	Aug	Index	56.00	55.00
Wednesday, 16.08.2023						
UK	08:00	CPI YoY	Jul	yoy	--	7.9%
	08:00	CPI Core YoY	Jul	yoy	--	6.9%
EU	11:00	GDP SA QoQ	2Q P	qoq	--	0.3%
	11:00	GDP SA YoY	2Q P	yoy	--	0.6%
US	13:00	MBA Mortgage Applications	Aug04	wow	--	-3.0%
	14:30	New York Fed Services Bus. Act.	Aug04	Index	--	0.00
	15:15	Industrial Production MoM	Jul	mom	0.4%	-0.5%
	15:15	Capacity Utilization	Jul	%	79.3%	78.9%
	20:00	FOMC Minutes	Jul26			
Thursday, 17.08.2023						
US	14:30	Initial Jobless Claims	Aug05	1'000	--	--
	14:30	Philadelphia Fed Business Outl.	Aug	Index	-11.10	-13.50
	16:00	Leading Index	Jul	mom	-0.4%	-0.7%
Friday, 18.08.2023						
JN	01:00	Natl CPI Ex Food, Energy YoY	Jul	yoy	--	3.3%
UK	08:00	Retail Sales Ex Auto Fuel MoM	Jul	mom	--	0.8%
	08:00	Retail Sales Ex Auto Fuel YoY	Jul	yoy	--	-0.9%

Source: Bloomberg, J. Safra Sarasin as of 08.08.2023

J. Safra Sarasin

Cross-Asset Weekly

11 August 2023

Market Performance

Global Markets in Local Currencies

Government Bonds	Current value	Δ 1W (bp)	Δ YTD (bp)	TR YTD in %
Swiss Eidgenosse 10 year (%)	1.01	-2	-60	5.3
German Bund 10 year (%)	2.53	-3	-4	1.5
UK Gilt 10 year (%)	4.36	-4	69	-2.4
US Treasury 10 year (%)	4.11	7	23	0.1
French OAT - Bund, spread (bp)	53	0	-1	
Italian BTP - Bund, spread (bp)	162	-3	-53	

Stock Markets	Level	P/E ratio	1W TR in %	TR YTD in %
SMI - Switzerland	11,150	17.8	0.6	7.0
DAX - Germany	15,997	11.5	0.6	14.9
MSCI Italy	904	8.1	-0.1	20.0
IBEX - Spain	9,502	9.8	2.1	19.2
DJ Euro Stoxx 50 - Eurozone	4,384	12.5	1.9	19.0
MSCI UK	2,175	11.0	1.7	4.4
S&P 500 - USA	4,469	20.6	-0.7	17.5
Nasdaq 100 - USA	15,129	27.4	-1.4	39.0
MSCI Emerging Markets	1,008	13.6	-0.7	7.7

Forex - Crossrates	Level	3M implied volatility	1W in %	YTD in %
USD-CHF	0.88	7.6	0.5	-5.2
EUR-CHF	0.96	5.3	0.2	-2.6
GBP-CHF	1.11	7.0	0.1	-0.4
EUR-USD	1.10	6.8	-0.1	2.7
GBP-USD	1.27	7.8	-0.3	5.2
USD-JPY	144.7	9.5	2.1	10.4
EUR-GBP	0.86	5.6	0.2	-2.3
EUR-SEK	11.76	7.8	1.0	5.4
EUR-NOK	11.34	10.7	1.6	8.0

Commodities	Level	3M realised volatility	1W in %	YTD in %
Bloomberg Commodity Index	106	11.1	0.8	-6.2
Brent crude oil - USD / barrel	87	21.5	1.5	2.1
Gold bullion - USD / Troy ounce	1,916	9.6	-0.9	5.0

Source: J. Safra Sarasin, Bloomberg as of 08.08.2023

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