J. Safra Sarasin
Cross-Asset Weekly

20 October 2023

Escalation fears in the Middle East

Although diplomatic efforts are intensifying to contain the consequences from the 7 October Hamas attack on Israeli civilians, and Israel's subsequent response, the risk for an escalation across the Middle East remains high. Looking back over the past 50 years, every escalation in the Middle East has at least temporarily affected financial markets negatively. We suggest quality duration, the Norwegian krona as well as UK equities who look attractive in case of an escalation.

There will likely be no change in policy rates at this week's ECB meeting. Additional measures, such as an accelerated balance sheet reduction or an increase in banks' minimum reserve requirements (MRR) could be discussed. Given debt sustainability concerns for some euro area countries and shrinking excess liquidity in the banking sector, we feel that those decisions should be postponed to early next year.

There are tentative signs that global trade is turning. The tech cycle has emerged from its trough. We expect global trade to continue to improve although the recovery may not be strong with a potential slowdown in the US looming and a stable China. The main beneficiaries from improving exports would be Asia Emerging Markets economies.

Finally, this weekend, Swiss citizens are called to elect their parliamentary representatives. The election result will likely not lead to meaningful changes in Swiss domestic and foreign policies. Importantly though, a proven, well-balanced political system that does not allow for hasty policy changes without broad acceptance, underlines the Swiss franc safe-haven status, in particular in the current times of change and geopolitical instability.

This week's highlights

Global strategy 2
Where to hide when Middle East tensions boil over

ECB Preview 4
Many topics to discuss but no urgent decisions

EM Macro 6
Tentative signs of a global trade recovery

Swiss parliamentary elections 9
A proven political system

Economic Calendar 12
Week of 23/10 – 27/10/2023

Market Performance 13
Global Markets in Local Currencies

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Global strategy

Where to hide when Middle East tensions boil over

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Even though diplomatic efforts have been ramped up over recent days to contain the regional fallout from the 7 October Hamas attack on Israeli civilians, severe downside risks remain. We review asset price performance around times of Middle East conflicts over the past 50 years and, unsurprisingly, find that oil has been the most affected asset class. Oil prices on average rose by around 40% if all conflicts are considered. Conflicts which were contained in the Israel/Palestine region yielded an average price gain of 9%, matching the 8% oil price rise since the attacks. We would still recommend to hedge against a further escalation, preferably with positions which are looking attractive even if the conflict remains contained. These are: (i) UK equities, (ii) high-quality duration/short credit and (iii) the Norwegian krone.

A severe escalation of the situation is not a given, but remains a clear risk

The Hamas attack on Israeli villages two weeks ago has not only created insufferable pain among Israeli civilians and families, it has also opened the door to an escalating spiral of violence in the Middle East. The geopolitical consequences of the actions are difficult to fathom, but the broad variety of actors and interests in the region allows for numerous risk scenarios and could bring back memories of the Middle East wars last seen in the 1970s. Yet, this is not a given as diplomatic efforts are running high to limit the conflict to Gaza and prevent a spreading to other parts of the region.

Oil remains the most affected asset class if tensions in the Middle East boil over

Given the uncertainty around potential future developments, it seems well advised to take a look at past conflicts for guidance on how to hedge against a further escalation of the situation. The asset which has typically been most affected by rising tensions in the Middle East is oil, with the region still producing more than a third of daily supplies. In particular, production from Iran, which is the world's 8th largest producer of crude oil, would be at risk in case of an escalation. After Iran's exports had fallen to below 500'000 bbl/d in 2020, its output has recovered back to an estimated 1.5mn bbl/d in September, partly reflecting an easing of enforcement of US sanctions. A renewed tightening of those sanctions could remove up to 1mn bbl/d from global production. On top of that, a rise in uncertainty over supplies from Saudi Arabia may easily see prices surge to the same extent as they did in response to the Ukraine invasion in 2022. Back then oil prices gained 30% in a matter of two weeks before settling at around 15% above pre-war levels (Exhibit 1).

Exhibit 1: Oil prices have risen sharply whenever conflicts spread across the Middle East

Source: Refinitiv, Bank J. Safra Sarasin, 18.10.2023

Average oil price gains of 35% to 40%

Going back further in history, the average move in the oil price has been around 35% to 40% in response to a rise in tensions in the Middle East. Yet what's clear, each and every conflict is different and the oil market has changed as well. The US is the largest producer of crude oil today, making the market more resilient to a scenario like the oil embargo in the 1970s when prices more than tripled. Furthermore, as long as the spread of clashes in the Israel/Palestine region could be locally contained, the impact on oil had been fairly muted. Typically, prices rose by only 9% in a locally contained conflict, which puts the 8% rise over the past two weeks right where it should be (Exhibit 2).

Exhibit 2: Returns depend on the regional spread of the conflict, with recent oil price rises in line with past contained conflicts

3M max/min performance	Yom Kippur	Islamic Revolution	Iran-Iraq War	1st Intifada	Gulf War	2nd Intifada	Lebanon War	Gaza War	Iraq War	Gaza War	Since 6 Oct 2023	Average returns		
	Conflict started in											All 10 events	without '73, '00 & '08	Limited to Israel/ Palestine
Asset class	Oct 73	Jan 79	Sep 80	Dec 87	Aug 90	Sep 00	May 08	Dec 08	Dec 13	Jul 14				
Oil	238%	93%	22%	8%	90%	19%	21%	108%	4%	0%	8%	40%	36%	9%
Gold	78%	31%	1%	4%	9%	0%	14%	19%	14%	2%	6%	17%	10%	2%
S&P500 (trough)	-17%	-4%	-5%	-1%	-16%	-23%	-39%	-22%	-5%	-5%	0%	-14%	-6%	-10%
USD (DXY)	15%	2%	14%	2%	0%	5%	18%	10%	2%	14%	0%	8%	6%	7%
CHFUSD	0%	1%	1%	6%	9%	7%	5%	3%	2%	0%	2%	4%	3%	5%
JPYUSD	0%	0%	7%	9%	16%	0%	12%	3%	4%	0%	0%	5%	6%	3%
US 10Y yld (bps)	-19	-19	-40	-98	-47	-110	-47	-5	-54	-49	11	-49	-51	-86

Source: Refinitiv, Bank J. Safra Sarasin, 18.10.2023

Gold and oil have moved higher since the 7 October attacks...

The only other asset which has seen a meaningful move over the past two weeks is gold, with a 6% gain since the attacks. Remarkably, this happened against a 11bps rise in US 10-year yields, indicating that fixed income markets have not really taken note of the attack and are so far not pricing for a meaningful impact on the global cycle.

...while moves in rates, equities and FX have been very limited

Other assets have barely moved as well in response to the attack. US equities have been flat and FX markets largely unchanged. We would expect these moves to remain limited and see little further impact on asset prices as long as one could safely assume that the conflict does not spread to other parts of the region. The material diplomatic efforts over recent days, calling for a measured approach and for other parties to stay out of the conflict, can be considered positive in this regard.

UK equities, the Norwegian krone and a high-quality duration/short credit position are key hedges against a further escalation

Yet even though the probability of a sharp escalation has been declining over recent days, we recommend three hedges against an escalation of the situation, which we would also consider attractive on a stand-alone basis:

i) In equities, the UK market would benefit from both, a rise in oil prices and a strengthening US dollar. This results from the substantial energy weighting in the index and the high foreign revenue exposure. The UK equity market is also one of the most defensive indices globally, which would further be supported by lower rates at the long end of the curve, in a risk off scenario.

ii) In rates, we recommend a meaningful amount of quality duration. The US curve should bull-flatten if oil prices rise. Short-term inflationary pressures would be met with increased recessionary risks and wider credit spreads.

iii) In FX, the Norwegian NOK looks attractive if oil prices were to rise. It typically gains around 4% (trade-weighted) for every 20% move in Brent oil prices, but has recently trailed oil by around 5%. A significant rise in oil prices to above USD 100/bbl would thus imply a 5% to 10% gain for the NOK on a trade-weighted basis.

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ECB Preview

Many topics to discuss but no urgent decisions

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Changes to the policy rate are not on the table for this month's ECB meeting as economic activity and inflation have evolved broadly in line with expectations since the last meeting in September. However, debt sustainability has become a more pressing topic, given higher bond yields and less ambitious fiscal plans in some countries. The ECB may also discuss changes to its minimum reserve requirements (MRR) and an accelerated reduction of the balance sheet. We believe decisions on both issues should be postponed until the ECB's review of its operational framework due next spring. An increase in the MRR would also boost ECB profits, with a one percentage point rise in the MRR lifting ECB profits by EUR 6.6 bn/year. Profits of the banking sector would fall by the same amount.

No major deviations from the ECB's macro scenario since their last policy meeting

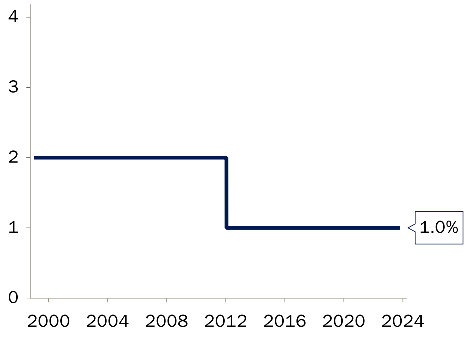
There is no reason for the ECB to change policy rates at the meeting next Thursday. President Lagarde and others have stressed that the current level of tightening should be sufficient to bring inflation back to 2% until the end of 2025. There is no reason why the economic data that have been published since the last meeting should change that assessment. We don't expect any changes until at least the first half of next year.

The minimum reserve requirement ratio (MRR) is usually not used as a tool to steer financial conditions

The ECB may well continue the debate about the optimal minimum reserve requirement (MRR). Banks are obliged to hold a specific ratio of their client deposits at the ECB. This happens mainly for prudential reasons and in order to steer the circulation of broad money in the economy. A higher MRR ratio means that commercial banks can lend out a smaller share of their client deposits. So far, the MRR ratio has only been changed once (Exhibits 1 and 2). This happened during the euro crisis in late 2011, when the ECB launched various measures to support bank lending as well as liquidity in money markets. Back then, the rationale for the decision was as follows: "*As a consequence of the full allotment policy applied in the ECB's main refinancing operations and the way banks are using this option, the system of reserve requirements is not needed to the same extent as under normal circumstances to steer money market conditions.*" Since then, the full allotment policy has not changed and banks have easy access to ECB liquidity. As a result of quantitative easing, excess liquidity prevails and money market rates are floored by the deposit rate. The ECB is currently reviewing this system and is evaluating the pros & cons versus the corridor system that prevailed before. Results of the review will likely be ready in spring. We believe that the ECB should review the MRR ratio in this context rather than now.

Exhibit 1: MRR in % of deposits

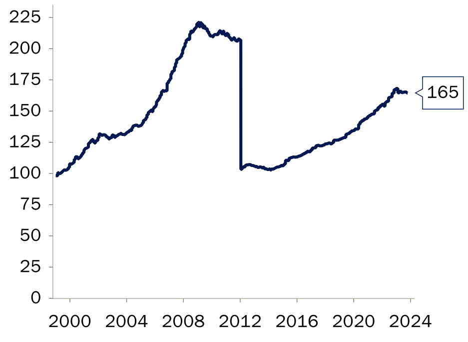
Required minimum reserves required in % of deposits



Source: Macrobond, Bank J. Safra Sarasin, 19.10.2023

Exhibit 2: Minimum reserves in Euro

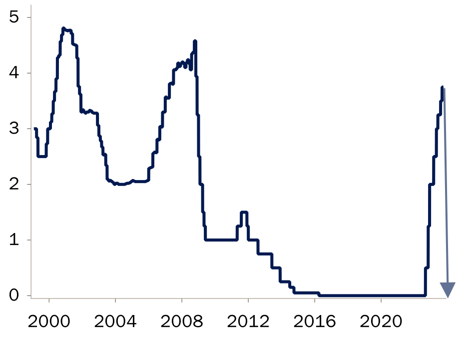
Required Minimum Reserves in Billion EUR



Source: Macrobond, Bank J. Safra Sarasin, 19.10.2023

Exhibit 3: MRR interest rate reduced to 0%

Euro Area, Interest Rate on Minimum Reserves in %



Source: Macrobond, Bank J. Safra Sarasin, 19.10.2023

J. Safra Sarasin
Cross-Asset Weekly

20 October 2023

Increasing the MRR ratio by 1% would save the ECB EUR 6.6 bn in interest payments to banks per year. Bank profits would decline by the equivalent amount

One likely reason why the MRR ratio is being discussed now is that a higher ratio would also improve the ECB's P&L. In July, the ECB already reduced the renumeration of minimum reserves to 0%, from a rate equivalent to the deposit facility previously (Exhibit 3). One reason for this change was to "*improve the efficiency of monetary policy by reducing the overall amount of interest that needs to be paid on reserves in order to implement the appropriate stance*". The same reason could be used again for a higher MRR ratio. For each percentage point that the MRR ratio increases, the ECB would save EUR 6.6 bn annually (i.e., 4% of the total amount of minimum reserves of EUR 165 bn that banks hold at the ECB right now).

Reducing the balance sheet of the ECB could increase term premia and credit spreads

Another topic the ECB might discuss is a faster reduction of its balance sheet. When easing monetary policy, the ECB argued that changes to its interest rate, forward guidance, TLTROs and quantitative easing would all work best together. If that was the case for easing policy, the same argument should apply when tightening policy. As a consequence, the ECB could reduce its balance sheet outright by selling parts of the APP bond portfolio or by ending reinvestments of the PEPP portfolio ahead of schedule. So far, the ECB has promised to reinvest maturing PEPP bonds until end-2024 and to use those reinvestments flexibly as a first line of defence against adverse market developments.

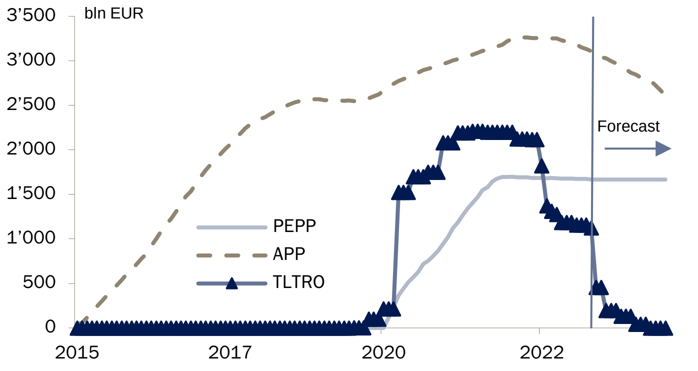
Two arguments against a faster reduction of the bond portfolios:
(i) Recent widening of Italian bond spreads
(ii) Maturing TLTROs already reduce liquidity in the banking sector significantly

One counter-argument is Italy's fragile debt sustainability. Currently, 10-year bond yields in Italy are higher than its potential GDP growth rate, making permanent primary surpluses necessary to stabilize the debt ratio in the medium term unless yields fall back below potential GDP growth (see last week's Cross-Asset Weekly). The other counter-argument is that the balance sheet is already shrinking quickly as the remaining Targeted Long-Term Refinance Operations (TLTROs) are maturing until end-2024, reducing the excess liquidity of the banking sector further (Exhibit 4). Banks may also want to hold more liquidity at the ECB voluntarily. This year's developments in the US and Swiss banking sectors have shown that the risk of quick and painful bank runs has risen in the digital age as rumours spread faster and customers can withdraw liquidity with a mouse click. Therefore, the ECB may want to evaluate the banking sector's money demand in the context of the review of its operational framework before making major decisions about a faster reduction of banking sector liquidity. While we sympathize with a smaller ECB balance sheet we see no urgency to act immediately.

Still no agreement on new fiscal framework

Finally, the ECB may have a clear message towards the Council of the EU and fiscal policy makers: Adopt new and clear rules as fast as possible and pursue prudent fiscal policies.

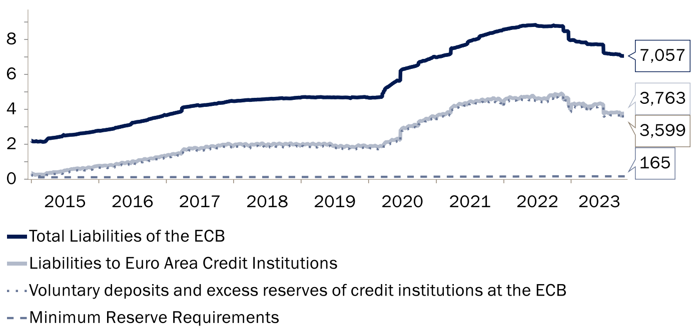
Exhibit 4: Development of major ECB assets under current policies



Source: Macrobond, Bank J. Safra Sarasin, 19.10.2023

Exhibit 5: Minimum reserves are only a small part of ECB liabilities

Liability Side of ECB Consolidated Balance Sheet, in billion EUR, last data: 13/10/2023



Source: Macrobond, Bank J. Safra Sarasin, 19.10.2023

EM Macro

Tentative signs of a global trade recovery

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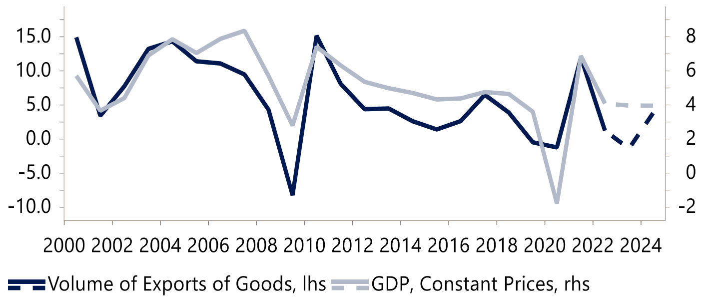
There are tentative signs that global trade is turning. The tech cycle has emerged from its trough. Recent Chinese trade data also show positive sequential growth, with a recovery in tech exports and a continuation of a strong performance of vehicle exports. China's commodity imports have also held up well despite the housing weakness. Some of these are due to the strong exports (steel and vehicles) and some are due to a recovery from a very weak level last year (energy). We expect global trade to continue to improve although the recovery may not be so strong assuming the eventual US slowdown and a stable China. Improving exports are especially good for EM Asia.

Global trade seems to have turned recently according to Chinese trade data

There are signs that global trade dynamics have improved recently. Global trade is an important driver of GDP especially in emerging markets (EM, Exhibit 1). The goods trade boom during the COVID years have mainly benefited tech and manufacturing exporters like China and Korea. Since mid-2022, however, trade started declining mainly as a result of a slowdown in developed markets (DM) and China's lockdowns. China's exports show this dynamic quite well (Exhibit 2). While export data stopped following the COVID trend in mid-2022, it has not returned to the (much lower) pre-COVID trend. Latest data from September in fact show an uptick in Chinese exports. The uptick on a year-over-year basis is consistent across countries and even on a volume basis (Exhibit 3 and 4).

Exhibit 1: EM exports drive its cycle

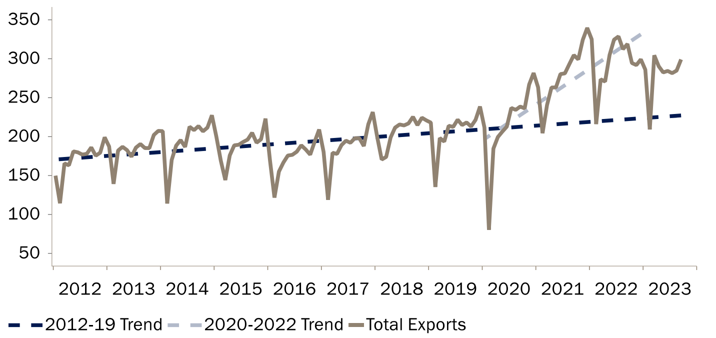
World, Emerging & Developing, IMF WEO, Estimate, % yoy



Source: Macrobond, Bank J. Safra Sarasin, 16.10.2023

Exhibit 2: Latest Chinese export data show an uptick...

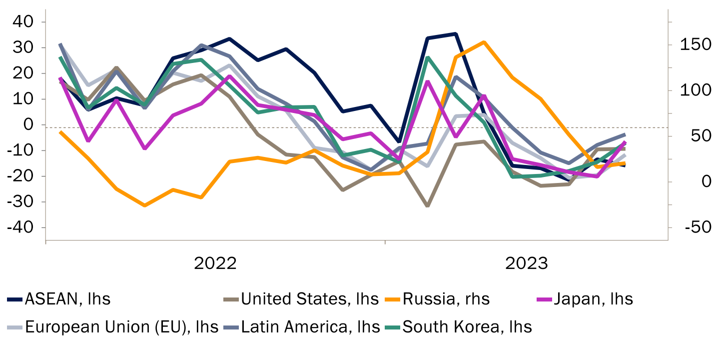
China, Monthly Export and Trend, Total, USD Billion



Source: Macrobond, Bank J. Safra Sarasin, 16.10.2023

Exhibit 3: ...which is consistent across trading partners

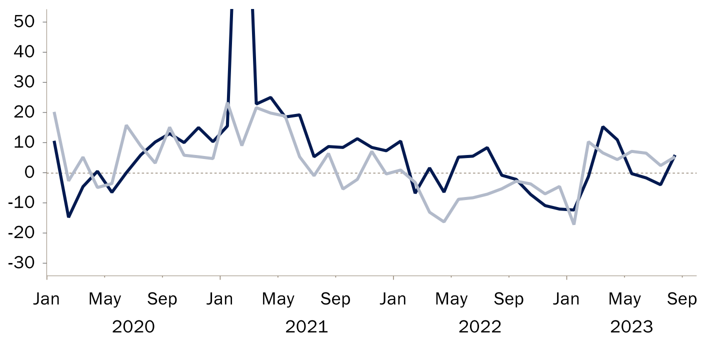
China, Export, Countries, % yoy



Source: Macrobond, Bank J. Safra Sarasin, 16.10.2023

Exhibit 4: ...and on a volume basis

China, Export and Import Volume, % yoy



Source: Macrobond, Bank J. Safra Sarasin, 16.10.2023

There is clear evidence of the tech cycle bottoming out, but the recovery may not be strong

One sector that has clearly bottomed out is the tech sector. Indicators of the tech cycle such as semiconductor sales and exports from Korea and Taiwan show a significant improvement in recent months (Exhibit 5 and 6). While the year-over-year growth rate remains negative, it has become less negative, and sequential growth is positive. Chinese September data also show a strong sequential increase in electronics exports. It is not clear, however, whether the recovery will be strong given that inventory levels (at least in Korea) remain elevated.

China's commodity imports have held up despite housing weakness

Another interesting feature of recent trade dynamics is China's import of commodities. The import volume has held up well compared to 2022 even though the housing sector, which is a large consumer of commodities such as iron ore and copper, has remained weak (Exhibit 7). The recovery in import volume, in fact, is not surprising given how depressed it was in 2022 (Exhibit 4). Last year's import volume growth was actually the worst since the Global Financial Crisis. Some have also attributed this to restocking. This seemed to be evident earlier this year, but at this point, commodity inventories are not high by historical standards and stocking should not be the main driver of commodity imports going forward (Exhibit 8).

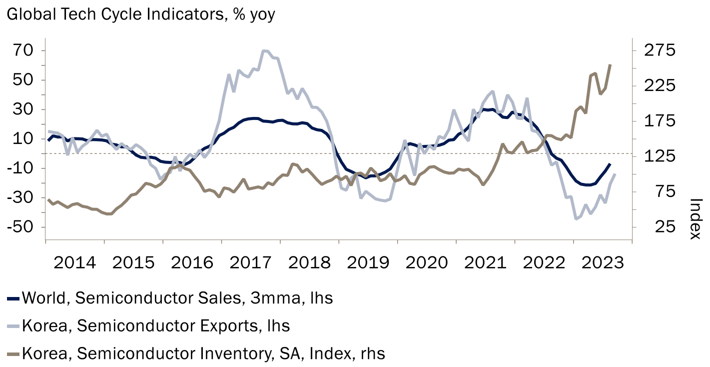
China's commodity use has been pivoted from housing to other sectors

What is driving these commodity imports? We think that a large part is domestic service activity and exports. The former is related to energy consumption and energy imports. While the housing market remains weak, China has pivoted its use of commodities to other manufacturing activities that are also commodity intensive such as green technology, electric vehicles, and steel making. The spectacular rise in its vehicle exports is one driver of metal demand, while its steel exports is another driver so far (Exhibit 7 and 8).

The US slowdown is the main headwind to global trade going forward

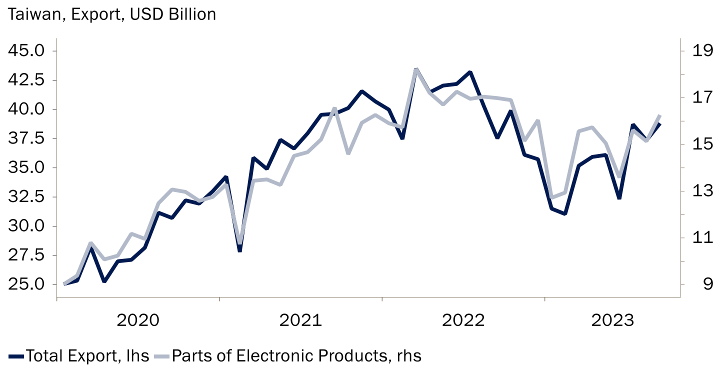
Given that we expect a stable growth from China for the rest of this year and next, the resilience in global trade will likely depend on how the US holds up. The eventual slowdown in the US is the main headwind to global trade and to EM. In the meantime, improved goods trade is good for EMs, especially in Asia. China's commodity demand is tied to its exports, and would also slow down once there is less demand from the US.

Exhibit 5: Semiconductor trade has bottomed out



Source: Macrobond, Bank J. Safra Sarasin, 16.10.2023

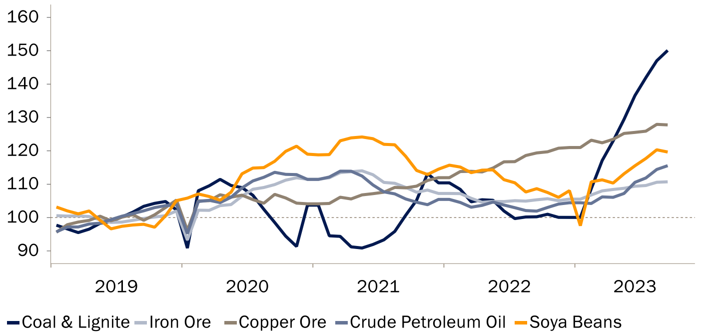
Exhibit 6: Taiwan's electronic exports have also recovered



Source: Macrobond, Bank J. Safra Sarasin, 16.10.2023

Exhibit 7: China's commodity imports have held up in 2023

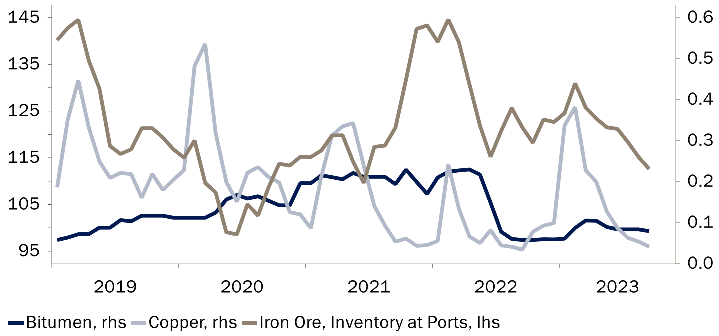
China, Key Commodities, Import, Volume Index, 12-Month Rolling Sum, 2019=100



Source: Macrobond, Bank J. Safra Sarasin, 16.10.2023

Exhibit 8: Commodity inventory is not high after a bump in early 2023

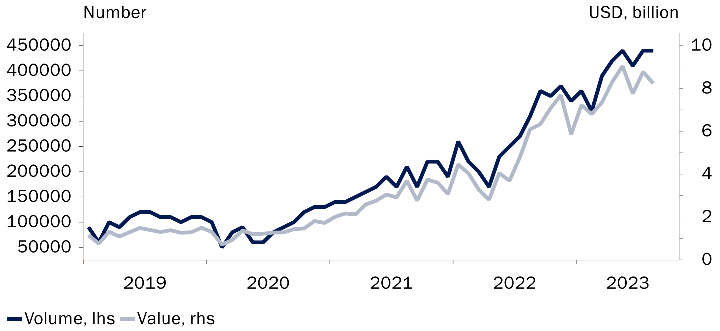
China, Commodity Inventory, Tonne, Million



Source: Macrobond, Bank J. Safra Sarasin, 16.10.2023

Exhibit 7: Vehicle exports continue its surge

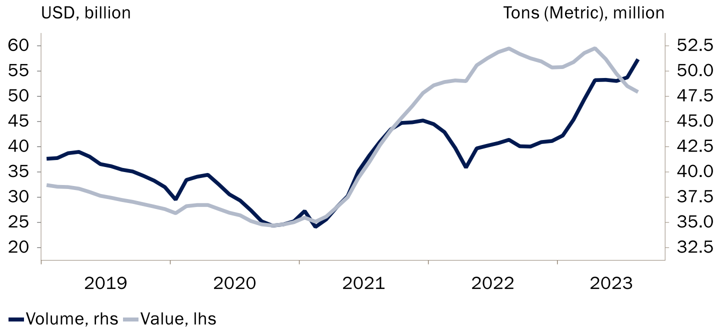
China, Export, Motor Vehicles, Total



Source: Macrobond, Bank J. Safra Sarasin, 16.10.2023

Exhibit 8: Steel exports have increased substantially

China, Steel Sheets and Plates Exports, Volume and Value



Source: Macrobond, Bank J. Safra Sarasin, 16.10.2023

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20 October 2023

Swiss parliamentary elections

A proven political system

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This weekend, the Swiss are called to elect their parliamentary representatives. The Swiss political system is designed to be stable and consensual. Therefore, the election result will likely not lead to meaningful short-term changes in Swiss domestic and foreign policies. Importantly though, a proven, well-balanced political system that does not allow for hasty policy changes without broad acceptance, underlines the Swiss safe-haven status, in particular in the current times of change and heightened geo-political instability.

Roughly 5.5 million Swiss are called to elect their representatives for the parliament

This weekend, roughly 5.5 million Swiss citizens are called to elect their representatives for the Swiss parliament. This article is intended to give our readers a brief outline about the workings of the Swiss political system, the parties and the likely impact of the results as indicated by the polls. The Swiss parliamentary system consists of two chambers: (1) the National council ('Nationalrat') and (2) the Council of States ('Ständerat'). The National Council is elected by a proportional vote in most cantons, that is, the 200 seats are allocated according to the voting shares of the parties, which also allows smaller parties to be represented. The Council of States, on the other side, is elected by a majority vote in most cantons, that is, the 46 seats (2 from each canton, 1 from each half-canton) are allocated to who gets the most votes. Smaller parties are therefore mostly not represented (Exhibits 1, 2).

This election is primarily about the legislative, but not the executive arm

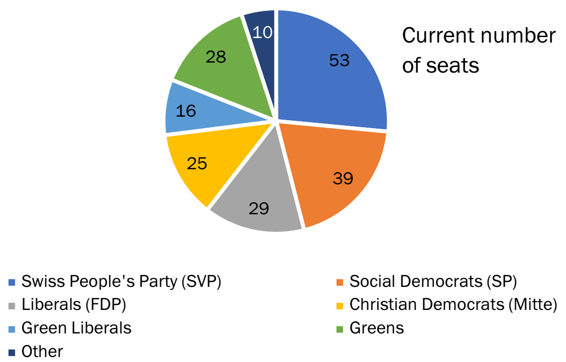
The Swiss executive government in charge, the Federal Council ('Bundesrat'), consists of seven councillors from all large parties, each one in charge of his respective government department. Councillor Alain Berset from the Social Democrats is currently the (mostly ceremonial) Federal President. The councillors are elected by the combined chambers of parliament for an unlimited period of time, but once elected, they need to be confirmed on an annual basis by the combined chambers of parliament. The party composition of the Federal Council is determined by the 'Magic Formula' ('Zauberformel': currently 2 from the Swiss People's Party, 2 Social Democrats, 2 Liberals, 1 Christian Democrat). This election is therefore primarily about the legislative but not the executive arm.

Box 1: Profile of the main parties

Meet the six main parties

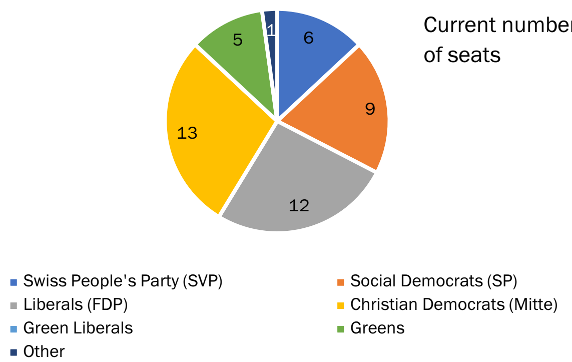
Swiss People's party (SVP): right-wing, conservative, anti-immigration, against deeper integration with the EU, promotes individual freedoms with strong emphasis on Swiss independence.
Liberal Party (FDP): centre-right, promotes a liberal economic system and individual freedoms, supports cautious approach to EU for economic reasons.
Social Democrats (SP): left-wing, promotes economic and social equality, favours deeper integration with the EU.
Christian Democrats (Mitte): centrist, promotes liberal economic policies, retains conservative positions with regard to cultural and religious matters, support for families and selective social policies, supports cautious approach to EU for economic reasons.
Green Party: left-wing, promotes most SP policies with a strong focus on the environment and climate change in particular, favours deeper integration with the EU.
Liberal Green Party: centrist, promotes a liberal economic system to solve environmental problems and climate change in particular.

Exhibit 1: National Council, a centre-right majority



Source: Bank J. Safra Sarasin, 19.10.2023

Exhibit 2: Council of States, a clear centre right majority



Source: Bank J. Safra Sarasin, 19.10.2023

The Federalist structure assures balanced representation across all regions and levels

Switzerland has a federalist structure based on three pillars: the communes, the cantons and the confederation. It follows the principle of subsidiarity, that is, only those tasks that cannot be done at the lower level are delegated up. Regional (cantonal) autonomy is a guiding principle. This is reflected in the bi-cameral parliamentary system at the federal level. In the Council of States ('Ständerat'), without whom no meaningful legislation can take place, smaller cantons are significantly overrepresented compared to the National Council ('Nationalrat'). Also, the Council of States has a much more conservative composition than the National Council (Exhibit 2).

Legislative process in Switzerland with broad-based participation

Federal acts can be initiated by the Federal Council ('Bundesrat'), the cantons, parliamentary committees or any member of parliament. After the final version of a bill is drafted, the parliamentary debate takes place and it needs to be agreed on by both the Council of States and the National Council, otherwise it is rejected. But even if parliament passes the bill, there is either a mandatory public vote (for amendments to the constitution or accessions to organisations for collective security or supranational organisations) or an optional referendum (if forced by 50'000 persons eligible to vote). Mandatory referendums require a majority of voters and a majority of cantons, while optional referendums only require a majority of voters to pass. Amendments to the constitution can also be initiated by private citizens or interest groups (by 100'000 persons eligible vote) in the form of a Federal Popular Initiative, which also requires a majority of voters and a majority of cantons to pass.

Switzerland is a direct democracy, with wide ranging checks and balances

It follows that Swiss voters participate in a meaningful way in the political process at all levels, with direct impact on the inner workings of the executive and legislative branches. For example, draft bills have to be released for public consultation to assure broad acceptance. Direct democracy therefore provides wide ranging checks and balances both for the executive as well as the legislative arms of government.

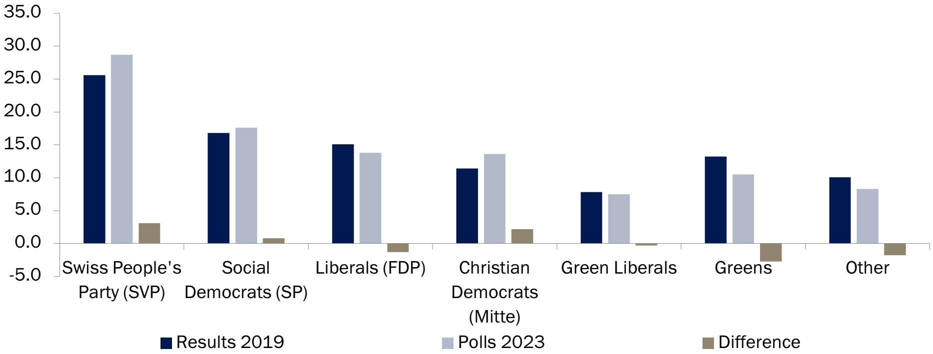
Polls forecast a slight shift to the right

After the substantial gains of the Green and Liberal Green Parties in 2019, polls suggest that the pendulum could be swinging back (Exhibit 3). The conservative Swiss People's Party (SVP), the main loser in 2019, is forecast to make a comeback, while the Green Party is set to lose a substantial part of the gains made in 2019. The SVP should profit from fears over illegal migration and sharply rising energy and health care costs. The Green Party will face headwinds with regard to energy security and the high costs for a quick green transition. The circumstances of the downfall of Credit Suisse should be a headwind for the business-friendly Liberals, while the Christian Democrats will likely manage to take up some of the swing voters. The composition of the upper house, where the personality of the candidate is sometimes more important than the party affiliation, is not expected to change meaningfully.

The relative majority of political blocks should be unaffected

If the polls are correct, the centre-right majorities in both houses would be strengthened slightly, but the relative majority of the different political blocks would not change meaningfully. The election outcome would likely also not impact the future composition of the executive branch, the Federal Council (directly elected and confirmed annually by both houses combined).

Exhibit 3: Polls suggest a shift to the right, mainly at the expense of the Green Party



Source: Bank J. Safra Sarasin, 19.10.2023

The proven political system underlines the Swiss franc safe-haven status

The Swiss political system is designed to be stable and consensual. Therefore, the election result will not lead to a meaningful short-term change in Swiss domestic , economic and foreign policies. The proven, well-balanced political system that does not allow for hasty policy changes that do not have broad acceptance, underlines the Swiss franc safe-haven status, in particular in the current times of change and geopolitical instability.

Economic Calendar

Week of 23/10 – 27/10/2023

Country	Time	Item	Date	Unit	Consensus Forecast	Prev.
Monday, 23.10.2023						
US	14:30	Chicago Fed Nat Activity Index	Sep	Index	--	-0.16
Tuesday, 24.10.2023						
JN	02:30	Jibun Bank Japan PMI Mfg	Oct	Index	--	48.50
FR	09:15	France Manufacturing PMI	Oct	Index	--	44.20
GE	09:30	German Manufacturing PMI	Oct	Index	--	39.60
EU	10:00	Eurozone Manufacturing PMI	Oct	Index	--	43.40
UK	10:30	UK Manufacturing PMI	Oct	Index	--	44.30
US	14:30	Philly Fed Non-Manufacturing Act.	Oct	Index	--	-16.60
	15:45	US Manufacturing PMI	Oct	Index	--	49.80
	16:00	Richmond Fed Manufact. Index	Oct	Index	--	5.00
Wednesday, 25.10.2023						
GE	10:00	IFO Expectations	Oct	Index	--	82.90
US	13:00	MBA Mortgage Applications	Oct20	wow	--	-6.90%
CA	16:00	Bank of Canada Rate Decision	Oct25	%	5.00%	5.00%
US	16:00	New Home Sales	Sep	1'000	692k	675k
Thursday, 26.10.2023						
EU	14:15	ECB Deposit Facility Rate	Oct26	%	--	4.00%
US	14:30	GDP Annualized QoQ	3Q A	qoq	4.10%	2.10%
	14:30	Durables Ex Transportation	Sep P	mom	0.30%	0.40%
	14:30	Cap Goods Orders Nondef Ex Air	Sep P	mom	--	0.90%
	14:30	Initial Jobless Claims	Oct21	1'000	--	--
	16:00	Pending Home Sales MoM	Sep	mom	--	-7.10%
	17:00	Kansas City Fed Manf. Activity	Oct	Index	--	-8.00
Friday, 27.10.2023						
JN	01:30	Tokyo CPI Ex-Food, Energy YoY	Sep	yoy	--	3.80%
US	14:30	PCE Core Deflator MoM	Sep	mom	0.20%	0.10%
	14:30	PCE Core Deflator YoY	Sep	mom	3.70%	3.90%
	17:00	Kansas City Fed Services Activity	Oct	Index	--	2.00

Source: Bloomberg, J. Safra Sarasin as of 19.10.2023

Market Performance

Global Markets in Local Currencies

Government Bonds	Current value	Δ 1W (bp)	Δ YTD (bp)	TR YTD in %
Swiss Eidgenosse 10 year (%)	1.19	8	-42	3.9
German Bund 10 year (%)	2.92	19	35	-1.0
UK Gilt 10 year (%)	4.67	35	100	-3.6
US Treasury 10 year (%)	4.94	33	107	-5.4
French OAT - Bund, spread (bp)	62	-1	8	
Italian BTP - Bund, spread (bp)	204	0	-10	

Stock Markets	Level	P/E ratio	1W TR in %	TR YTD in %
SMI - Switzerland	10,448	16.7	-4.8	0.4
DAX - Germany	15,045	10.9	-2.5	8.1
MSCI Italy	882	7.5	-2.2	17.1
IBEX - Spain	9,147	9.8	-2.0	15.0
DJ Euro Stoxx 50 - Eurozone	4,090	11.6	-2.6	11.2
MSCI UK	2,154	10.5	-1.8	3.8
S&P 500 - USA	4,278	19.8	-1.6	12.9
Nasdaq 100 - USA	14,783	26.7	-2.6	36.0
MSCI Emerging Markets	931	13.2	-3.3	-0.2

Forex - Crossrates	Level	3M implied volatility	1W in %	YTD in %
USD-CHF	0.89	7.8	-1.0	-3.4
EUR-CHF	0.94	5.9	-0.5	-4.7
GBP-CHF	1.08	6.9	-1.4	-3.5
EUR-USD	1.06	7.5	0.5	-1.3
GBP-USD	1.21	8.3	-0.4	0.1
USD-JPY	149.9	8.6	0.2	14.3
EUR-GBP	0.87	5.0	1.0	-1.3
EUR-SEK	11.61	7.1	0.1	4.0
EUR-NOK	11.66	9.0	1.5	11.1

Commodities	Level	3M realised volatility	1W in %	YTD in %
Bloomberg Commodity Index	106	11.8	3.0	-5.9
Brent crude oil - USD / barrel	93	30.1	4.3	14.6
Gold bullion - USD / Troy ounce	1,976	15.2	5.7	8.3

Source: J. Safra Sarasin, Bloomberg as of 19.10.2023

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