J. Safra Sarasin

Cross-Asset Weekly

16 February 2024

Strong Swiss franc - curse and blessing

The sharp appreciation of the Swiss franc over the past years has helped to mitigate inflationary pressures from the supply shocks that hit the global economy. It allowed the Swiss National Bank (SNB) to fulfil its mandate with less aggressive monetary tightening than the ECB or the Bank of England, and hence led to a much less pronounced increase in domestic bond yields. As a consequence, Swiss franc borrowers benefit again from substantially lower Swiss capital market rates compared to those in the euro area, an advantage that has been absent for quite a few years.

On the flip side, the sharp appreciation in the real Swiss franc exchange rate, mainly over the past 12 months, constitutes a major headwind for the export-oriented Swiss manufacturing industry. It is already suffering from the global manufacturing recession. The SNB will therefore likely lean against a further appreciation. Given that the labour market remains tight and the services sector resilient, weakening the Swiss franc by FX interventions is the SNB's best option at the moment. In case this proves ineffective, though, a March rate cut is on the cards.

Swiss equities have trailed their global peers as a combination of factors weighed heavily on earnings and prices. From a top-down perspective, the sharp appreciation of the Swiss franc in 2023 was a major headwind, fully accounting for the decline in consensus earnings estimates throughout 2023. As we do not expect the Swiss franc to appreciate further in real terms this year and given that Swiss equities provide the most attractive dividend yield in at least 10 years, we believe they hold some appeal in the short- and long-term, in particular in a world of structurally higher yields.

This week's highlights

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Swiss Macro

Lower inflation increases the odds of an early rate cut

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In January, inflation rates declined to 1.3% from 1.7% yoy last December, despite an increase of administered electricity prices by 17.8% mom. Prices of imported products fell by 0.6% mom, weighed down by the Swiss franc's strength. The increase in prices of domestic products (0.6% mom or 2.0% yoy) is the main reason why the Swiss National Bank should not "declare victory" yet. The output gap is positive and the labour market remains tight, while momentum in the services sector is even picking up. It is mainly the manufacturing sector that suffers from depressed global demand and a strong Swiss franc. In this situation, a weaker Swiss franc would help export-oriented sectors and should hence be the policy tool of choice. Therefore, FX interventions by the SNB to weaken the Swiss franc would make sense in the current environment. These would also be superior to a rate cut, which would support the entire economy. Yet the odds of a rate cut in March increase if the franc fails to depreciate until the next SNB meeting, and if inflation stays contained in February.

Inflation is surprisingly low

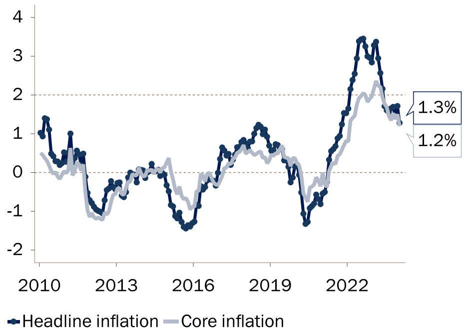
Switzerland's January inflation rates came with a big surprise. Compared to December, both headline and core inflation dropped on a year-over year basis (headline from 1.7% to 1.3% and core from 1.5% to 1.2%, Exhibit 1). Both numbers were 0.4 percentage points below consensus expectations. They were likely also below the estimates of the SNB, which in December still expected inflation to average 1.8% yoy in Q1 (Exhibit 2). Inflation fell as lower prices of imported products (-1.3% mom; weight 24.1%) compensated for the increase in administered prices (+1.3% mom; weight 24.9%), particularly administered electricity prices (which increased by 17.8% mom). Overall prices of domestically produced goods and services increased by 0.6% mom (2.0% yoy), reflecting an inflation rate of 2.1% yoy for private services. This series, which makes up roughly half of the overall index, might increase further when the quarterly rent index is updated in February (Exhibit 3).

Imported inflation could rise again

One month of data should not yet lead the SNB to declare victory. While recent inflation data has definitely been better than expected, a reacceleration of inflation is still possible. Freight rates have increased lately as many container ships avoid the Red Sea. A weaker Swiss franc would also lead to higher import prices (Exhibits 4 to 6). The surprisingly strong US economy and its solid labour market, along with a rebound in China could all contribute to stronger global inflationary pressure.

Exhibit 1: Inflation is back in the target range

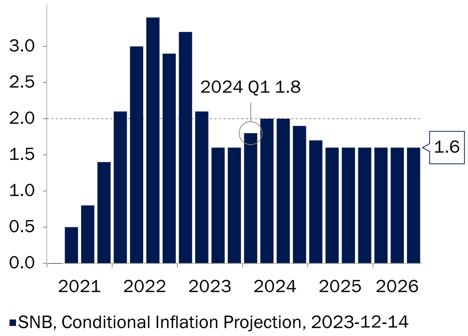
Switzerland: Inflation, CPI in % yoy, latest data: 01/2024



Source: Macrobond, Bank J. Safra Sarasin, 12.02.2024

Exhibit 2: SNB expected higher inflation

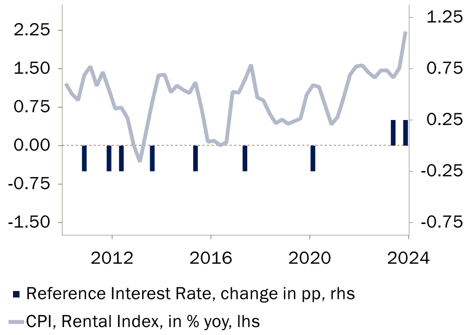
SNB Inflation Estimate as of December 2023, in % yoy



Source: Macrobond, Bank J. Safra Sarasin, 12.02.2024

Exhibit 3: Rents will increase further

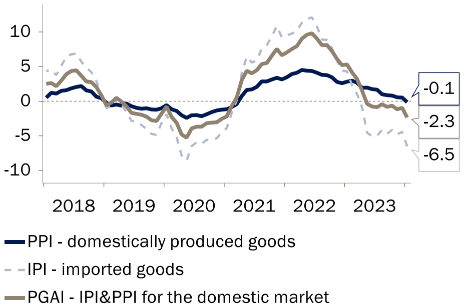
Switzerland, rents in % yoy and change in reference rate



Source: Macrobond, Bank J. Safra Sarasin, 12.02.2024

Exhibit 4: Low producer prices so far

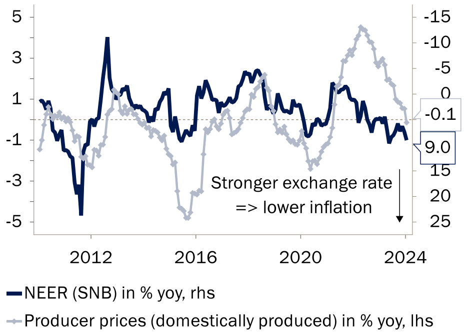
Switzerland, Producer Prices in % yoy, latest data: 01/2024



Source: Macrobond, Bank J. Safra Sarasin, 12.02.2024

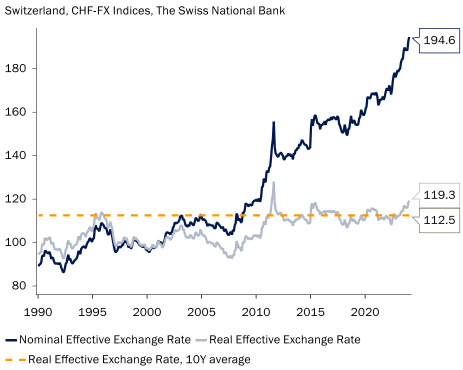
Exhibit 5: Strong CHF lowered the PPI

Switzerland, price indices in % yoy



Source: Macrobond, Bank J. Safra Sarasin, 12.02.2024

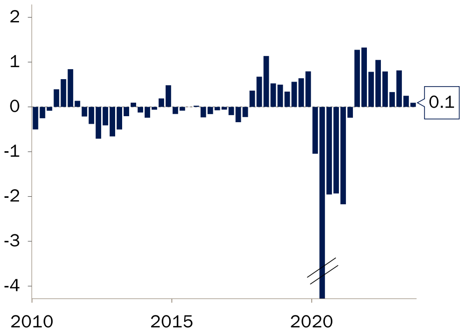
Exhibit 6: Strong CHF on real effective basis



Source: Macrobond, Bank J. Safra Sarasin, 12.02.2024

Exhibit 7: Output gap is slightly positive

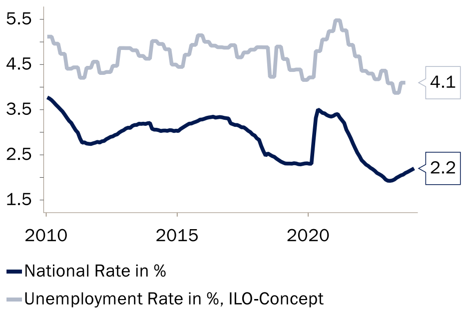
Output Gap by SECO, Sport Event Adjusted, in %



Source: Macrobond, Bank J. Safra Sarasin, 12.02.2024

Exhibit 8: Unemployment close to record low

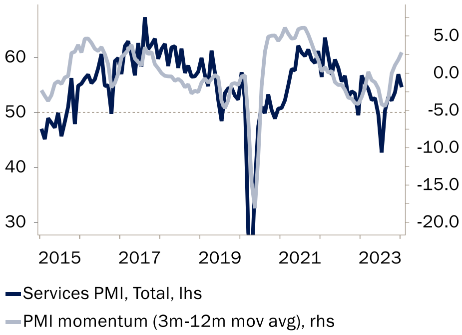
Switzerland, Unemployment rate in %, latest data: 01/2024



Source: Macrobond, Bank J. Safra Sarasin, 12.02.2024

Exhibit 9: Services sector grows strongly

Switzerland, Service Purchasing Managers' Index



Source: Macrobond, Bank J. Safra Sarasin, 12.02.2024

Domestic price pressures are still elevated

Most importantly, Swiss inflation could also pick up again for domestic reasons. The output gap is still slightly positive, the unemployment rate is close to record lows and sentiment in the services sector has picked up lately (Exhibits 7 to 9). Importantly, all these three series are above the levels seen in 2015, when the real effective exchange rate appreciated significantly after the SNB abandoned the FX floor versus the euro.

Manufacturing is the main problem

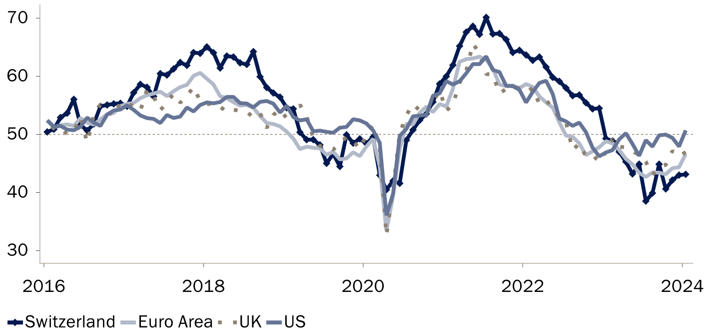
The problems of the Swiss economy are clearly centred in the manufacturing sector. The Swiss Manufacturing Purchasing Managers' Index (PMI) has remained below 50 since January 2023 (Exhibit 10). On the one hand, this likely reflects that the Swiss franc is overvalued now. In contrast to 2022, the franc has not only appreciated in nominal terms but also in real terms. Its real appreciation by 6.6% yoy is its most significant deviation from its long-term average since 2015 (Exhibit 6). This might explain why its PMI has fallen below those of its major trading partners. On the other hand, the depressed sentiment in the manufacturing sector is also a global phenomenon as demand for manufactured goods has declined after the pandemic. Swiss manufacturing companies are no exception. They report insufficient demand independent of their export share (Exhibit 11).

Where to go for the SNB?
Financial conditions should be eased

Inflation is clearly on the way down. Globally, that is true for the goods sector. Yet its main additional driver in Switzerland – the real appreciation of the exchange rate – is a force that cannot be relied on indefinitely as the Swiss franc is highly valued already. Hence, the SNB might factor in a future depreciation into its inflation forecasts. This could lead to a higher inflation profile for 2025, even if its 2024 projections will be certainly lower than in December. Still, it is fair to say that the economy has rebalanced to a certain degree and a restrictive monetary stance is showing its effects: Loan growth is negative, the labour market is less tight, unfilled vacancies have declined and wage expectations are falling (Exhibit 12 and 13). As a result, the risk of second round effects has declined significantly and inflation is likely to remain within the target range in the coming two years. It is therefore just a matter of time when financial conditions could become less restrictive.

Exhibit 10: Manufacturing sector globally in recession

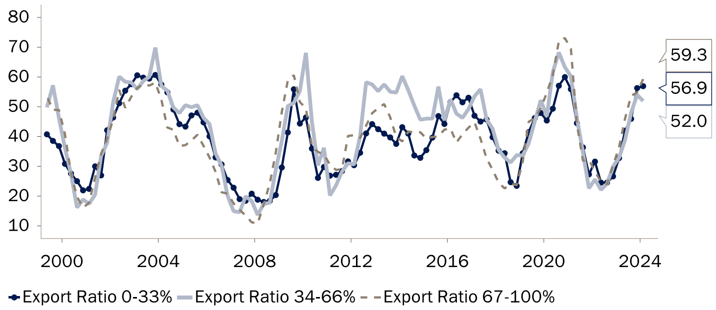
S&P Global, Manufacturing PMI, SA, Index



Source: Macrobond, Bank J. Safra Sarasin, 12.02.2024

Exhibit 11: Manufacturers suffer independent of their export share

Switzerland, KOF Business Surveys, Manufacturing, Obstacle Insufficient Demand, in %, lastest data: 2024 Q1



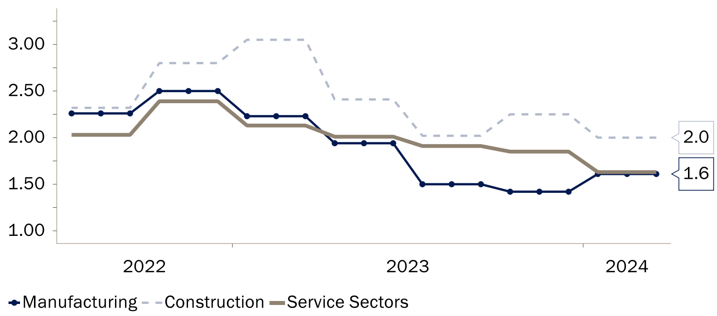
Source: Macrobond, Bank J. Safra Sarasin, 12.02.2024

Exhibit 12: Unemployment should increase further

Source: Macrobond, Bank J. Safra Sarasin, 12.02.2024

Exhibit 13: Wages don't pose a major risk for inflation

Switzerland, KOF Business Surveys, Gross Wages on Average of Employees, Expected Change (in %) Next Year, latest data: 2024 Q1



Source: Macrobond, Bank J. Safra Sarasin, 12.02.2024

A weaker Swiss franc would be the best medicine for the economy

At this stage, major imbalances in Switzerland are the real appreciation of the Swiss franc and the recession in the manufacturing sector. Hence, the best targeted policy response would be a depreciation, something the SNB has tried to engineer by verbal intervention and most likely also through FX intervention. The second-best option would be a rate cut in March – instead of our current base case – in June.

Tactical considerations for the first rate cut

A rate cut shortly ahead of other central banks could be justified by low inflationary pressure in Switzerland and the strong exchange rate. However, a rate cut far ahead of everyone else bears the risk of being the only central bank that may fail to see that inflation is flaring up globally again – as could be the case on the back of a no-landing scenario in the US or other adverse global supply side shocks. The SNB has proven that it can act independently from other central banks. It was right to start and stop increasing its policy rate before the ECB in 2022 and 2023 respectively. It should use that reputation by not cutting rates too early this time or only if other policy options are not effective.

What to watch before the next SNB policy meeting on March 21

Q4 GDP and the resulting output gap on February 29; February PMIs on March 1; February CPI on March 4; February real effective exchange rate indices around March 7.

J. Safra Sarasin

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CHF fixed Income

Swiss yield discount is back

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After the Global Financial Crisis and the Euro Area Crisis, the ECB's expansionary monetary policies led to a sharp compression in the spread between euro area and Swiss capital market rates to close to zero. The sharp tightening cycle and the unwinding of the ECB's balance sheet expansion have reinstated a substantially lower Swiss capital market rates level relative to the euro area. We estimate that the fair value spread of German Bunds and euro area swaps over the medium to longer term should be at around 80 to 100bp to their Swiss counterparts.

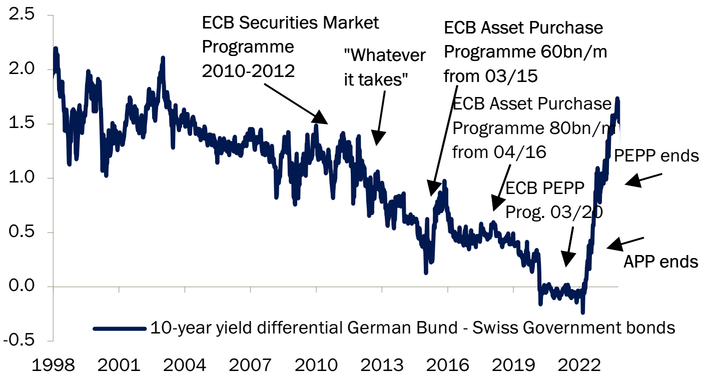
Swiss capital market rates usually traded below Euro area counterparts for structural reasons

Swiss capital market rates usually traded at a substantial discount relative to their euro area counterparts. The yield differential of German Bunds, the most comparable euro area peer, to Swiss government bonds is a good example. In the early 2000s, the average yield differential amounted to about 150bp. Structurally lower inflation, more favourable debt dynamics, but also the safe haven status of Switzerland had contributed to substantially lower Swiss government bond yields. After the Global Financial Crisis (GFC) and the 2010-2012 in particular, the yield differential compressed significantly (Exhibit1).

Expansionary monetary ECB policies compressed the German-Swiss yield spread

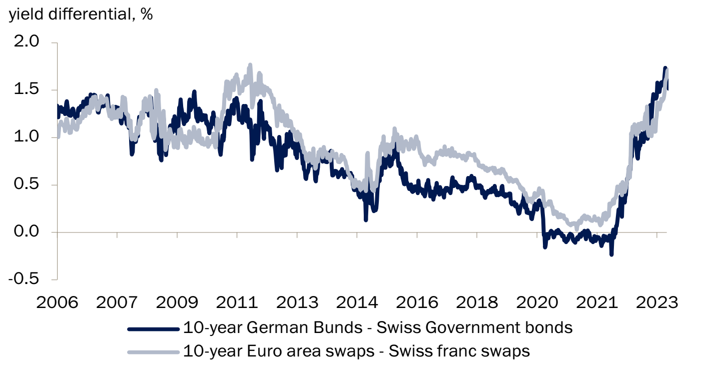
The low inflation environment post GFC/ Euro Area Crisis allowed the ECB to run a very loose monetary policy to stimulate growth and inflation. Sharply lower policy rates and substantial asset purchase programmes for euro area government bonds depressed yields and euro area capital market rates compared to those in Switzerland (Exhibit 2). With the introduction of the euro area "Pandemic Emergency Purchase Programme" PEPP, in March 2020, German 10-year Bund yields even dropped below Swiss government bond yields for a while. It all changed in the middle of 2022.

Exhibit 1: Loose monetary policies depressed yield spreads sharply



Source: Bloomberg, Bank J. Safra Sarasin, 14.02.2024

Exhibit 2: Euro area yield spreads tightened sharply until 2022

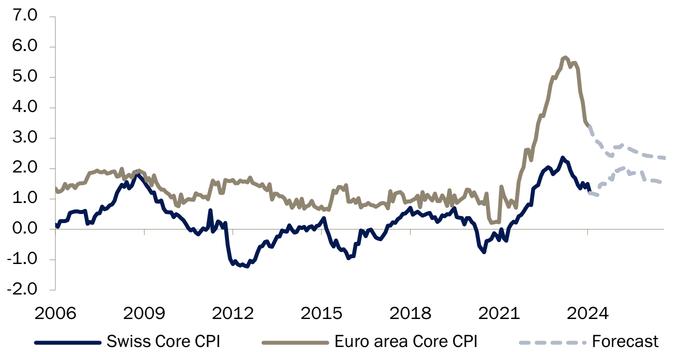


Source: Macrobond, Bank J. Safra Sarasin, 14.02.2024

The start of the tightening cycle in 2022 abruptly upended the yield convergence

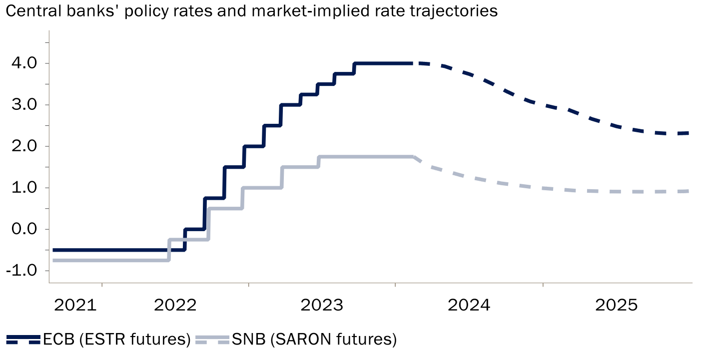
Sharply widening inflation differentials between the euro area and Switzerland forced the ECB to tighten monetary policy much more aggressively than the Swiss National Bank (SNB). The sharp appreciation of the Swiss Franc relative to the euro helped reduce inflationary pressures in Switzerland and provided some of the necessary tightening of financial conditions that the SNB sought. Consequently, the SNB was able to fulfil its mandate with fewer rate hikes than the ECB (Exhibits 3-4). So, the start of the global monetary tightening cycle in 2022 was also the beginning of the great unwind of the spread convergence between the euro area and Switzerland.

Exhibit 3: Sharply widening inflation profile relative to Switzerland...



Source: Bloomberg, Bank J. Safra Sarasin, 14.02.2024

Exhibit 4: ...led to substantially more aggressive ECB tightening

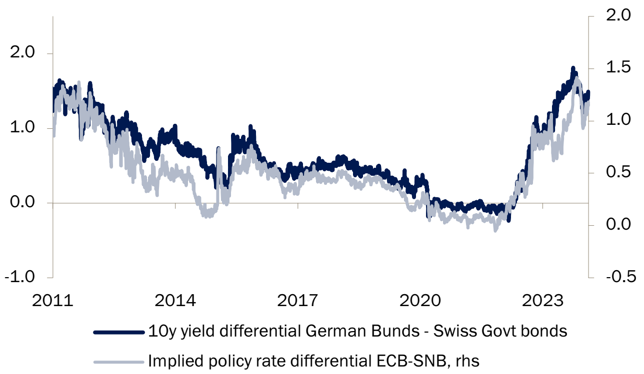


Source: Macrobond, Bank J. Safra Sarasin, 14.02.2024

Policy rate divergence is the main driver of long-term yield differentials

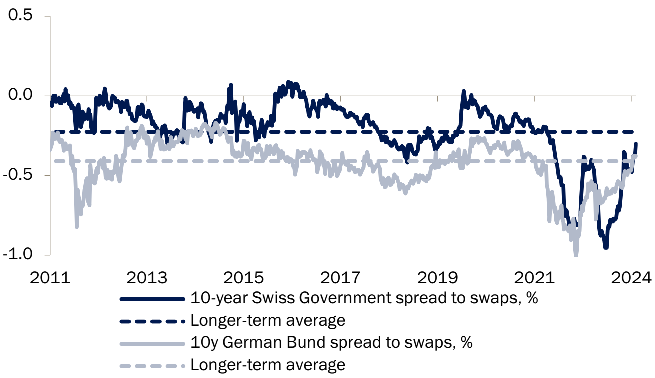
Policy rate expectations are the most important driver for bond yields, in particular during hiking or easing cycles. Therefore, it should come as no surprise that the difference in policy rate expectations explains most of the evolution of the 10-year yield differential (Exhibit 5). Additionally, the partial unwinding of the ECB balance sheet expansion and increased relative issuance of German bonds have contributed to the widening.

Exhibit 5: Policy rate divergence explains most of the yield spread



Source: Bloomberg, Bank J. Safra Sarasin, 14.02.2024

Exhibit 6: Longer-term swap spread differential is about 20bp



Source: Bloomberg, Bank J. Safra Sarasin, 14.02.2024

Spreads should start to compress once ECB can meaningfully cut interest rates

The yield spread to Bunds and swaps currently stands at around 150bp. Since the sharp widening of the policy rate differential was the main driver of the widening in yield spreads, we would expect some spread compression once the ECB starts cutting interest rates. The magnitude of policy easing will likely be somewhat larger in the euro area than in Switzerland, hence, policy rate differentials will likely narrow again over time. In the shorter term, the process to narrower spreads could be bumpy, in particular if the SNB decides to start cutting rates in March, which would be most likely before the ECB.

Fair value spread about 80 to 100bp to Bunds and swaps

Medium to longer term, the spread of euro area capital market rates relative to their Swiss counterparts will likely converge towards a level reflecting expected structural growth and inflation differences as well as expectations for the internal cohesion and stability of the euro area. Our long-term estimates for 10-year German Bund yields (3%) and Swiss government yields (2.2%) imply a fair value spread of roughly 80bp. This also implies a differential between 10-year Euro area and Swiss swap rates of roughly 100bp – based on historical swap spread averages (Exhibit 6).

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Swiss franc

Near-term upside looks constrained

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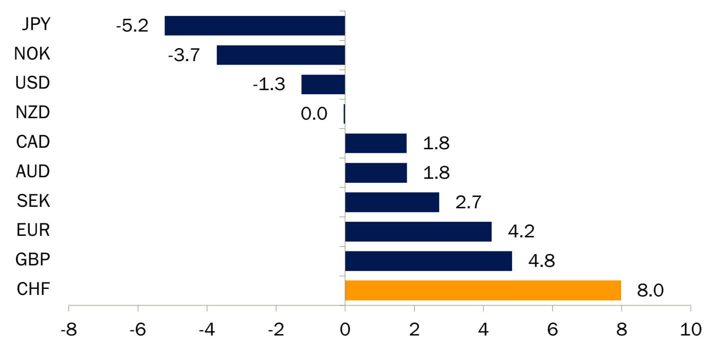
Following a strong performance in 2023, the Swiss franc has weakened since the beginning of this year – largely on the back of a rebound in global yields. Moreover, recent data on the SNB's FX reserves and bank's sight deposits at the SNB point towards FX interventions, which would also be warranted from a policy standpoint. Hence we conclude that the EUR-CHF pair will likely trade within a range between 0.93 and 0.96 for most of the year.

Following a strong 2023, the Swiss franc has weakened somewhat in January

Since the beginning of this year, the Swiss franc has undone some of its stellar performance the currency delivered in 2023, when it outperformed all of its G10 peers in trade-weighted terms (Exhibit 1). With almost 10% in 2023, the Swiss franc made large gains against the US dollar, while rising by around 6% versus the euro (Exhibit 2).

Exhibit 1: Stellar Swiss franc performance in 2023...

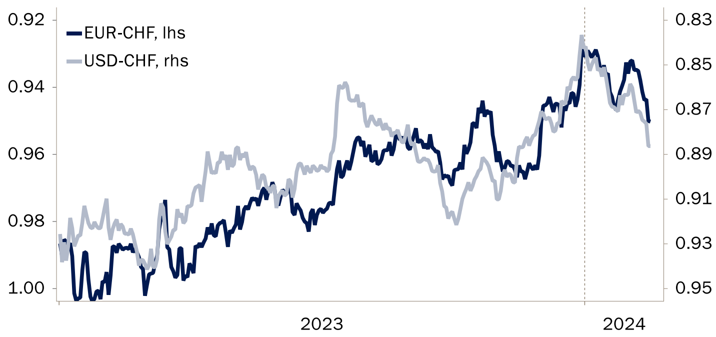
G10 FX performance, nominal effective exchange rates (NEER), % ytd



Source: Macrobond, Bank J. Safra Sarasin, 15.02.2024

Exhibit 2: ...yet the currency has shown some weakness in 2024

Swiss franc vs euro and US dollar



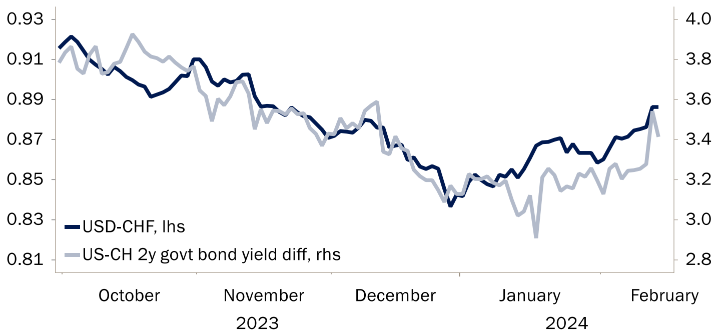
Source: Macrobond, Bank J. Safra Sarasin, 15.02.2024

USD-CHF has moved along with the US-CH yield differential

Some time ago, we established that the yield differential is particularly important for the USD-CHF pair (while for EUR-CHF, yields matter less than safe-haven considerations) and indeed, much of last year's appreciation of the Swiss franc against the US dollar was driven by the shrinking Swiss yield disadvantage (Exhibit 3). Yet the re-widening of the US-CH yield differential has pushed the Swiss franc lower since January.

Exhibit 3: USD-CHF has largely followed recent yield dynamics

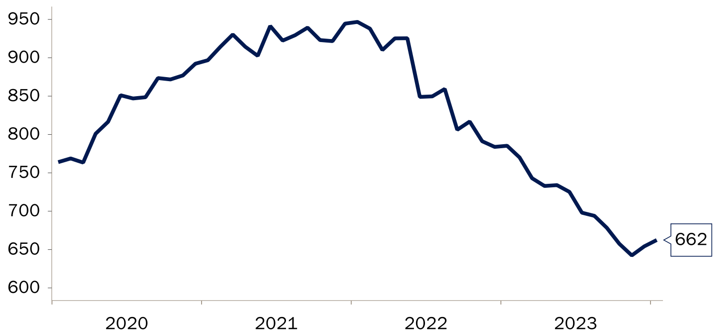
USD-CHF vs 2y govt bond yield differential



Source: Macrobond, Bank J. Safra Sarasin, 15.02.2024

Exhibit 4: The SNB's FX reserves have risen since December 2023

SNB, FX reserves, in CHF bn



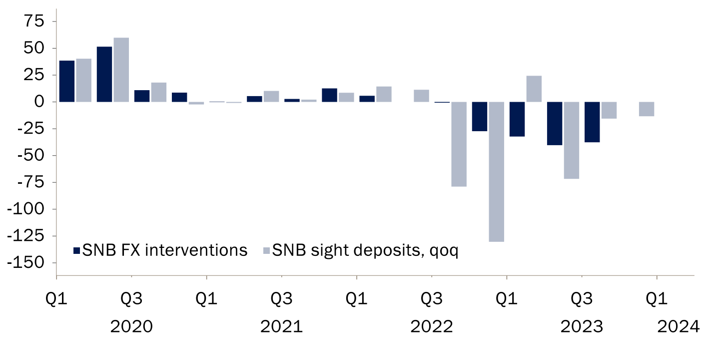
Source: SNB, Macrobond, Bank J. Safra Sarasin, 15.02.2024

Has the SNB returned to the old playbook of FX intervention?

Yet a further driver likely is at work. Given the Swiss franc's sharp appreciation at the end of last year, speculation that the SNB is resorting to the old playbook is back. In December, the SNB skipped its previous remark that its focus was on selling foreign currency, yet it remains «willing to be active in the foreign exchange market as necessary». While the SNB publishes data on its FX interventions only on a quarterly basis and with a substantial lag, a look at the SNB's FX reserves provides useful hints. In January, FX reserves rose for a second time, following the December increase (Exhibit 4). Data on banks' sight deposits at the SNB similarly point towards foreign currency purchases. Over the past years, SNB sight deposits have correlated well with FX interventions (Exhibit 5), yet money market rate steering by the SNB has weakened the correlation since the second half of 2022. With an increase of more than CHF 18bn in January, SNB sight deposits rose to an extent that clearly exceeds the usual January seasonality (Exhibit 6).

Exhibit 5: Looser link between SNB sight deposits and FX intervention

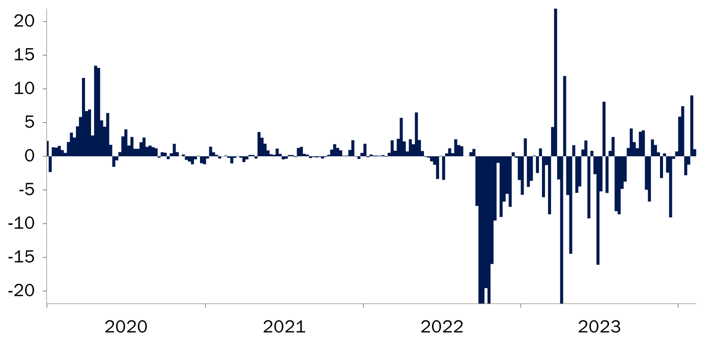
CHF bn



Source: SNB, Macrobond, Bank J. Safra Sarasin, 15.02.2024

Exhibit 6: Last week, SNB sight deposits rose by CHF 9bn

Weekly change in SNB sight deposits, CHF bn



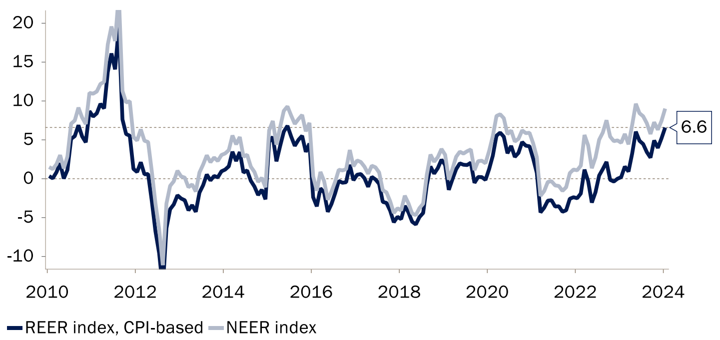
Source: SNB, Macrobond, Bank J. Safra Sarasin, 15.02.2024

FX intervention is also warranted from a policy standpoint

FX intervention would also be warranted from a policy standpoint. To address the concern that excessive currency appreciation impedes the competitiveness of the Swiss economy, the SNB pays particular attention to the trade-weighted real exchange rate. Over the past months, the latter has risen substantially above its 10-year average (Exhibit 7), which marks the strongest surge since the «Frankenschock» in 2015. At the time, the abrupt end to the SNB's minimum EUR-CHF exchange rate regime caught markets by surprise and pushed the Swiss franc's exchange rate substantially higher – in particular versus the euro (Exhibit 8).

Exhibit 7: Swiss franc's real exchange rate is markedly above trend

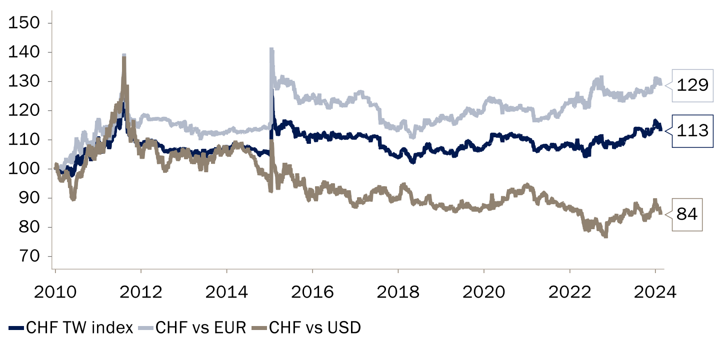
SNB CHF effective exchange rate indices, % yoy



Source: SNB, Macrobond, Bank J. Safra Sarasin, 15.02.2024

Exhibit 8: Long-term real appreciation vs EUR, depreciation vs USD

Real exchange rates, CPI based, rebased to 01/01/2010



Source: SNB, Macrobond, own calculations, Bank J. Safra Sarasin, 15.02.2024

FX interventions the most likely policy option

As an alternative to FX interventions, the SNB could also counter the upward pressure on the Swiss currency by cutting its policy rate. Yet we think that FX interventions would allow the SNB to tackle the weakness in Switzerland's export industry in a more targeted manner. And given that inflationary pressures continue to be stronger in the services sector, the SNB will likely want to avoid overstimulating the latter.

We expect EUR-CHF to trade between 0.93 and 0.96 for most of this year

In conclusion, the SNB will likely continue to keep a close eye on its exchange rate. Taken together with our expectation that FX volatility should remain low on the back of a similar direction of travel across most G10 central banks, we think that the Swiss franc remains fundamentally supported, while its upside should be constrained, given the possibility of near-term FX intervention. Hence we believe that the Swiss franc will probably remain within a narrow range and expect the EUR-CHF pair to trade between 0.93 and 0.96 for most of this year.

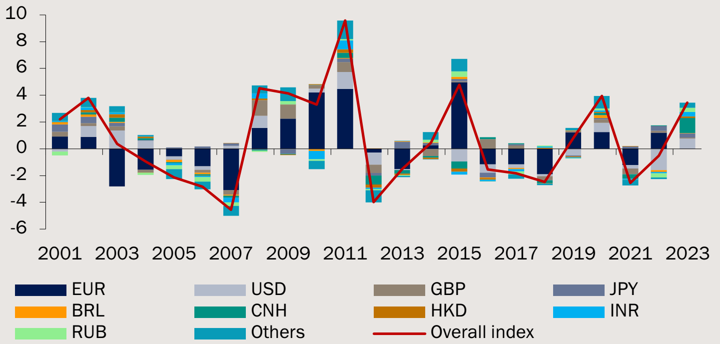
Dissecting the dynamics of the Swiss franc's real exchange rate since 2000

Swiss franc's effective exchange rate is largely driven by EUR-CHF

Dissecting the moves of the Swiss franc's real trade-weighted exchange rate since 2000 reveals that the euro largely drives the Swiss franc's real trade-weighted exchange rate, followed by the US dollar (Exhibit A). Yet in 2023, the Swiss franc's real appreciation was particularly pronounced against the US dollar, given that inflation has come down somewhat quicker in the US than in the euro area (Exhibit B).

Exhibit A: EUR-CHF pair drives the real trade-weighted Swiss franc

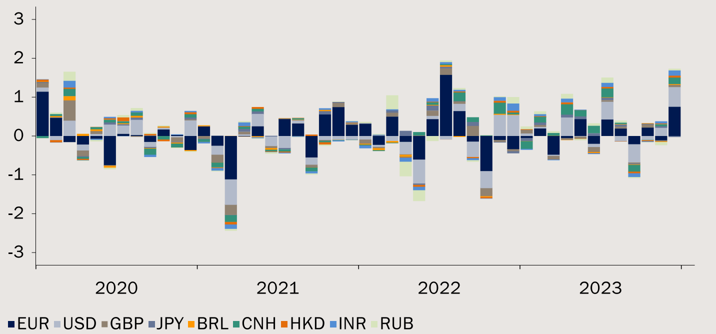
SNB CHF REER index, CPI-based, CCY contributions, % yoy



Source: SNB, Bank J. Safra Sarasin, 15.02.2024

Exhibit B: In 2023, CHF appreciation was particularly strong vs USD

SNB CHF REER index, CCY contributions, % mom



Source: SNB, Macrobond, own calculations, Bank J. Safra Sarasin, 15.02.2024

Swiss equities

Headwinds fading

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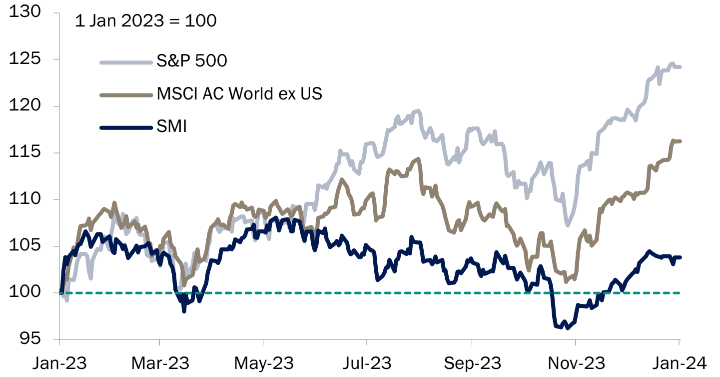
Swiss equities have trailed their global peers over recent quarters, as a combination of bottom-up and top-down factors weighed heavily on earnings and prices. Bottom-up, performance was dominated by the Swiss index' two largest constituents, Roche and Nestlé. They displayed the second and third weakest annual performance among the 20 SMI constituents in 2023, dropping by 16% and 9%, respectively. From a top-down perspective, the sharp appreciation of the Swiss franc in 2023 was a major headwind. The Swiss franc's real exchange rate recorded its steepest 12-month rise since 2015, fully accounting for the decline in consensus earnings estimates throughout 2023. As we do not expect the Swiss franc to appreciate further in real terms this year and given that Swiss equities provide the most attractive dividend yield in at least 10 years, we believe they hold some appeal in the short- and long-term, in particular in a world of structurally higher yields.

The Swiss index has been dragged lower by its two largest constituents in 2023

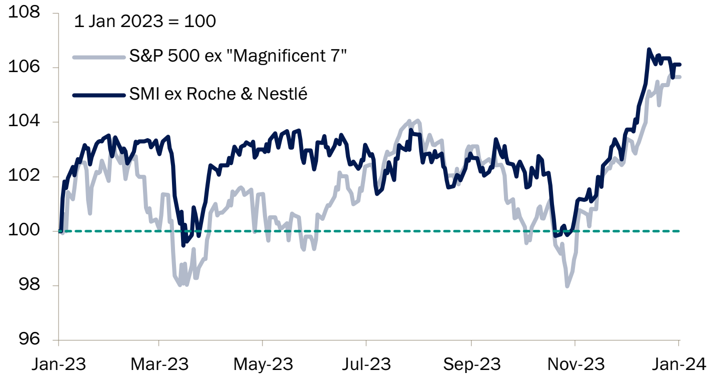
The Swiss market has been a serial underperformer over the past year, gaining a meagre 3.8% (5% total return) in 2023, compared to 24.2% for US equities and 16% for global equities ex US (Exhibit 1). Both, bottom-up and top-down factors account for this divergence. From a bottom-up perspective, the Swiss market's performance was as narrow, driven by just a few stocks, as the US market's performance, but with different signs. While only seven stocks out of the S&P500's constituents carried the US market higher, the Swiss market was held back by its two largest constituents. Out of the 20 names in the SMI, Roche and Nestlé were the second and third weakest Swiss large cap stocks in 2023, dropping by 16% and 9%, respectively. Removing both of them, the Swiss market's annual price return rises to 6.1%, which would actually be above the S&P 500's return ex the "Magnificent 7" at 5.7% (Exhibit 2).

Exhibit 1: Swiss equities trailed the rest of the world



Source: Refinitiv, Bank J. Safra Sarasin, 14.02.2024

Exhibit 2: Excluding Roche & Nestlé, SMI performance was solid



Source: Refinitiv, Bank J. Safra Sarasin, 14.02.2024

From a top-down perspective, the sharp appreciation in the real Swiss franc exchange rate has weighed on the equity market

While idiosyncratic issues have certainly weighed on both stocks in 2023, the top-down environment has not been very favourable either. Being the most defensive market among major global indices, Swiss equities' relative performance has suffered from the combination of three headwinds: (i) global demand, driven by the US, has held up substantially better than expected, reflected by the improving global composite PMI new orders (Exhibit 3), (ii) rates have risen in the US and in Europe, and lastly (iii) the real exchange rate of the Swiss franc has broken out from its range and appreciated by more than 6% in 2023, which marks the strongest 12-month gain since 2015 (Exhibit 4).

J. Safra Sarasin
Cross-Asset Weekly
16 February 2024

Exhibit 3: Swiss equities have underperformed macro momentum

Source: Refinitiv, Bank J. Safra Sarasin, 14.02.2024

Exhibit 4: Swiss franc real exchange rate at highest since 2015

Source: Refinitiv, Bank J. Safra Sarasin, 14.02.2024

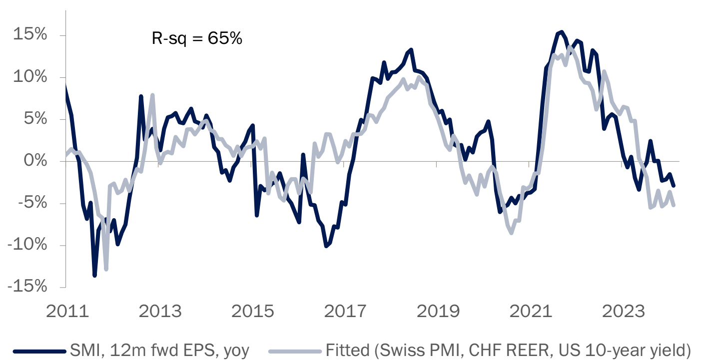
The entire drag on earnings in 2023 can be explained by the strength in the currency

The appreciation in the Swiss franc has not only weighed on the relative performance but was also the biggest headwind to absolute earnings. A simple three-factor earnings model for Swiss equities, based on the PMI, the US 10-year yield and the Swiss franc's real effective exchange rate (CHF REER) shows that a 1% appreciation in the CHF REER reduces SMI earnings per share (12-month forward, Exhibit 5) by around 60bps. All else unchanged, this means that the currency appreciation in 2023 shaved off around 4% to 4.5% from the SMI's aggregate EPS. As such, it was not only the single largest drag on earnings last year, but has also dragged EPS changes into negative territory (Exhibit 6). Looking ahead, this headwind is set to fade, given that we expect the Swiss franc real effective exchange rate to remain flat in 2024.

As FX headwinds fade, Swiss equities look attractive on the basis of the yield they provide

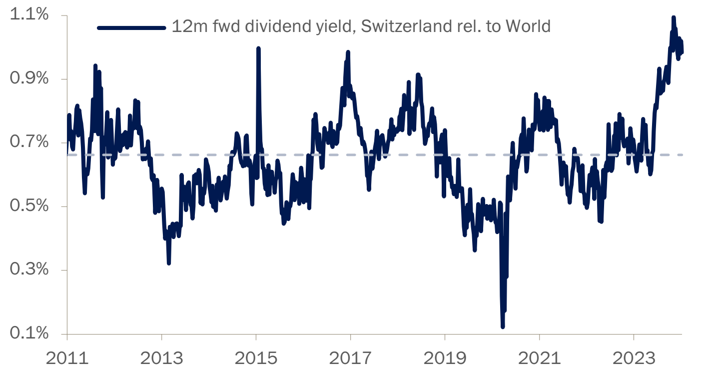
While other drivers are unlikely to be overly supportive for earnings growth, we still think the Swiss market has some room to outperform from a tactical point of view and over the long term. Valuations are reasonable, in particular the dividend yield, which is the highest relative to global equities in more than 10 years. Given the quality of Swiss companies' balance sheets and earnings stability, the attractive dividend yield also underlines their long-term appeal, in particular in a world of structurally higher yields.

Exhibit 5: Earnings have been weighed down by CHF REER strength



Source: Refinitiv, Bank J. Safra Sarasin, 14.02.2024

Exhibit 6: Swiss equities provide an attractive dividend yield



Source: Refinitiv, Bank J. Safra Sarasin, 14.02.2024

Economic Calendar

Week of 19/02 – 23/02/2024

Country	Time	Item	Date	Unit	Consensus Forecast	Prev.
Monday, 19.02.2024						
UK	01:00	Rightmove House Prices MoM	Feb	mom	--	1.30%
	01:00	Rightmove House Prices YoY	Feb	yoy		-0.70%
Tuesday, 20.02.2024						
US	08:00	Phil. Fed Non-Manufacturing Act.	Feb	Index	--	-3.70
	16:00	US Leading Index	Jan	mom	-0.30%	-0.10%
Wednesday, 21.02.2024						
US	13:00	MBA Mortgage Applications	Feb16	wow	--	3.70%
EU	16:00	Consumer Confidence	Feb P	Index	-15.80	-16.10
US	20:00	FOMC Minutes				
Thursday, 22.02.2024						
GE	09:30	German Manufacturing PMI	Feb P	Index	46.50	45.50
EU	10:00	Eurozone Manufacturing PMI	Feb P	Index	47.00	46.60
UK	10:30	UK Manufacturing PMI	Feb P	Index	--	47.00
US	14:30	Chicago Fed Nat Activity Index	Jan	yoy	--	-0.15
	14:30	Initial Jobless Claims	Feb17	1'000	--	--
	16:00	Existing Home Sales	Jan	mn	3.97mn	3.78mn
Friday, 23.02.2024						
GE	10:00	IFO Expectations	Feb P	Index	--	83.50
EU	10:00	ECB 1 Year CPI Expectations	Jan	%	--	3.20%
	10:00	ECB 3 Year CPI Expectations	Jan	%	--	2.50%

Source: Bloomberg, J. Safra Sarasin as of 15.02.2024

Market Performance

Global Markets in Local Currencies

Government Bonds	Current value	Δ 1W (bp)	Δ YTD (bp)	TR YTD in %
Swiss Eidgenosse 10 year (%)	0.90	-7	20	-1.1
German Bund 10 year (%)	2.36	-2	34	-2.2
UK Gilt 10 year (%)	4.05	7	52	-3.5
US Treasury 10 year (%)	4.26	8	38	-2.1
French OAT - Bund, spread (bp)	48	-3	-5	
Italian BTP - Bund, spread (bp)	150	-9	-18	

Stock Markets	Level	P/E ratio	1W TR in %	TR YTD in %
SMI - Switzerland	11,284	18.4	1.3	1.3
DAX - Germany	17,047	12.7	0.5	1.8
MSCI Italy	1,009	7.7	2.2	4.9
IBEX - Spain	9,927	10.2	0.2	-1.3
DJ Euro Stoxx 50 - Eurozone	4,743	13.6	0.8	5.2
MSCI UK	2,179	10.7	0.2	-1.4
S&P 500 - USA	5,030	24.2	0.7	5.6
Nasdaq 100 - USA	17,846	33.0	0.4	6.2
MSCI Emerging Markets	1,008	13.8	1.0	-1.5

Forex - Crossrates	Level	3M implied volatility	1W in %	YTD in %
USD-CHF	0.88	6.8	0.7	4.7
EUR-CHF	0.95	5.0	0.5	2.1
GBP-CHF	1.11	5.8	0.4	3.5
EUR-USD	1.08	5.9	-0.2	-2.5
GBP-USD	1.26	6.5	-0.4	-1.2
USD-JPY	150.3	8.9	0.6	6.5
EUR-GBP	0.86	4.3	0.1	-1.3
EUR-SEK	11.28	6.4	0.0	1.3
EUR-NOK	11.36	7.9	-0.1	1.2

Commodities	Level	3M realised volatility	1W in %	YTD in %
Bloomberg Commodity Index	96	10.0	-1.0	-3.0
Brent crude oil - USD / barrel	85	30.1	1.3	9.9
Gold bullion - USD / Troy ounce	2,004	10.2	-1.5	-2.9

Source: J. Safra Sarasin, Bloomberg as of 15.02.2024

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