J. Safra Sarasin
Cross-Asset Weekly

13 September 2024

Central banks may disappoint market expectations

This week, the ECB cut its deposit rate by 25bp to 3.5%, as widely expected. President Lagarde did not provide any forward guidance for the next meeting in October. We believe the ECB should frontload its rate cuts as the economy is clearly weaker than was expected at the beginning of the year. We recognise, though, that the ECB's communication suggests quarterly rate cuts only at the meetings when new macro projections are presented.

The Fed is almost certain to ease policy next week. Although downside risks to the labour market have increased, it is doubtful the Fed will endorse market pricing for a large and rapid series of cuts. Officials still appear confident that the economy is on course for a soft landing. This suggests that the Fed will cut by 25bp, and flag the intention to follow through with a series of consecutive cuts of the same magnitude.

While the rates backdrop remains favourable for the euro over the medium term, we expect some headwinds in the near term. Relative cyclical dynamics and political uncertainty with regard to France and the US argue for a period of consolidation over coming months.

Finally, we review asset class and sector performance during past Fed easing cycles. We find that US equities dropped by 4% on average if a recession hit, and rose by 18% if no recession occurred. Interestingly, there are asset classes and sectors that produced average positive returns in either scenario. Among sectors, health care, staples and tech stand out, but also US Treasuries and the US dollar which produced positive returns over 12 months after the cut. Copper and the materials sector find themselves at the opposing end of the performance table, typically seeing losses in either case, recession or not.

This week's highlights

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ECB Meeting

ECB cuts policy rates and remains data dependent

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The ECB cut its deposit rate by 25bp to 3.5%, as widely expected, and narrowed the corridor between the deposit and the main refinancing rate to 15bp as previously announced. It also revised the euro area growth forecasts down for this year and next but kept its inflation forecasts broadly unchanged. President Lagarde did not provide any forward guidance for the October meeting. We believe that the ECB should front-load its rate cuts as the economy is clearly weaker than expected at the beginning of the year. We acknowledge, though, that the communication of the ECB points towards quarterly rate cuts at the meetings when their new macro projections are released.

A lower spread between the deposit-, the main refinancing-, and the marginal lending rate should prevent higher money market volatility once liquidity becomes less abundant

The ECB did not surprise markets this week. The 25bp deposit rate cut was widely expected. The narrowing of the interest rate corridor had already been announced in March (Exhibit 1). It is intended to encourage banks to use the ECB's lending facilities in case of liquidity shortages. Such shortages are likely to become more common as banks need to repay their targeted longer-term refinance operations (TLTROs) while the ECB will be withdrawing liquidity by reducing its asset portfolios.

Growth projections were revised down slightly, headline inflation rates unchanged

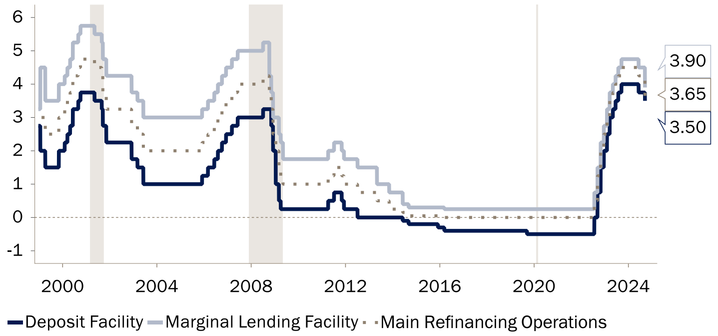
The quarterly macro projections of the ECB show a lower growth profile than in June (Exhibit 2). Yet it is not pessimistic. The ECB merely cut its quarterly growth forecasts for Q3 and Q4 to 0.2% from 0.4%, but it still sees growth back at a potential rate of 0.4% qoq from the second quarter of 2025 onwards. Core inflation was revised up slightly as services inflation clearly disappointed. Yet President Lagarde explained in detail why core inflation would still fall in the coming quarters as wage gains and profit margins are expected to decline further.

No forward guidance, but good arguments to lower the policy rates further

In the press conference, President Lagarde did not provide any forward guidance with respect to the policy rate trajectory or the decision at its October meeting. However, she clearly laid out that inflation is on its path towards 2% and that less monetary restriction would be appropriate over time. Her communication does not explicitly exclude the possibility of a rate cut in October, however, by not discussing the possibility makes a cut less likely and suggests a pause until December. Given the poor state of the European economy, its lacklustre investment spending, and a deteriorating labour market, we remain of the view that a rate cut would be justified in October, followed by another cut in December.

Exhibit 1: Main policy rates were cut as expected

Euro area with recession bands: policy rates in % (at announcement date)



Source: Macrobond, Bank J. Safra Sarasin, 12.09.2024

Exhibit 2: Inflation is projected to reach the target in 2026

	2024		2025		2026	
ECB projections in % yoy	*Jun-24*	Sep-24	*Jun-24*	Sep-24	*Jun-24*	Sep-24
GDP	*0.9*	**0.8**	*1.4*	**1.3**	*1.6*	**1.5**
Headline Inflation	*2.5*	**2.5**	*2.2*	**2.2**	*1.9*	**1.9**
Core inflation	*2.8*	**2.9**	*2.2*	**2.3**	*2.0*	**2.0**
Compensation per employee	*4.8*	**4.5**	*3.5*	**3.6**	*3.2*	**3.2**
Global growth ex euro area	*3.3*	**3.4**	*3.3*	**3.4**	*3.2*	**3.3**
Global trade ex euro area	*2.6*	**3.1**	*3.3*	**3.4**	*3.3*	**3.3**
Euro area foreign trade	*2.1*	**2.5**	*3.4*	**3.4**	*3.3*	**3.3**
Technical assumptions						
Oil price in USD	*83.8*	**83.2**	*78.0*	**76.1**	*74.5*	**73.2**
Natural gas price in EUR	*30.8*	**34.2**	*35.4*	**41.1**	*29.9*	**35.4**
Non-energy commodity prices in % yoy	*11.4*	**7.3**	*3.9*	**1.3**	*0.9*	**2.5**
EUR-USD	*1.08*	**1.09**	*1.08*	**1.1**	*1.08*	**1.1**
Nominal effective exchange rate	*124*	**124.5**	*124.2*	**125.1**	*124.2*	**125.1**

Source: Macrobond, Bank J. Safra Sarasin, 12.09.2024

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Fed preview

A string of 25bp rate cuts remains more likely

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The Fed is almost certain to ease policy next week. With rising downside risks to the labour market in recent months, the new dot plot will likely indicate more easing compared to June. However, it is doubtful the Fed will endorse market pricing for a rapid series of cuts — about 100 basis points (bp) by year-end and more than 150bp next year. Officials still appear confident that the economy is on course for a soft landing. This suggests that it will cut by 25bp next week, and flag its intention to follow through with a series of consecutive cuts of the same magnitude.

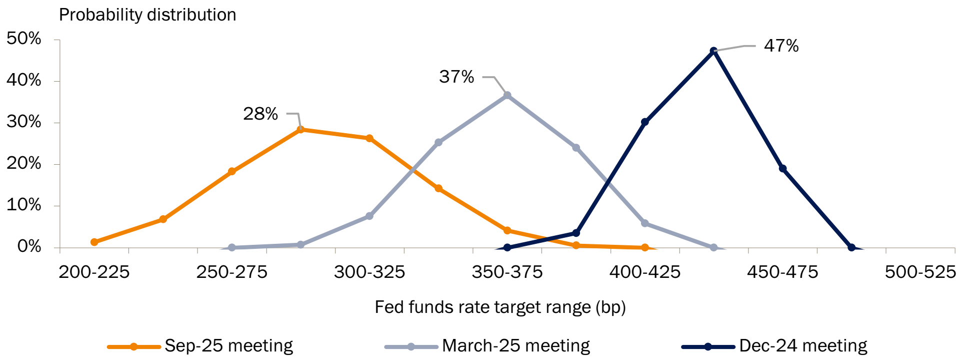
The Fed is likely to cut by 25bp next week

We expect the Fed to reduce its policy rate by 25bp at its next meeting and signal the possibility of more cuts to follow. The Fed will likely point to the economy's relative strength, tempered by growing risks to the labour market. While the August inflation report came in on the hotter side, this should not shake the Fed's belief that inflation is heading towards its 2% target.

The new dot plot will show more cuts than in June, but is unlikely to endorse current market pricing

The new dot plot will reflect more easing than in June, but it is unlikely to support market expectations of 250bp of cuts by the end of 2025. Investors are no longer expecting a large cut next week, in part reflecting the stronger-than-expected inflation data, but they still anticipate around 150bp of easing over the next four meetings, including around two 50bp cuts by January. Futures suggest that investors assign the highest probability (the top of the probability distribution) to rates falling to 2.75-3.0% by September 2025, the lower end of estimates for the neutral rate (Exhibit 1). They also imply a one in four chance that rates will fall below this level (the left tail of the distribution). This indicates that while markets are not predicting a major economic downturn, they expect a more noticeable slowdown and a rougher landing.

Exhibit 1: Probability distribution implied Fed Funds futures for different FOMC meetings



Source: CME, Bank J. Safra Sarasin, 12.09.2024

Current market expectations for rate cuts point to a significant slowdown. Fed officials remain more optimistic about the outlook

Recent comments by Fed officials suggest they don't think that downside risks to the economy have risen to that extent. We therefore don't expect large changes in the median forecasts, though the range of projections may widen. The unemployment rate is likely to edge up from 4% to 4.2-4.3% this year, with little change expected next year. As we wrote previously, the recent rise in unemployment seems to be part of a normalisation process, not a sign of deep trouble. As demand levels out, the pace of hiring has slowed, lengthening job searches. But eventually, newcomers should find a job and the unemployment rate should stabilise. Inflation forecasts are likely to remain largely unchanged, continuing the downward trend toward 2%.

The Fed's strategy is to get the Fed Funds rate back to neutral. But at what pace?

The Fed's strategy is clear: with inflation easing, the labour market back into balance, and economic growth no longer exceeding trend, the case for restrictive policy has weakened fast. The goal therefore is to bring rates down towards neutral – likely between 2.75% and 3.5%. The challenge lies in choosing the appropriate pace. If rates are cut too quickly, inflation could resurface. But easing policy too slowly risks harming the economy. The path Fed officials will flag in the new dot plot will depend on their central forecasts as well as the risks they attach to those.

Taylor rules point to a gradual rate-cutting cycle, with the Fed funds rate at 3.5% by end 2025

Using Taylor rules and our macro forecasts, which we think are likely close to the ones the Fed will publish next week, should give us a sense of how the new rates trajectory might look like under the central scenario. Most rules suggest that the Fed should have already started cutting rates. These models also suggest around 60bp of cuts by year-end, followed by another 120bp next year, leaving rates at 3.5% by the end of 2025. This would place rates at the upper end of the neutral range, with inflation still slightly above target by 2025, and imply roughly 70bp less easing than markets currently expect (Exhibits 2-3).

Growing downside risks to the economy suggest that the Fed is likely to front-load some of the cuts

Taylor rules also point to a gradual path towards 3.5%, with the policy rate at 4.5% in the first quarter of next year. Given Fed officials' growing concerns over downside risks to the economy, they will probably choose to front-load some cuts. Delivering one or two 50bp rate cuts at the coming meetings would be compatible with the Fed's outlook for the economy. After all, Taylor rules suggest that it should have started easing policy last quarter and the current policy rate is well above estimates of the neutral rate.

In our view, the Fed will flag its intention to lower policy rates at the coming meetings in 25bp steps. But it will not rule out the possibility of larger rate cuts either

However, 'jumbo' cuts risk fuelling expectations of even looser policy, potentially pushing expected rates below neutral and loosening financial conditions excessively. Investors might also interpret this as a sign that the Fed is more worried about the economy than it is letting on. Meanwhile, the latest CPI report shows that inflation is unlikely to move down to 2% in a straight line. While the Fed cannot openly discuss the upcoming elections, it must consider risks like the potential for tariff hikes, immigration restrictions, and a widening of the fiscal deficit under a second Trump administration – all of which could stoke inflation. As a result, we expect the Fed to proceed with a series of 25bp cuts, while keeping options open for larger cuts if economic or labour market conditions deteriorate.

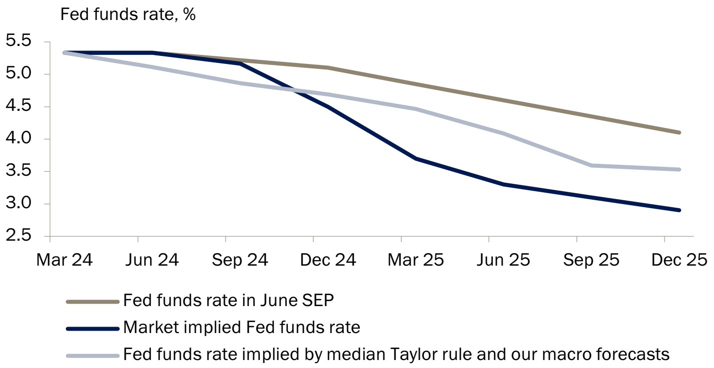
Exhibit 2: Taylor rules point to a gradual rate-cutting cycle

Taylor rule			*Using our forecasts for inflation and the u/r*					
	2024.1	2024.2	2024.3	2024.4	2025.1	2025.2	2025.3	2025.4
Taylor (1993) rule	5.3	3.7	3.3	3.4	3.1	3.1	3.4	3.5
Core inflation in Taylor (1999) rule	5.3	4.3	3.8	4.0	3.6	3.5	3.6	3.5
Inertial rule	5.3	5.1	4.9	4.7	4.5	4.3	4.1	4.0
Alternative r* rule	5.3	5.2	5.0	4.9	4.7	4.5	4.4	4.3
Forward-looking rule	5.3	3.2	3.1	3.4	3.5	3.5	3.3	3.2
Low weight on output gap rule	5.3	5.1	4.9	4.8	4.7	4.6	4.5	4.4
First-difference rule	5.3	5.5	5.4	5.0	4.6	4.1	3.6	3.1
Median Taylor rule	**5.3**	**5.1**	**4.9**	**4.7**	**4.5**	**4.1**	**3.6**	**3.5**

Note: We use estimates of u and r* from the Fed's June Summary of Economic Projections to calculate the Taylor rules . In the alternative r* rule, we use the Lambach Williams estimate of the neutral rate in the inertia*

Source: Macrobond, Bank J. Safra Sarasin, 12.09.2024

Exhibit 3: Investors' and the Fed's rate paths are likely to diverge



Source: Macrobond, Bank J. Safra Sarasin, 12.09.2024

EUR-USD

Near-term consolidation

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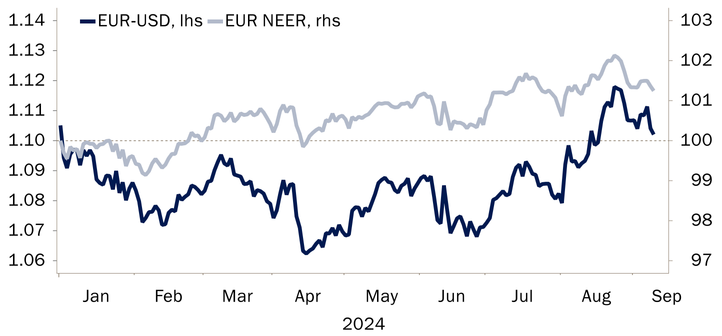
We remain cautious on the euro's near-term outlook. While the rates backdrop remains favourable, relative cyclical dynamics argue for a near-term consolidation of the euro. There are a number of political risk factors on the horizon. The appointment of Michel Barnier as France's prime minister has not yet allayed concerns about France's fiscal sustainability. In addition, the dispute over the funding of Mario Draghi's investment proposals will likely be fierce and weigh on the euro. Lastly, the US elections present another source of policy uncertainty with regard to potential tariffs, given that the race between Donald Trump and Kamala Harris remains very close.

We remain cautious on the euro's near-term outlook

Following Jay Powell's signal of an impending rate cut at Jackson Hole in August, EUR-USD reached 1.12 – its highest level year-to-date. The euro has since retreated from these levels (Exhibit 1). We stick to our conviction that the euro's near-term prospects remain muted (see «The euro's challenges have risen again», July FX Atlas).

Exhibit 1: The euro is back around its end-2023 value

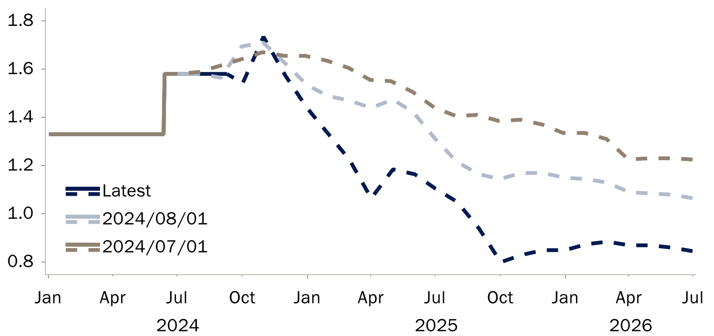
EUR-USD vs trade-weighted euro



Source: Macrobond, Bank J. Safra Sarasin, 12.09.2024

Exhibit 2: The Fed's market-implied rate advantage has declined

Market-implied Fed-ECB policy rate differential, Fed Funds and ESTR futures



Source: Macrobond, Bank J. Safra Sarasin, 12.09.2024

While the rates backdrop remains favourable for the euro,...

We note that the rates backdrop has become more favourable for the euro. This is particularly evident in market-implied rate expectations (Exhibit 2). At the beginning of July, markets expected the Fed's policy rate advantage versus the ECB to shrink only very gradually over the coming year. But over the past months, markets have repriced considerably. The latest data indicate that US policy rates should drop at a more rapid pace, with the US-EA rate differential diminishing by around 100 basis points over the course of next year.

...the euro area's cyclical dynamics argue for a near-term consolidation

While this trajectory of rate differentials should provide support for the euro in 2025, the euro area's cyclical dynamics point to the opposite. The euro area's macro dynamics have disappointed more than those of the US lately (Exhibit 3). The Sentix Investor Confidence Index, published on Monday, confirms this trend. Its historical correlation with the movement of the euro suggests that the current level of EUR-USD has not yet fully reflected the decline in European macro momentum (Exhibit 4). Relative cyclical dynamics should, however, improve in the coming year, when rate cuts and negotiated wage increases allow for a moderate recovery.

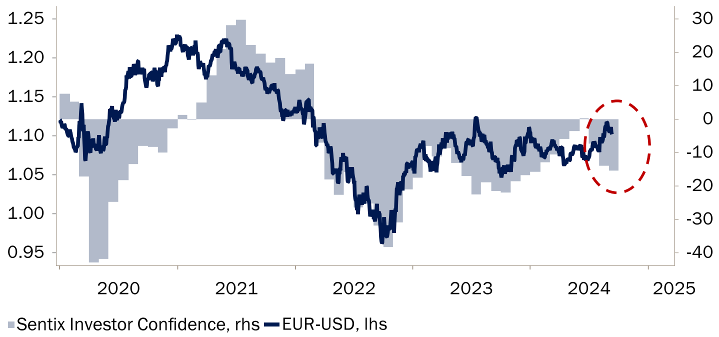
Exhibit 3: Euro area disappoints more than the US

Citi Economic Surprise Index, EA-US

Source: Macrobond, Bank J. Safra Sarasin, 12.09.2024

Exhibit 4: The euro has not yet priced the deteriorating sentiment

EUR-USD vs Euro Area Sentix Index



Source: Macrobond, Bank J. Safra Sarasin, 12.09.2024

There are also a number of political risk factors on the horizon:

1. **France's fiscal sustainability remains an issue**

Besides the cyclical slowdown, the euro is also exposed to various political challenges. Last week's appointment of Michel Barnier as France's next prime minister has not led to a meaningful decline in the spread between 10-year French and German government bonds, which has captured French fiscal sustainability concerns in recent years. If anything, the euro's past correlation with the spread suggests that the euro should face more near-term downward pressure (Exhibit 5).

2. **Concerns over potential US tariffs on European imports will continue to linger**

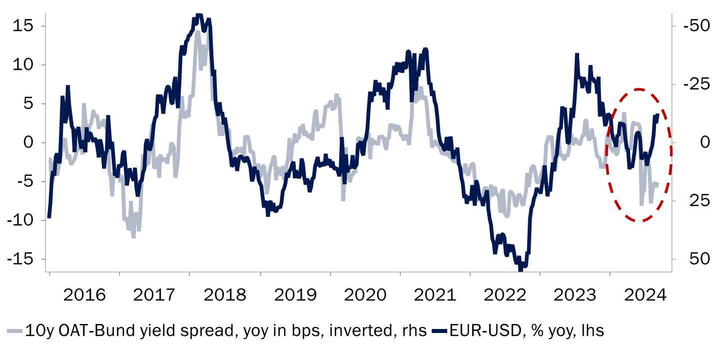
The possibility of a new round of US tariffs on European imports is another concern that could weigh on the euro in the near term as the US remains the euro area's most important trading partner. While Tuesday's first presidential TV debate seems to have moved election polls in favour of Kamala Harris, the US elections continue to be very close.

3. **Likely dispute over funding of Draghi's investment proposals could cloud the euro's near-term outlook**

Lastly, Mario Draghi's report on «the Future of European Competitiveness», offers a remarkably downbeat view on the euro area's long-term outlook. The proposal to increase investment is in principal a positive factor for the euro. The proposed €750bn to €800bn in annual investment into the digital and green transformation would be a massive stimulus. Resulting productivity gains could warrant a higher valuation of the EUR-USD in the long run, allowing the pair to recover meaningfully from its 2022 lows (Exhibit 6). But if history is any guide, Draghi's quest for joint borrowing will again face fierce resistance from some northern European countries. Likely disputes over funding could cloud the euro's near-term outlook, rather than provide a tailwind for the currency.

Exhibit 5: OAT-Bund spread does not support euro's recent advances

EUR-USD vs OAT-Bund 10y yield spread



Source: Macrobond, Bank J. Safra Sarasin, 12.09.2024

Exhibit 6: EUR-USD today is far from its 20-year high

EUR-USD real exchange rate, CPI-based, 01/01/1999 = 100

Source: Macrobond, own calculations, Bank J. Safra Sarasin, 12.09.2024

Cross-asset performance

Who gains and who loses once the Fed starts cutting?

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With the Fed's first rate cut looming next week, we review asset class and sector performance during past Fed rate cutting cycles. Unsurprisingly, in cases when the first rate cut was followed by a recession, performance looks very different compared to cycles when no recession occurred. US equities dropped on average by 4% in the 12 months after the first cut if a recession hit, but rose by 18% if no recession occurred. However, some asset classes and sectors produced positive returns in either scenario, recession and no recession. Among sectors, these include health care, staples and tech. Apart from that, US Treasuries and the US dollar also produced positive returns over 12 months after the first cut, regardless of what macro scenario followed. At the bottom end of the performance table are copper and materials, which have typically fallen in the year after the cutting cycle started, no matter if recession or not.

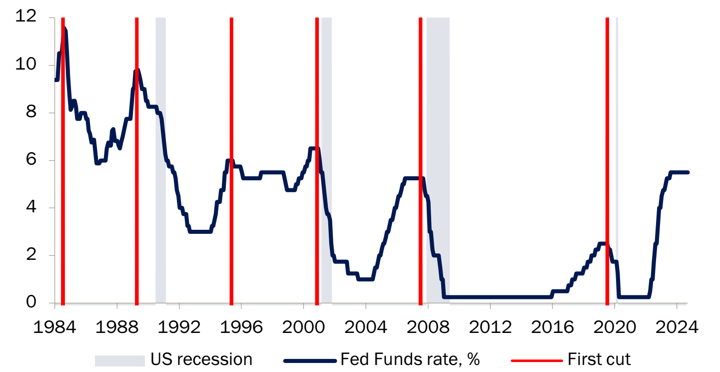
Six rate cutting cycles since 1982, four were followed by a recession, two by soft landings

With the Fed's first rate cut looming, we review market moves after the first cut in past cycles. We chose 1982 as a starting point given that this was the year in which the Fed started to target the price of money, i.e. interest rates, directly, instead of targeting money supply. We identify six cutting cycles since then, only two of which were not followed by a recession, namely the ones which started in 1984 and in 1995. All other rate cutting cycles (1989, 2001, 2007, 2019) were followed by recessions (Exhibit 1).

Growth stocks and gold provided the highest average returns following the first Fed cut, copper and oil the lowest returns

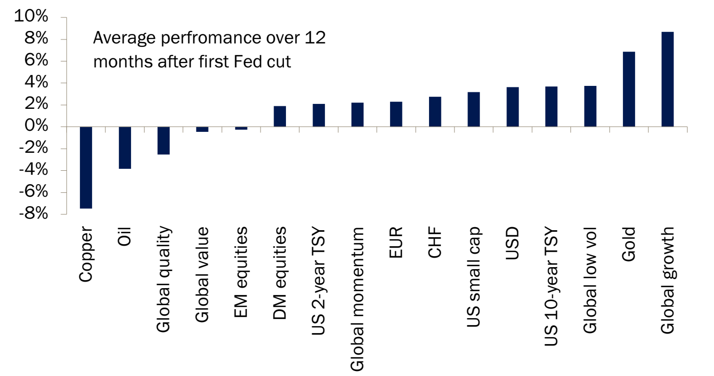
Looking at the average performance across various asset classes and across all cutting cycles since 1982, global growth stocks performed best. They typically added 9% over the 12 months following the first cut (Exhibit 2). The second-best performing asset class was gold, which gained 7%, followed by global low vol stocks and US Treasuries. The worst performers were commodities, with copper dropping 7% on average and Brent typically losing 4%. Developed market equities as well as US equities slightly gained on average, rising 2% in the 12 months following the cut, thereby outperforming emerging markets equities, which saw minor losses.

Exhibit 1: Six cutting cycles since 1982, two without recessions



Source: Refinitiv, Bank J. Safra Sarasin, 10.09.2024

Exhibit 2: Growth stocks performed best over all cycles, copper worst



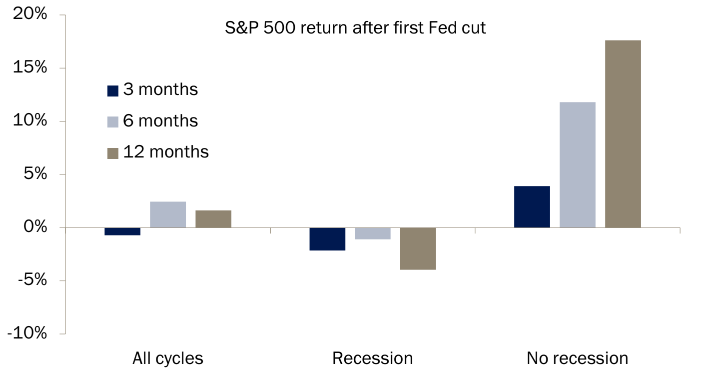
Source: Refinitiv, Bank J. Safra Sarasin, 10.09.2024

Recessions produced losses, soft landings produced gains

Zooming in on equities and breaking performance down into recession and no recession years, a clear divergence occurs. If recession strikes after the first cut, US equities typically lost 4% over the following year, with the 2006/07 recession seeing the largest 12-month drawdown. If no recession occurred, US equities typically rose by 15% over 12 months (Exhibit 3). The strongest performance after the first cut could be observed in 1995, when

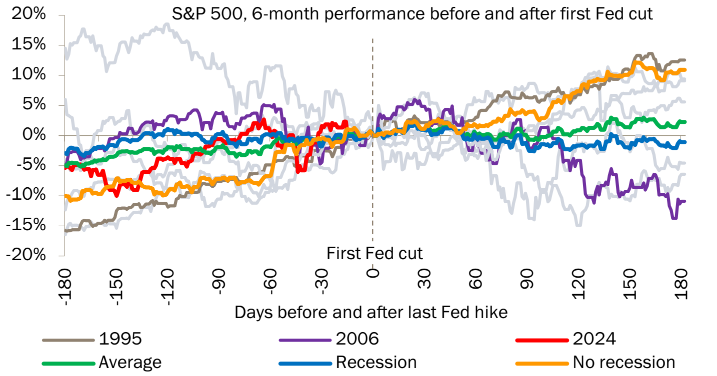
US equities gained 14% over six months and 23% over 12 months, following the first Fed cut (Exhibit 4).

Exhibit 3: S&P500 performance differs by macro outcome after a cut



Source: Refinitiv , Bank J. Safra Sarasin, 11.09.2024

Exhibit 4: 1995 and 2006/07 stand out at top and bottom



Source: Refinitiv, Bank J. Safra Sarasin, 11.09.2024

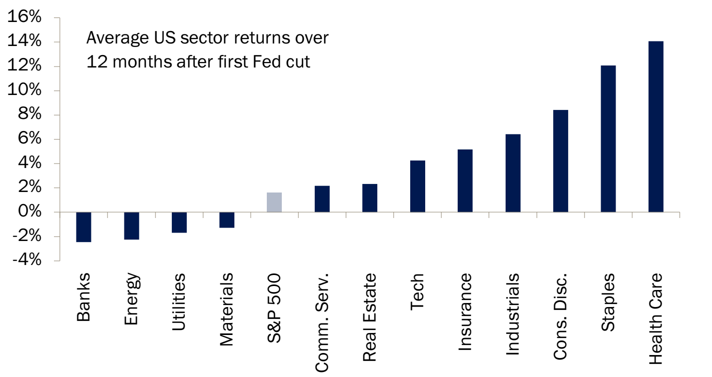
Health care provides most consistent outperformance, followed by staples and discretionary

Looking at sectors, the divergence has been as wide as it has been between asset classes. In the US market, health care stands out, as it has not only gained 14% following the first cut, on average, but has also seen average positive 12-month returns if a recession hit (Exhibit 5). Defensive consumer staples was the second strongest performing sector, followed by consumer discretionary. Consumer discretionary returned 8% on average across all cycles and even delivered average positive returns if a recession followed the cut. 2007 is the only exception. The strength of consumer discretionary may partly be explained by the fact that in five out of the past six cutting cycles, the sector underperformed ahead of the first cut. This year appears similar, with consumer discretionary among the weakest global sectors year-to-date.

Banks with widest spread between recession and no recession performance

Four sectors have clearly trailed the rest of the market in past cutting cycles. Those include banks, energy, utilities and materials. Banks stand out as they have by far been the weakest sector during periods in which the first cut was followed by a recession, dropping by 12% on average. The picture inverts if no recession followed. Banks soared on average by 30% over 12 months if rate cuts did not end in a recession. (Exhibit 6).

Exhibit 5: Health care and staples not only with highest avg. returns...



Source: Refinitiv, Bank J. Safra Sarasin, 10.09.2024

Exhibit 6: ...but also with positive returns during recession episodes

US sector	Average all cycles		With recession		Without recession	
returns after first	3 months	12 months	3 months	12 months	3 months	12 months
S&P 500	-1%	2%	-2%	-4%	4%	18%
Real Estate	1%	2%	0%	-6%	5%	24%
Tech	-4%	4%	-4%	1%	0%	10%
Comm. Serv.	3%	2%	0%	-4%	9%	19%
Health Care	2%	14%	-1%	4%	9%	29%
Insurance	4%	5%	0%	-6%	12%	32%
Cons. Disc.	1%	8%	0%	4%	2%	14%
Staples	3%	12%	1%	3%	7%	26%
Industrials	0%	6%	-1%	-1%	3%	22%
Materials	2%	-1%	2%	-1%	0%	-1%
Energy	-2%	-2%	-2%	-7%	-2%	16%
Utilities	4%	-2%	2%	-6%	7%	12%
Banks	2%	-2%	-2%	-12%	12%	30%

Source: Refinitiv, Bank J. Safra Sarasin, 10.09.2024

Materials even failed to rise if no recession hit, in line with copper prices

Materials and energy followed their key drivers, namely the copper price and oil. Copper prices in particular appear to be a lost cause after the Fed starts cutting rates. While oil prices typically rose after a cut that was not followed by a recession, boosting energy sector equities, copper prices even dropped during non-recession cutting cycles. This has also weighed on the materials sector, which has fallen, no matter if the economy was in recession or not.

Materials and copper can be found in the bottom left quadrant of the matrix below, which shows asset class performance under either scenario: a rate cut followed by a recession (y-axis) or a rate cut not followed by a recession (x-axis).

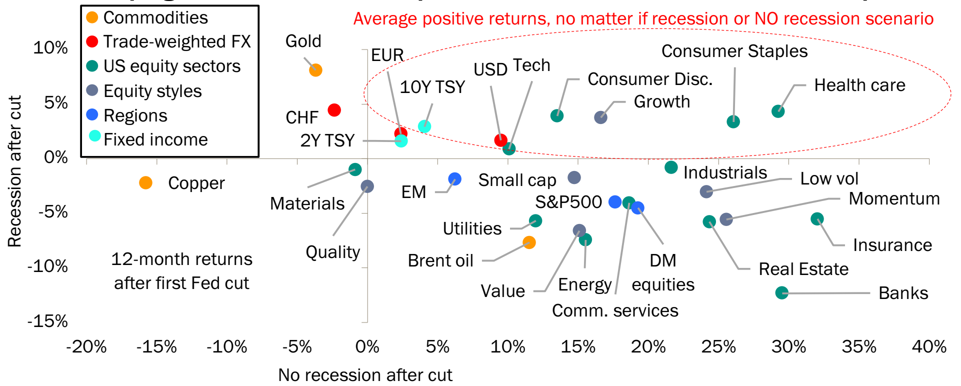
Treasuries, the US dollar and defensive sectors saw positive returns across scenarios

While the bottom left quadrant includes asset classes which dropped in both scenarios, the top right quadrant shows the ones which rose in both scenarios. These include the defensive sectors health care and staples, but also the tech sector, growth stocks, US Treasuries, the euro and the US dollar.

Gold and Swiss franc as a hedge

The top left of the matrix shows asset classes which rose in case a recession followed a cut, but dropped if it did not follow. Unsurprisingly, safe-haven assets such as gold and the Swiss franc can be found in this category.

Exhibit 7: Top right shows assets which performed in recession and no recession episodes



Source: Refinitiv, Bank J. Safra Sarasin, 10.09.2024

Fixed income overweight works if recession strikes after Fed starts cutting

What this matrix also shows is that an allocation decision between equities and fixed income hinges on the macro scenario following the first cut, rather than the cut itself. In a recession scenario, Treasuries always outperformed equities, no matter if the investment horizon is 3, 6 or 12 months after the cut. If no recession occurs, equities typically outperform Treasuries by a remarkable 15% over the following 12 months.

If uncertainty over the macro outcome is high, preferred assets are Treasuries, the US dollar and health care as well as staples

This leaves us with the conclusion that a cut itself says little about the performance afterwards, rather than where the macro is likely headed. Yet importantly, there are asset classes and sectors, which have produced more consistent returns than others. Health care, staples, Treasuries as well as growth stocks and the US dollar stand out as they have fairly consistently gained in the 12 months after the Fed first started to cut rates.

J. Safra Sarasin

Cross-Asset Weekly

13 September 2024

Economic Calendar

Week of 16/09 – 20/09/2024

Country	Time	Item	Date	Unit	Consensus Forecast	Prev.
Monday, 16.09.2024						
US	14:30	Empire Manufacturing	Sep	Index	-4.00	-4.70
Tuesday, 17.09.2024						
GE	10:00	ZEW Expectations	Sep	Index	--	19.20
US	14:30	Retail Sales Control Group	Aug	mom	0.30%	0.30%
	14:30	NY Fed Services Business Act.	Sep	Index	--	1.80
	16:00	NAHB Housing Market Index	Sep	Index	--	39.00
Wednesday, 18.09.2024						
UK	08:00	CPI MoM	Aug	mom	--	-0.20%
	08:00	CPI YoY	Aug	yoy	--	2.20%
	08:00	CPI Core YoY	Aug	yoy	--	3.30%
US	14:30	MBA Mortgage Applications	Sep13	wow	--	--
	14:30	Building Permits MoM	Aug	mom	1.40%	-4.00%
	14:30	Housing Starts MoM	Aug	mom	5.80%	-6.80%
	20:00	FOMC Rate Decision (UB)	Sep18	%	5.25%	5.50%
Thursday, 19.09.2024						
UK	13:00	Bank of England Bank Rate	Sep19	%	--	5.00%
US	14:30	Philadelphia Fed Business Outl.	Sep	Index	3.00	-7.00
	14:30	Initial Jobless Claims	Sep14	1'000		--
	14:30	Continuing Claims	Sep07	1'000	--	--
	16:00	CB Leading Index	Aug	mom	-0.30%	-0.60%
Friday, 20.09.2024						
UK	01:01	GfK Consumer Confidence	Jul	Index	--	-13.00
JN	05:00	BOJ Target Rate	Sep20	%	--	0.25%
	01:30	Natl CPI Ex Food, Energy YoY	Aug	yoy	2.10%	1.90%
UK	08:00	Retail Sales Ex Auto Fuel MoM	Aug	mom	--	0.70%
	08:00	Retail Sales Ex Auto Fuel YoY	Aug	yoy	--	1.40%
EU	16:00	Consumer Confidence	Sep	Index	--	-13.50

Source: Bloomberg, J. Safra Sarasin as of 12.09.2024

Market Performance

Global Markets in Local Currencies

Government Bonds	Current value	Δ 1W (bp)	Δ YTD (bp)	TR YTD in %
Swiss Eidgenosse 10 year (%)	0.44	-3	-26	2.6
German Bund 10 year (%)	2.12	-5	10	0.9
UK Gilt 10 year (%)	3.78	-15	24	1.3
US Treasury 10 year (%)	3.64	-7	-24	4.9
French OAT - Bund, spread (bp)	70	-1	17	
Italian BTP - Bund, spread (bp)	139	-6	-29	

Stock Markets	Level	P/E ratio	1W TR in %	TR YTD in %
SMI - Switzerland	11'982	18.5	-0.4	10.9
DAX - Germany	18'518	13.8	-0.3	10.5
MSCI Italy	1'083	9.3	-0.5	12.9
IBEX - Spain	11'400	10.9	1.1	16.6
DJ Euro Stoxx 50 - Eurozone	4'814	13.6	0.0	9.6
MSCI UK	2'353	12.2	-0.1	9.7
S&P 500 - USA	5'596	23.4	1.7	18.5
Nasdaq 100 - USA	19'423	30.2	2.6	16.1
MSCI Emerging Markets	1'076	12.7	0.1	7.5

Forex - Crossrates	Level	3M implied volatility	1W in %	YTD in %
USD-CHF	0.85	8.0	0.8	1.0
EUR-CHF	0.94	6.2	0.7	1.3
GBP-CHF	1.12	7.4	0.8	4.2
EUR-USD	1.11	6.2	-0.1	0.3
GBP-USD	1.31	6.9	0.1	3.2
USD-JPY	141.0	11.8	-0.9	0.0
EUR-GBP	0.84	4.4	-0.1	-2.7
EUR-SEK	11.38	6.4	-0.3	2.2
EUR-NOK	11.86	8.9	-0.2	5.7

Commodities	Level	3M realised volatility	1W in %	YTD in %
Bloomberg Commodity Index	96	13.0	1.2	-2.7
Brent crude oil - USD / barrel	75	37.0	-0.4	-3.9
Gold bullion - USD / Troy ounce	2'568	13.7	2.0	24.5

Source: J. Safra Sarasin, Bloomberg as of 12.09.2024

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