J. Safra Sarasin

Cross-Asset Weekly

01 September 2023

The US outgrows the euro area

The euro area is mired in stagflation, i.e., very low growth at best and high inflation. Only the service sector currently displays signs of growth. On a more positive note, the low unemployment rate and strong wage increases should contribute to some stabilisation of demand into year-end. The US on the other side continues to show surprising resilience as GDP expands above its potential rate Q3 2023. This will keep the Fed on a hawkish footing.

The ongoing resilience of the US economy has led US fixed income markets to reprice the implied policy rate trajectory to the upside in the past two months. It is not so much about the peak policy rate, which remained largely unchanged at slightly above 5.5%, but the length of stay. We find that current implied policy rate pricing has incorporated a good part of this "higher for longer" narrative. Monetary policy works with long and variable lags, which would imply that the full effects of the cumulative monetary tightening are yet to be felt in the quarters ahead. Despite the current uncertainties, we believe that the current pricing in the US rates market represents a favourable risk/return trade-off over the medium term.

Finally, we note that the energy sector has recovered somewhat lately as oil prices have moved back to the top of their 2023 range. While we remain cautious with regard to further upside for oil prices, valuations for the energy sector in general remain well below long-term averages, even once earnings are adjusted for current oil price levels. In particular, UK energy majors look cheap on that basis.

This week's highlights

Euro area 2
Stuck in stagflation

US macro 3
The growth puzzle

US fixed income 4
Markets embrace the higher for longer narrative

Global energy 6
More room to close the valuation gap

Economic Calendar 9
Week of 04/09 – 08/09/2023

Market Performance 10
Global Markets in Local Currencies

Contacts

Dr. Karsten Junius, CFA
Chief Economist
karsten.junius@jsafrasarasin.com
+41 58 317 32 79

Raphael Olszyna-Marzys
International Economist
raphael.olszyna-marzys@jsafrasarasin.com
+41 58 317 32 69

Mali Chivakul
Emerging Markets Economist
mali.chivakul@jsafrasarasin.com
+41 58 317 33 01

Alex Rohner
Fixed Income Strategist
alex.rohner@jsafrasarasin.com
+41 58 317 32 24

Dr. Claudio Wewel
FX Strategist
claudio.wewel@jsafrasarasin.com
+41 58 317 32 26

Wolf von Rotberg
Equity Strategist
wolf.vonrotberg@jsafrasarasin.com
+41 58 317 30 20

J. Safra Sarasin Cross-Asset Weekly

01 September 2023

Euro area

Stuck in stagflation

Dr. Karsten Junius, CFA
Chief Economist
karsten.junius@jsafrasarasin.com
+41 58 317 32 79

Data published this week confirm that the euro area is stuck in an environment with too high inflation and very weak growth at best. Only the services sector continues to grow. The unemployment rate remains stable at record lows and should only increase slightly in the coming months. Strong wage increases imply that private consumption might become a stabilising force towards the end of the year. Still, stagflation characterizes this environment best.

Disinflation process takes more time

The euro area continues to disappoint: The flash estimate for August inflation rate remained at the July level of 5.3% (Exhibit 1). The only positive aspect of this month's report was that services inflation grew only by 0.2% mom, implying a pause to the increasing annual rate seen in the past months. Price expectations continue to moderate in all sectors (Exhibit 2), but strong wage growth suggests that the disinflation process will take some time.

Economic sentiment declined in August in all sectors – pointing to negative growth in Q3

Economic growth is likely to slow and could fall into negative territory in Q3. The Economic Sentiment data declined in August in all sectors and remained positive only in the services sector (Exhibit 3). Together with still-severe labour scarcities, this suggests that unemployment should increase only slightly in the coming months and aggregate household income should grow following strong negotiated wage increases. As a result, private consumption should be the stabilising force in this stagflationary environment.

Exhibit 1: August inflation rate remained constant at 5.3%

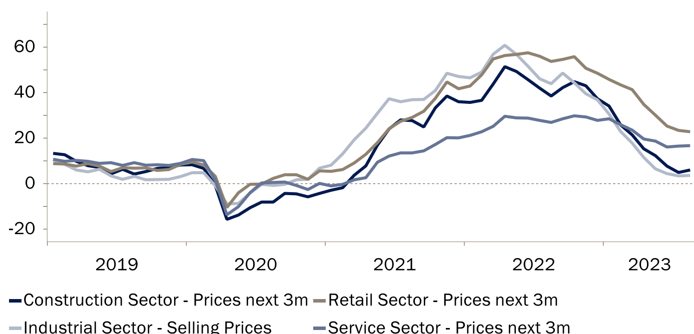
Euro Area, HICP, Flash Estimate, in % yoy, latest data point August 2023

	last month in % yoy	Last	1m ago	1yr ago	mean since 2000
All-Items HICP		5.3	5.3	9.1	3.0
Overall ex Energy, Food, Alc. & Tob.		5.3	5.5	4.2	1.9
Overall ex Energy & Unprocessed Food		6.3	6.6	5.4	2.3
Overall ex Energy		6.3	6.7	5.7	2.4
Services (Overall ex Goods)		5.5	5.6	3.8	2.1
Non-Energy Industrial Goods, 2015=100		4.8	5.0	5.0	1.7
Energy		-3.0	-6.2	38.3	8.6
Food incl. Alcohol & Tob.		9.8	10.8	10.6	4.1
Processed Food incl. Alc. & Tob.		10.4	11.3	10.4	4.0
Unprocessed Food		7.9	9.3	11.0	4.4

Source: Macrobond, Bank J. Safra Sarasin, 31.08.2023

Exhibit 2: Price expectations moderate at last

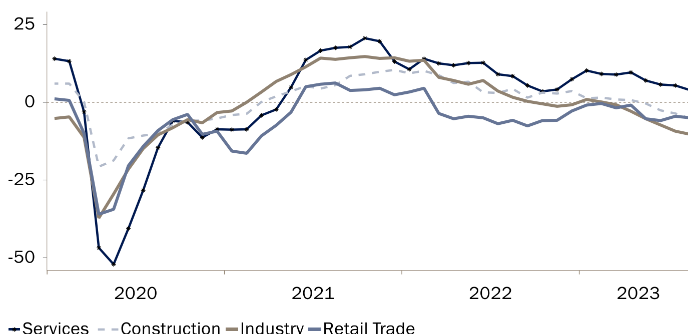
DG ECFIN, sectoral price expectations, latest data: 08/2023



Source: EU Commission, Macrobond, Bank J. Safra Sarasin, 31.08.2023

Exhibit 3: Only the services sector is still expanding

Sentiment in different sectors, EU Commission, balance in %, last data: 08/2023



Source: EU Commission, Macrobond, Bank J. Safra Sarasin, 31.08.2023

US macro

The growth puzzle

Raphael Olszyna-Marzys
International Economist
raphael.olszyna-marzys@jsafrasarasin.com
+41 58 317 32 69

GDP appears to be rising fast, at least according to the Atlanta Fed GDPNow model. We don't expect August and September data to come as strongly as they did so far, which should push the estimate back down. Still, the economy is likely to expand above its potential rate this quarter and keep the Fed on a hawkish footing.

Atlanta Fed's nowcast model suggests GDP is currently expanding at 5.6%

Growth appears to have picked up strongly in recent weeks, with the Atlanta Fed GDPNow model pointing to a 5.6% expansion of GDP in Q3. Such a reacceleration of the US economy would be truly remarkable but is unlikely.

But the model is a running estimate of GDP for the current quarter using published data, not a forecast

The model is a running estimate of real GDP growth based on available economic data. In other words, it makes no judgement on incoming data for the rest of the quarter, and simply extrapolates the numbers it already has for the quarter. For example, when the strong retail sales for July were published, the model's personal consumption expenditure estimate rose for the quarter to 4.4%, from 3.2%. Weaker retail sales prints for August and September, for example, would see the estimate come down.

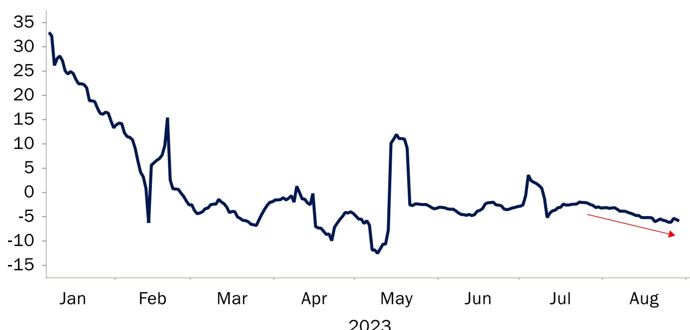
Consumption is unlikely to come in as strongly as the model currently estimates

There are good reasons to believe that the strong pick-up in consumption spending in July is unlikely to be repeated. Some of the increase in goods spending seems to have been driven by one-off factors, such as an Amazon Prime event. Spending on services appears to be slowing, too, with the year-over-year growth rate in the number of people dining at restaurants trending down since mid-July (Exhibit 1). More fundamentally, households' budgets will be more constrained over the coming months. Interest on federal student loans restarts on September 1 (today) and the first payments are due in October, after more than three years of forbearance. What's more, 'excess' savings accumulated during 'lockdowns' appear to be largely spent, and the sharp rise in credit card delinquency rates at small banks (the highest on record) suggests that households' financial situation is already deteriorating.

Still, Q3 GDP should grow above its potential rate, keeping the Fed on a hawkish footing

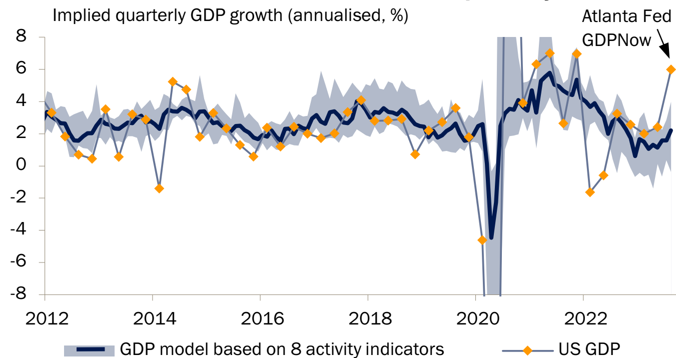
While we expect the Atlanta Fed tracker to come down over the coming weeks as more data come in, surveys nonetheless point to an economy that is expanding at a rather fast clip of around 2¼% (Exhibit 2). But as Chair Powell reminded us at Jackson Hole, a reacceleration of the US economy would be inconsistent with inflation returning to target and would push the Fed into a more hawkish direction.

Exhibit 1: Fewer meals out



Source: Macrobond, Bank J. Safra Sarasin, 31.08.2023

Exhibit 2: Atlanta Fed GDPNow estimate will probably come down



Source: Macrobond, Bank J. Safra Sarasin, 31.08.2023

J. Safra Sarasin

Cross-Asset Weekly

01 September 2023

US fixed income

Markets embrace the higher for longer narrative

Alex Rohner
Fixed Income Strategist
alex.rohner@jsafrasarasin.com
+41 58 317 32 24

Hard US economic data have shown surprising resilience, contrary to what leading indicators or sentiment surveys would have predicted, suggesting that the sharp monetary tightening is as of yet less effective than expected. Therefore, the market's focus has turned towards pricing policy rates to remain elevated for a more extended period of time. We find that current implied policy rate pricing has incorporated a good part of this "higher for longer" narrative. Monetary policy works with long and variable lags, which would imply that the full effects of the cumulative monetary tightening are yet to be felt in the quarters ahead. We believe that the current pricing in the US rates market represents a favourable risk/return trade-off medium term.

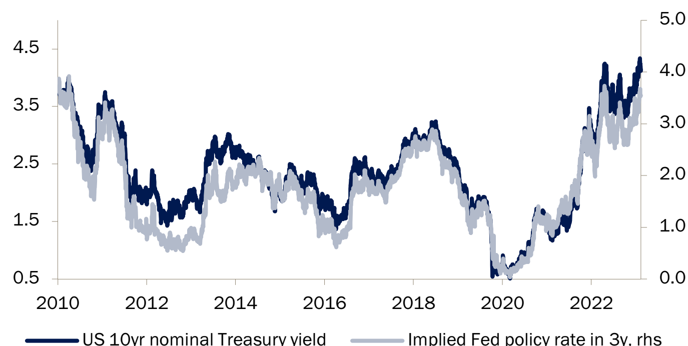
Hard economic data reflect a resilient US economy so far

Over the past few months, hard US economic data have shown surprising resilience, contrary to what leading indicators or sentiment surveys would have predicted, suggesting that the sharp monetary tightening so far (525bp worth of rate hikes complemented by quantitative tightening within 18 months) is less effective than expected. Therefore, the market's focus has turned towards pricing policy rates to remain elevated for a more extended period of time in order to achieve the objective of slowing the economy enough to bring down inflation to 2%, thus precluding swift rate cuts.

Bond yields are an extension of the central bank's policy rate

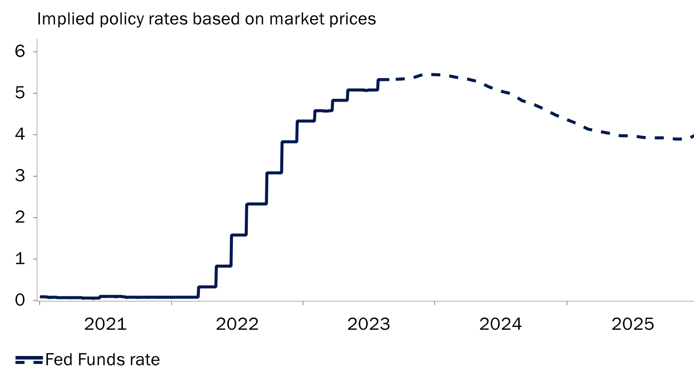
Expectations for a more elevated trajectory for policy rates has also led to a rise in long-term Treasury rates. Long-term bond yields are simply an extension of the central bank policy rate. They represent the geometric average of expected future policy rates over the maturity of the bond plus a premium to compensate for the (price) risk associated with holding a long-duration asset. In fact, the implied Fed Funds rate in 3 years provides a good fit for the 10y-year US Treasury yield (Exhibit 1).

Exhibit 1: Tight correlation of implied Fed Funds with 10y Treasuries



Source: Bloomberg, Bank J. Safra Sarasin, 31.08.2023

Exhibit 2: Markets price an elevated policy rate trajectory



Source: Macrobond, Bank J. Safra Sarasin, 31.08.2023

The Treasury curve has steepened lately with long-term rates going up more than short-term rates

As a result, the US yield curve has started to become steeper again, with longer-term rates rising, while the short end was little changed. This so-called "bear steepening" of the yield curve does not frequently happen during tightening cycles, but given the substantial inversion of the yield curve, it is not entirely unexpected. The move occurred for two reasons: (1) policy rates are likely close to their peak already, but, as already mentioned, (2) the apparent resilience of the US economy led markets to price a more elevated level of policy rates beyond 2024, resulting in some upward pressure on longer-term rates.

J. Safra Sarasin
Cross-Asset Weekly

01 September 2023

Market prices the Fed Funds trajectory substantially above the Fed's own long-run equilibrium policy rate

Consequently, we note that the US rates market has adopted more of the "higher for longer" narrative. The currently priced Fed Funds rate trajectory implies a cyclical low of around 4% at the end of 2025, and a slight rise again thereafter (Exhibit 2). Two observations are important in this context: (1) markets currently price the low point in the Fed Funds rate trajectory roughly 150bp above the Fed's own long-run equilibrium policy rate and (2) markets do not price a rate cut cycle that is in any way associated with even a shallow recession. Markets therefore price continued and substantial resilience of the US economy to meaningfully higher (real rates), and a smooth downward adjustment in inflation and economic growth that allows the Fed to ease policy rates gradually over time.

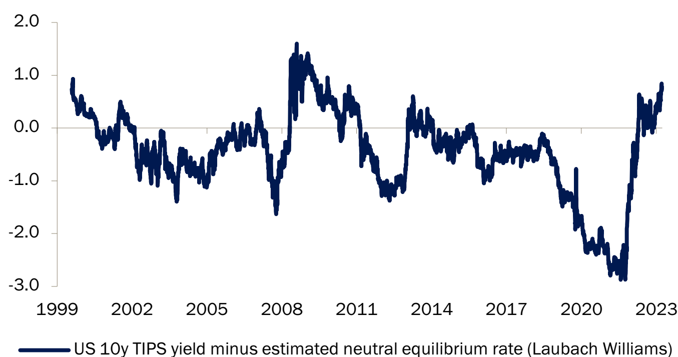
Monetary stance is likely restrictive, the adjustment happened very quickly

While current market pricing would suggest that the overall monetary stance is not overly tight, more traditional measures disagree: (1) the substantial yield curve inversion would indicate otherwise, (2) real rates implied by 10-year TIPS yields compared to the Fed's estimate of the neutral equilibrium rate of interest suggest a significant degree of monetary restraint already (Exhibit 3). Given the speed of the adjustment (300bp of the total 525bp of cumulative tightening occurred in the last 12 months only), the time it takes for monetary policy to be transmitted to the real economy could be a missing link.

Monetary policy works with long and variable lags

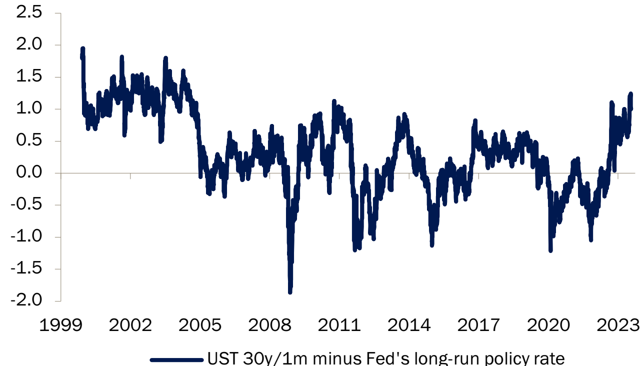
Monetary policy works with long and variable lags, at least 12 months, hence it takes time for tighter monetary policy to filter through to the real economy. Given that the private sector has pre-financed a large swath of its liabilities at low rates (mortgages, corporate liabilities), and that savings left-overs from the COVID pandemic are still there to be spent, there are reasons to believe that the lags could be even longer this time. That would imply that the full effects of the cumulative monetary tightening are yet to be felt in the quarters ahead, which would go some way towards explaining the resilience of the US economy to the sharply higher rate environment so far.

Exhibit 3: Real yields reflect an already tight monetary stance



Source: Bloomberg, Bank J. Safra Sarasin, 31.08.2023

Exhibit 4: US Treasury long-end premium has continued to build



Source: Bloomberg, Bank J. Safra Sarasin, 31.08.2023

The US rates space remains attractively priced

Any estimate of the neutral rate is fraught with uncertainty and should always be taken with a pinch of salt. However, the current pricing in the US rates market represents a favourable risk/return trade-off over the medium term. There are good reasons to expect more headwinds for the US economy from the lagged effects of sharply higher real rates over coming quarters. Current US Treasury market pricing implies a terminal short-term rate that is substantially above the Fed's long-run policy rate (Exhibit 4). While this does not preclude potential adverse yield moves in the short term, the current yield provides a substantial cushion.

J. Safra Sarasin

Cross-Asset Weekly

01 September 2023

Global energy

More room to close the valuation gap

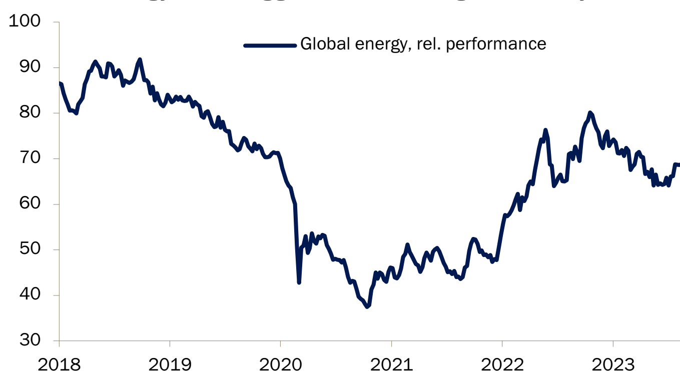
Wolf von Rotberg
Equity Strategist
wolf.vonrotberg@jsafrasarasin.com
+41 58 317 30 20

The energy sector has recovered somewhat lately as oil prices have moved back to the top of their 2023 range. We remain cautious with regard to further upside for oil prices, as that would require a sustained improvement in the US and global manufacturing cycle. Furthermore, we expect gasoline prices to moderate relative to oil prices, as we expect a drop in refiner margins due to increasing refining capacity. Yet valuations for the energy sector in general remain well below long-term averages, even once earnings are adjusted for current oil price levels. This holds for UK energy majors in particular in our view, whose valuations have dropped well below their global peers.

Global energy has seen a muted comeback after a weak first half of 2023

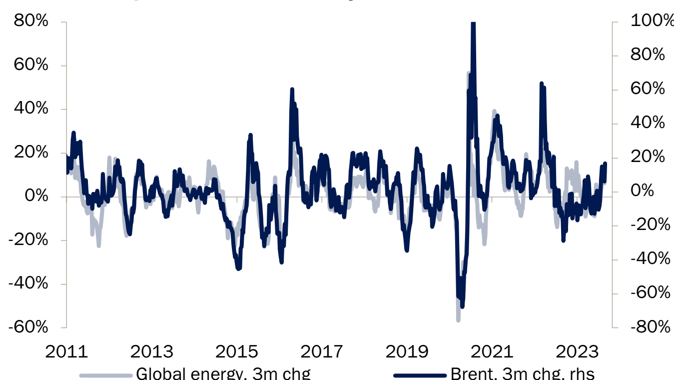
The global energy sector has experienced a bit of a revival lately after underperforming global equities since November. It has outperformed global equities by 7% from its 2023 lows in July (Exhibit 1), sparked by a recovery in (Brent) oil prices (Exhibit 2). These have moved back to 87 USD/bbl, which marks the top of their 2023 trading range, with the lows close to 70 USD/bbl in July.

Exhibit 1: Energy has struggled in 2023 but gained lately



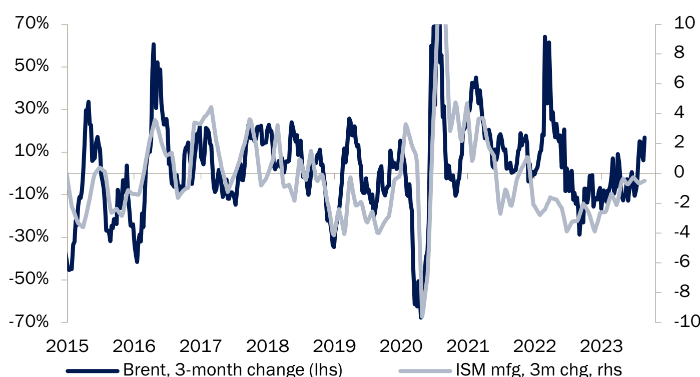
Source: Refinitiv, Bank J. Safra Sarasin, 30.08.2023

Exhibit 2: Oil prices remain the key driver of the sector



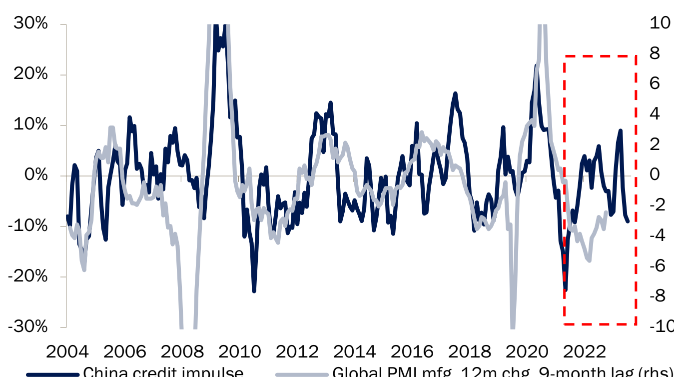
Source: Refinitiv, Bank J. Safra Sarasin, 30.08.2023

Exhibit 3: US manufacturing is key for global oil prices



Source: Refinitiv, Bank J. Safra Sarasin, 30.08.2023

Exhibit 4: Global manufacturing is unlikely to recover without China



Source: Refinitiv, Bank J. Safra Sarasin, 30.08.2023

Energy may have some further room to catch up but medium-term headwinds remain

This raises the question whether the energy sector is in for a more sustained period of outperformance or if the recent bounce is an opportunity to reduce exposure to the sector.

While the sector still has room to catch up with the current level of oil prices, a more sustained period of outperformance appears unlikely. Reasons are twofold:

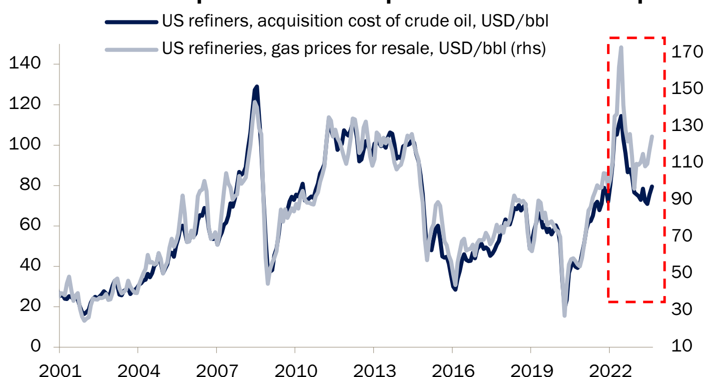
A sustained move higher in oil prices would require a manufacturing recovery in the US and elsewhere, which we regard as unlikely for now

First, there is no good reason to assume that oil prices are on the verge of breaking out sustainably to the upside from their 2023 range, given the muted outlook for the global manufacturing cycle. While US manufacturing has recently shown signs of stabilising at low levels, which has been a key reason for the uptick in the oil price in our view, we don't expect a more sustained US manufacturing recovery. This would require credit conditions to ease and global manufacturing to pick up more broadly, both of which is unlikely to be met in the medium term. US lending surveys continue to indicate a softening of domestic manufacturing data while global manufacturing crucially hinges on the Chinese credit cycle, which we don't expect to provide much support in the near term Exhibits (3, 4).

The rise in gasoline prices over oil prices, which has supported refiners in particular, is likely to reverse as the maintenance backlog is set to clear by 2024

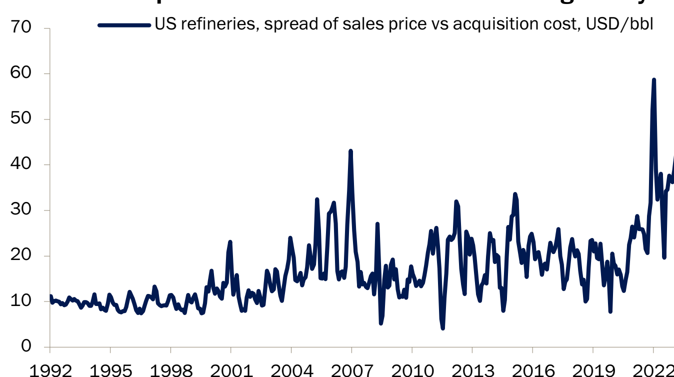
Second, beyond just oil prices, a surge in gasoline prices has driven the recent bounce in energy equities. Oil majors tend to be among the biggest operators of refineries, along with several more specialised names. The sector has received an additional boost via a surge in refining margins. Remarkably, the premium at which gasoline prices are trading to oil prices is at the second highest only after 2022, when they surged in response to the invasion in Ukraine (Exhibits 5, 6). Yet we think it's unlikely that these mark-ups can be sustained for two reasons. First, an estimated 3 million bbl/d of refining capacity is set to come online globally until the end of 2023. This would be as much as the net refining capacity added over the past 10 years combined. Two new refineries stand out as major contributors this year: Kuwait's 0.615m bbl/d Al-Zour refinery and Nigeria's 0.65m bbl/d Dangote refinery. Additionally, refining capacity has been severely restricted this year by postponed maintenance works, which were initially scheduled for 2021 and 2022. They had been pushed out due to the strong surge in demand after the re-opening from COVID and as Russian refining capacities became unavailable in 2022. Yet those bottlenecks are set to ease towards the end of 2023 as maintenance schedules are set normalise into next year. As a result, gasoline and oil prices should convert back to more normal levels in the months to come.

Exhibit 5: Gasoline prices have decoupled from crude to the upside



Source: Refinitiv, Bank J. Safra Sarasin, 30.08.2023

Exhibit 6: The spread is the widest since an all-time high last year



Source: Refinitiv, Bank J. Safra Sarasin, 30.08.2023

We are cautious on refiners in particular

We would thus be particularly cautious on major refiners within in the energy sector, as these have outperformed the rest of the sector on the back of rising refining margins over recent years (Exhibit 7). For the energy sector in general, we would caution against adding too much risk given the structural challenges mentioned above. Yet we acknowledge that it is very attractively valued and has some room to catch up if oil prices stabilise.

J. Safra Sarasin

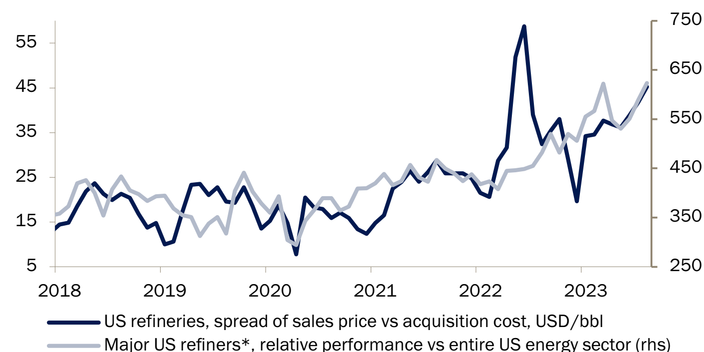
Cross-Asset Weekly

01 September 2023

Yet if oil prices stay at current levels, energy valuations have room to move higher, in particular for UK energy names

Even once consensus earnings are being brought back in line with levels implied by current oil prices (Exhibit 8), the global energy sector PE is still trading at a 30% discount vs global equities, well below the long-term average which is closer to a 15% discount (Exhibit 9). From a regional point of view, we have a specific preference for the UK energy sector, whose valuations have suffered even more than its global peers (Exhibit 10).

Exhibit 7: Major refiners have outperformed within the energy sector

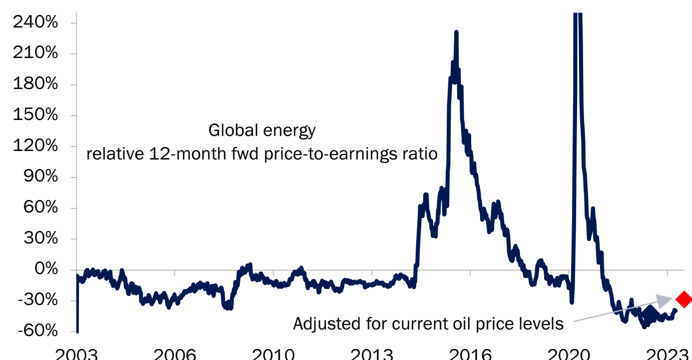


Source: Refinitiv, Bank J. Safra Sarasin, 30.08.2023

Exhibit 8: Energy earnings to come down to reflect current oil prices

Source: Refinitiv, Bank J. Safra Sarasin, 30.08.2023

Exhibit 9: PEs are low, even after EPS are adjusted for oil prices



Source: Refinitiv, Bank J. Safra Sarasin, 30.08.2023

Exhibit 10: UK energy in particular looks attractively valued

Source: Refinitiv, Bank J. Safra Sarasin, 30.08.2023

We do not yet see the path to sustainably higher oil prices but are cautiously optimistic in the short term

Bottom-line, despite the recent recovery, we do not expect oil prices to break out sustainably to the upside, while gasoline prices should gradually revert back to the typical premium they have over oil prices. We would thus remain fundamentally neutral on global energy and particularly cautious on major refiners. However, energy sector valuations still look very reasonable on a relative basis, even once earnings are adjusted for current oil price levels. This may provide some short-term support. We think UK energy sector valuations appear particularly attractive.

Economic Calendar

Week of 04/09 – 08/09/2023

Country	Time	Item	Date	Unit	Consensus Forecast	Prev.
Monday, 04.09.2023						
EU	10:30	Sentix Investor Confidence	Sep	Index	--	-18.90
Tuesday, 05.09.2023						
EU	10:00	ECB 1 Year CPI Expectations	Jul	%	--	3.40%
	10:00	ECB 3 Year CPI Expectations	Jul	%	--	2.30%
	11:00	PPI MoM	Jul	mom	--	-0.40%
	11:00	PPI YoY	Jul	yoy	--	-3.40%
US	16:00	Factory Orders	Jul	mom	2.30%	2.30%
	16:00	Factory Orders Ex Trans	Jul	mom	0.20%	0.20%
Wednesday, 06.09.2023						
EU	11:00	Retail Sales MoM	Jul	mom	--	-0.30%
	11:00	Retail Sales YoY	Jul	yoy	--	-1.40%
US	13:00	MBA Mortgage Applications	Sep01	wow	--	2.30%
CA	16:00	Bank of Canada Rate Decision	Sep06	%	5.00%	5.00%
US	16:00	ISM Services Index	Aug	Index	52.30	52.70
	20:00	Federal Reserve Beige Book				
Thursday, 07.09.2023						
JN	07:00	Leading Index CI	Jul P	Index	--	108.90
US	14:30	Initial Jobless Claims	Sep02	1'000	--	228k
Friday, 08.09.2023						
FR	08:45	Manufacturing Production MoM	Jul	mom	--	-0.01
	08:45	Manufacturing Production YoY	Jul	yoy	--	-0.20%
	08:45	Industrial Production MoM	Jul	mom	--	-0.90%
US	16:00	Wholesale Trade Sales MoM	Jul	mom	--	-0.01

Source: Bloomberg, J. Safra Sarasin as of 31.08.2023

J. Safra Sarasin

Cross-Asset Weekly

01 September 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 (%)	0.93	-7	-68	5.9
German Bund 10 year (%)	2.47	-9	-11	2.2
UK Gilt 10 year (%)	4.36	-11	69	-2.1
US Treasury 10 year (%)	4.11	-12	24	0.3
French OAT - Bund, spread (bp)	52	-1	-3	
Italian BTP - Bund, spread (bp)	168	0	-46	

Stock Markets	Level	P/E ratio	1W TR in %	TR YTD in %
SMI - Switzerland	11,126	17.7	1.4	6.8
DAX - Germany	15,947	11.5	2.1	14.5
MSCI Italy	912	8.0	2.7	21.1
IBEX - Spain	9,506	9.7	1.9	19.3
DJ Euro Stoxx 50 - Eurozone	4,297	12.2	1.5	16.7
MSCI UK	2,120	10.8	1.3	2.0
S&P 500 - USA	4,508	20.6	3.1	18.7
Nasdaq 100 - USA	15,501	27.8	4.7	42.5
MSCI Emerging Markets	980	13.5	-0.2	4.8

Forex - Crossrates	Level	3M implied volatility	1W in %	YTD in %
USD-CHF	0.88	7.2	-0.1	-4.4
EUR-CHF	0.96	5.2	0.3	-3.2
GBP-CHF	1.12	6.8	0.5	0.0
EUR-USD	1.08	6.9	0.4	1.3
GBP-USD	1.27	7.9	0.6	4.8
USD-JPY	145.6	9.2	-0.6	11.0
EUR-GBP	0.86	5.7	-0.2	-3.3
EUR-SEK	11.89	7.6	-0.4	6.5
EUR-NOK	11.53	10.2	-0.1	9.9

Commodities	Level	3M realised volatility	1W in %	YTD in %
Bloomberg Commodity Index	107	9.1	1.8	-5.6
Brent crude oil - USD / barrel	87	18.7	4.2	7.5
Gold bullion - USD / Troy ounce	1,940	8.4	1.2	6.4

Source: J. Safra Sarasin, Bloomberg as of 31.08.2023

J. Safra Sarasin
Cross-Asset Weekly

01 September 2023

Important legal Information

This document has been prepared by Bank J. Safra Sarasin Ltd ("Bank") for information purposes only. It is not the result of financial research conducted. Therefore, the "Directives on the Independence of Financial Research" of the Swiss Bankers Association do not apply to this document.

This document is based on publicly available information and data ("the Information") believed to be correct, accurate and complete. The Bank has not verified and is unable to guarantee the accuracy and completeness of the Information contained herein. Possible errors or incompleteness of the Information do not constitute legal grounds (contractual or tacit) for liability, either with regard to direct, indirect or consequential damages. In particular, neither the Bank nor its shareholders and employees shall be liable for the views contained in this document. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data provided and shall have no liability for any damages of any kind relating to such data.

This document does not constitute a request or offer, solicitation or recommendation to buy or sell investment instruments or services. It should not be considered as a substitute for individual advice and risk disclosure by a qualified financial, legal or tax advisor. You are reminded to read all relevant documentation before making any investment, including risk warnings, and to seek any specialist financial or tax advice that you need. You are not permitted to pass this document on to others, apart from your professional advisers. If you have received it in error please return or destroy it.

Past performance is no indication of current or future performance. Investments in foreign currencies are subject to exchange rate fluctuations. Exchange rate risk will apply if the investor's reference currency is not the same as the investment currency. Information containing forecasts are intended for information purpose only and are neither projections nor guarantees for future results and could differ significantly for various reasons from actual performance. The views and opinions contained in this document, along with the quoted figures, data and forecasts, may be subject to change without notice. There is no obligation on the part of Bank or any other person to update the content of this document. The Bank does not accept any liability whatsoever for losses arising from the use of the Information (or parts thereof) contained in this document.

Neither this document nor any copy thereof may be sent to or taken into the United States or distributed in the United States or to a US person. This information is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) such distribution is prohibited and may only be distributed in countries where its distribution is legally permitted.

This publication constitutes marketing material. If it refers to a financial instrument for which a prospectus and/or a key investor/information document exists, these are available free of charge from Bank J. Safra Sarasin Ltd, Elisabethenstrasse 62, P.O. Box, CH-4002 Basel, Switzerland.

Bloomberg

"Bloomberg®" and the referenced Bloomberg Index/Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Bank J. Safra Sarasin Ltd. Bloomberg is not affiliated with Bank J. Safra Sarasin Ltd, and Bloomberg does not approve, endorse, review, or recommend the financial instrument(s) mentioned in this publication. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the financial instrument(s) mentioned in this publication.

ICE Data Indices

Source ICE Data Indices, LLC ("ICE DATA"), is used with permission. ICE Data, its affiliates and their respective third party suppliers disclaim any and all warranties and representations, express and/or implied, including any warranties of merchantability or fitness for a particular purpose or use, including the indices, index data and any data included in, related to, or derived therefrom. Neither ICE Data, its affiliates or their respective third party providers shall not be subject to any damages or liability with respect to the adequacy, accuracy, timeliness or completeness of the indices or the index data or any component thereof, and the indices and index data and all components thereof are provided on an "as is" basis and your use is at your own risk. ICE Data, its affiliates and their respective third party suppliers do not sponsor, endorse, or recommend Bank J. Safra Sarasin Ltd, or any of its products or services.

J.P. Morgan

Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2020, J.P. Morgan Chase & Co. All rights reserved.

MSCI Indices

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness,

timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

SMI

SIX Swiss Exchange AG ("SIX Swiss Exchange") is the source of SMI Indices® and the data comprised therein. SIX Swiss Exchange has not been involved in any way in the creation of any reported information and does not give any warranty and excludes any liability whatsoever (whether in negligence or otherwise) – including without limitation for the accuracy, adequateness, correctness, completeness, timeliness, and fitness for any purpose – with respect to any reported information or in relation to any errors, omissions or interruptions in the SMI Indices® or its data. Any dissemination or further distribution of any such information pertaining to SIX Swiss Exchange is prohibited.

Distribution Information

Unless stated otherwise this publication is distributed by Bank J. Safra Sarasin Ltd (Switzerland).

The Bahamas: This publication is circulated to private clients of Bank J. Safra Sarasin (Bahamas) Ltd, and is not intended for circulation to nationals or citizens of The Bahamas or a person deemed 'resident' in The Bahamas for the purposes of exchange control by the Central Bank of The Bahamas.

Dubai International Financial Centre (DIFC): This material is intended to be distributed by Bank J. Safra Sarasin Asset Management (Middle East) Ltd ["BJSSAM"] in DIFC to professional clients as defined by the Dubai Financial Services Authority (DFSA). BJSSAM is duly authorised and regulated by DFSA. If you do not understand the contents of this document, you should consult an authorised financial adviser. This material may also include Funds which are not subject to any form of regulation or approval by the Dubai Financial Services Authority ("DFSA"). The DFSA has no responsibility for reviewing or verifying any Issuing Document or other documents in connection with these Funds. Accordingly, the DFSA has not approved the Issuing Document or any other associated documents nor taken any steps to verify the information set out in the Issuing Document, and has no responsibility for it. The Units to which the Issuing Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the Units.

Germany: This marketing publication/information is being distributed in Germany by J. Safra Sarasin (Deutschland) GmbH, Kirchnerstraße 6-8, 60311 Frankfurt am Main, for information purposes only and does not lodge claim to completeness of product characteristics. Insofar as information on investment funds is contained in this publication, any product documents are available on request free of charge from J. Safra Sarasin (Deutschland) GmbH, Kirchnerstraße 6-8, 60311 Frankfurt am Main in English and German language. To the extent that indicative investment options or portfolio structures are included, the following applies: The indicative investment options or portfolio structures presented in these documents and the underlying model calculations are based on the information and data provided to us in the context of the asset advisory discussion, and we have not checked them for accuracy or completeness. The indicative investment option/portfolio structure described here is thus intended as a guide and does not make any claim to comprehensive suitability but aims to inform you about the general possibilities that an investment entails. In order to provide you with a final investment recommendation that is tailored to your specific situation, we need further information, in particular on your investment goals, risk tolerance, experience and knowledge of financial services and products and your financial situation. This publication is intended to be distributed by J. Safra Sarasin (Deutschland) GmbH, Kirchnerstraße 6-8, 60311 Frankfurt am Main to clients domiciled or having their registered office in Germany and is directed exclusively at institutional clients who intend to conclude investment business exclusively as entrepreneurs for commercial purposes. This clientele is limited to credit and financial services institutions, capital management companies and insurance companies, provided that they have the necessary permission for the business operation and are subject to supervision, as well as medium and large corporations within the meaning of the German Commercial Code (section 267 (2) and (3) HGB).

Gibraltar: This marketing document is distributed from Gibraltar by Bank J. Safra Sarasin (Gibraltar) Ltd, First Floor Neptune House, Marina Bay, Gibraltar to its clients and prospects. Bank J. Safra Sarasin (Gibraltar) Ltd whose Registered Office is 57/63 Line Wall Road, Gibraltar offers wealth and investment management products and services to its clients and prospects. Incorporated in Gibraltar with registration number 82334. Bank J. Safra Sarasin (Gibraltar) Ltd is authorised and regulated by the Gibraltar Financial Services Commission. Telephone calls may be recorded. Your personal data will be handled in accordance with our Data and Privacy Statement. Where this publication is provided to you by Bank J. Safra Sarasin (Gibraltar) Limited: This document is approved as a marketing communication for the purposes of the Financial Services Act 2019. Nothing in this document is intended to exclude or restrict any liability that we owe to you under the regulatory system that applies to us, and in the event of conflict, any contrary indication is overridden. You are reminded to read all relevant documentation before making any investment, including risk warnings, and to seek any specialist financial or tax advice that you need. You are not permitted to pass this document on to others, apart from your professional advisers. If you have received it in error please return or destroy it.

Hong Kong: This document is disseminated by Bank J. Safra Sarasin Ltd, Hong Kong Branch in Hong Kong. Bank J. Safra Sarasin Ltd, Hong Kong Branch is a licensed bank under the Hong Kong Banking Ordinance (Cap. 155 of the laws of Hong Kong) and a registered institution under the Securities and Futures Ordinance (cap. 571 of the laws of Hong Kong).

Luxemburg: This publication is distributed in Luxembourg by Banque J. Safra Sarasin (Luxembourg) SA (the "Luxembourg Bank"), having its registered office at 17-21, Boulevard Joseph II, L-1840 Luxembourg, and being subject to the supervision of the Commission de Surveillance

du Secteur financier – CSSF. The Luxembourg Bank merely agrees to make this document available to its clients in Luxembourg and is not the author of this document. This document shall not be construed as a personal recommendation as regards the financial instruments or products or the investment strategies mentioned therein, nor shall it be construed as and does not constitute an invitation to enter into a portfolio management agreement with the Luxembourg Bank or an offer to subscribe for or purchase any of the products or instruments mentioned therein. The information provided in this document is not intended to provide a basis on which to make an investment decision. Nothing in this document constitutes an investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate for individual circumstances. Each client shall make its own appraisal. The liability of the Luxembourg Bank may not be engaged with regards to any investment, divestment or retention decision taken by the client on the basis of the information contained in the present document. The client shall bear all risks of losses potentially incurred as a result of such decision. In particular, neither the Luxembourg Bank nor their shareholders or employees shall be liable for the opinions, estimations and strategies contained in this document.
Monaco: In Monaco this document is distributed by Banque J. Safra Sarasin (Monaco) SA, a bank registered in “Principauté de Monaco” and regulated by the French Autorité de Contrôle Prudentiel et de Résolution (ACPR) and Monegasque Government and Commission de Contrôle des Activités Financières («CCAF»).
Panama: This publication is distributed, based solely on public information openly available to the general public, by J. Safra Sarasin Asset Management S.A., Panama, regulated by the Securities Commission of Panama.
Qatar Financial Centre (QFC): This material is intended to be distributed by Bank J. Safra Sarasin (QFC) LLC, Qatar [“BJSSQ”] from QFC to Business Customers as defined by the Qatar Financial Centre Regulatory Authority (QFCRA) Rules. Bank J. Safra Sarasin (QFC) LLC is authorised by QFCRA. This material may also include collective investment scheme/s (Fund/s) that are not registered in the QFC or regulated by the Regulatory Authority. Any issuing document / prospectus for the Fund, and any related documents, have not been reviewed or approved by the Regulatory Authority. Investors in the Fund may not have the same access to information about the Fund that they would have to information of a fund registered in the QFC; and recourse against the Fund, and those involved with it, may be limited or difficult and may have to be pursued in a jurisdiction outside the QFC.
Singapore: This document is disseminated by Bank J. Safra Sarasin Ltd., Singapore Branch in Singapore. Bank J. Safra Sarasin, Singapore Branch is an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110), a wholesale bank licensed under the Singapore Banking Act (Cap. 19) and regulated by the Monetary Authority of Singapore.
United Kingdom: This document is distributed from the UK by Bank J. Safra Sarasin (Gibraltar) Ltd, London Branch, 47 Berkeley Square, London, W1J 5AU, to its clients, prospects and other contacts. Bank J. Safra Sarasin (Gibraltar) Ltd offers wealth and investment management products and services to its clients and prospects through Bank J. Safra Sarasin (Gibraltar) Ltd, London Branch. Registered as a foreign company in the UK number FC027699. Authorised by the Gibraltar Financial Services Commission and subject to limited regulation in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority. Registration number 466838. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request. Registered office 57 - 63 Line Wall Road, Gibraltar. Telephone calls may be recorded. Your personal data will be handled in accordance with our Data and Privacy Statement. Nothing in this document is intended to exclude or restrict any liability that we owe to you under the regulatory system that applies to us, and in the event of conflict, any contrary indication is overridden. You are reminded to read all relevant documentation relating to any investment, including risk warnings, and to seek any specialist financial or tax advice that you need. You are not permitted to pass this document on to others, apart from your professional advisers. If you have received it in error please return or destroy it.
© Copyright Bank J. Safra Sarasin Ltd. All rights reserved.