J. Safra Sarasin

Cross-Asset Weekly

15 December 2023

The Fed pivot is here

Major central banks have again taken centre stage. They all agreed – more or less explicitly – that peak policy rates are here, but differed substantially with regard to the timing of the first rate cuts. The Fed provided no push-back against market pricing for quick and substantial rate cuts, however, both the ECB and the Bank of England stressed that policy rates would need to stay in restrictive territory for somewhat longer in order to bring inflation back to target levels. Similarly, the Swiss National Bank remains in a wait-and-see mode. The very dovish Fed has led markets to price substantial policy easing for 2024 already starting in March, raising the odds for faster and larger rate cuts. We don't expect a shift in policy from the Bank of Japan at its December 18-19 meeting. Instead, Governor Ueda is likely to emphasise the prerequisites for an exit from Negative Interest Rate Policy and to indicate that the BoJ is growing more confident that these will be met in 1H24.

Over in the Crypto space, Bitcoin has staged a remarkable recovery. We see positive sentiment continuing in the near term, yet we note that idiosyncratic events will likely remain in the driving seat more often than not. Finally, we look at Asia ex China, where Indian equities now account for more than 20% of the EM Asia index market cap. While we would not question the long-term growth and return potential of the Indian equity market, it is starting to look stretched from a tactical point of view. Other markets, such as Korea and Taiwan appear more attractive in the short term. A weaker US dollar should provide some support in 2024 as well as a more balanced semiconductor inventory cycle.

We wish you all the best for the festive season and a good start into the year 2024!
The next Cross-Asset Weekly will be published on January 12, 2024.

This week's highlights

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Central banks

A very dovish Fed

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Major central banks have taken centre stage this week. They all agreed – more or less explicitly – that peak policy rates are here, but differed substantially with regard to the timing of the first rate cuts. The Fed provided no push-back against market pricing for quick and substantial rate cuts, however, both the ECB and the Bank of England stressed that policy rates would need to stay in restrictive territory for somewhat longer in order to bring inflation back to target levels. Similarly, the Swiss National Bank remains in a wait-and-see mode. The very dovish Fed has led all markets to price substantial policy easing for 2024 starting in March, raising the odds for faster and larger central bank cuts.

A much more dovish Fed than expected

As expected, the Fed kept its policy rate unchanged at 5.25% - 5.5% for the third meeting in a row. In the press conference, Chair Powell acknowledged that growth was slowing and that inflationary pressures were clearly easing. In fact, in the Fed's December dot plot, median core PCE inflation expectations were revised down for both 2023 and 2024. Importantly, the new dots imply no more hike in 2023 and one additional rate cut for 2024. The Fed carefully weighs the implications of what it communicates, so adding another rate cut in the dot plot seems to confirm the notion that the FOMC believes policy rates have peaked and that the discussion is now about the timing and magnitude of rate cuts. Chair Powell did not attempt to push back against current market pricing of early rate cuts during the press conference, when only two weeks ago, he had stated that it would be "premature to conclude with confidence that we have achieved a sufficiently restrictive stance".

The ECB acknowledges progress on inflation, but wants to keep policy rates at restrictive levels for some time

Over in Europe, the ECB also left policy rates unchanged and indicated that the peak has likely been reached. However, President Lagarde noted that they would need to stay at sufficiently restrictive levels for longer since domestic price pressures remain elevated. Rate cuts were not discussed she said, although risks to economic growth remain tilted to the downside. The ECB has not seen enough progress on inflation to be sufficiently confident to achieve its 2% target. Yet new staff projections show slight downward revisions to growth and inflation in 2024 and 2025. Importantly, the ECB also announced further steps in the reduction of its balance sheet. Bond holdings in the Pandemic Emergency Purchase Programme (PEPP) will be reduced by 7.5bn EUR/month starting in H2 2024, before terminating reinvestment of maturing bonds completely from 2025 onwards.

The BoE feels that not enough progress has yet been made to bring inflation sustainably down to target

The Bank of England also kept rates unchanged, with three out of nine MPC members still voting for a raise, and provided more push-back than the Fed against current market pricing, which projects 130bps worth of cuts in 2024. The BoE noted that a restrictive monetary policy was needed for an extended period of time. The labour market has started to loosen and wage growth is moderating, but the BoE feels that not enough progress has yet been made to bring inflation sustainably down to target.

SNB is in wait-and-see mode

The SNB has reduced its inflation forecast until 2026, reflecting that it feels comfortable with current rates levels. The statement also no longer mentions that further hikes might be necessary, leaving the SNB in wait-and-see mode.

Rates markets took the dovish Fed as a green light to price faster and larger interest rate cuts

Rates markets took the dovish Fed as a green light to price earlier, faster and larger interest rate cuts. Investors, however, do not price policy rates to move meaningfully below our estimate of neutral in most markets.

Japan macro

The BoJ's difficult communication task

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The BoJ's messaging with regard to its policy normalisation has been confusing over past months. Investors have been wrong-footed several times ahead of policy meetings. We don't expect a shift in policy at its December 18-19 meeting. Instead, Governor Ueda is likely to emphasise the prerequisites for an exit from Negative Interest Rate Policy and to indicate that the BoJ is growing more confident that they will be met in H1 2024. We still expect a first rate hike in spring next year.

Financial markets have mis-interpreted BoJ's recent messages, in our view

Mark Carney, Bank of England's previous Governor, was accused of being an "unreliable boyfriend" by a British politician back in 2014. The Governor was criticised for inconsistent messaging about the outlook for interest rates. Painting top officials at the Bank of Japan (BoJ) with the same brush wouldn't be entirely unfair. Investors have been wrong-footed several times ahead of previous policy meetings. Last week, some officials appear to have raised the prospect, at least in the eyes of market participants, of an early exit of its Negative Interest Rate Policy (NIRP). These statements were subsequently amended.

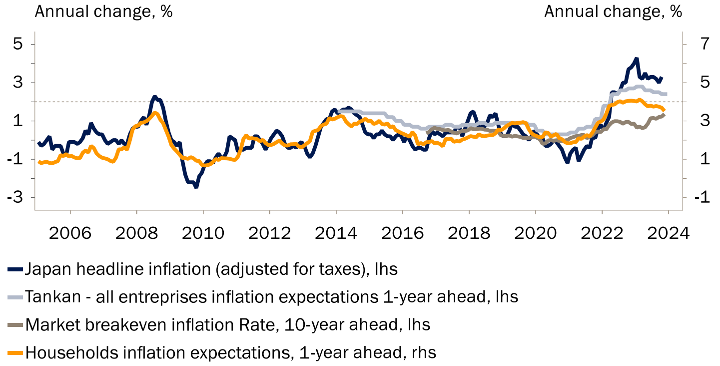
We don't expect a policy shift at the December 18-19 meeting

In our view, comments by Governor Ueda and deputy Governor Himino didn't imply an imminent policy shift. But the market reaction showcases that the BoJ has a communication challenge with inflation exceeding its 2% target for well over a year. The Bank needs to keep alive market expectations of an incoming pivot, in part to prevent a further depreciation of the yen. At the same time, it makes little sense for the Bank to surprise the market as the economic case to end the very accommodative policy stance builds. We therefore expect the Governor at next week's meeting to emphasise again the prerequisites for an exit and to indicate that the BoJ is growing more confident than those will be met in 1H24.

Policy normalisation is still coming, most likely in spring next year

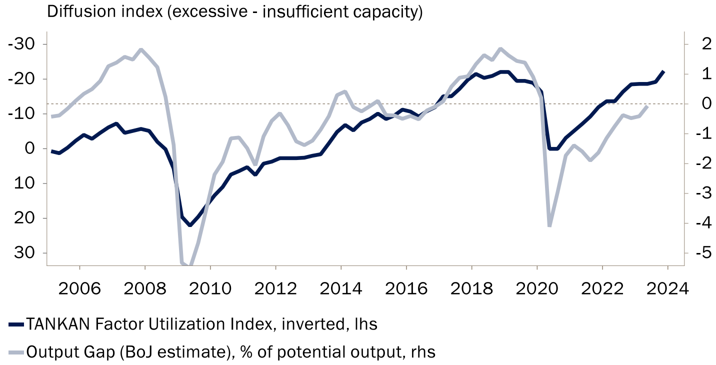
We still believe that the direction of travel is for a normalisation of policy. While goods inflation should fall over the coming months, the BoJ has downplayed the role of cost-push inflation in driving its decision. The focus, instead, is on domestically-generated inflation. On balance, the evidence points to more sustained underlying inflationary pressures: (1) Inflation expectations remain elevated; (2) The latest Tankan survey suggests that the economy is likely already operating above full capacity and (3) The annual 'Shunto' negotiations should lead to wage gains of around 3.5% for FY24, amid strong corporate earnings and structural labour shortages. The BoJ is likely to pull the trigger next spring once it receives confirmation that inflationary pressures have become more deeply rooted.

Exhibit 1: Inflation expectations remain elevated



Source: Macrobond, Bank J. Safra Sarasin, 15.12.2023

Exhibit 2: Operating at or above full capacity



Source: Macrobond, Bank J. Safra Sarasin, 15.12.2023

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Crypto update

Is the 'crypto winter' finally coming to an end?

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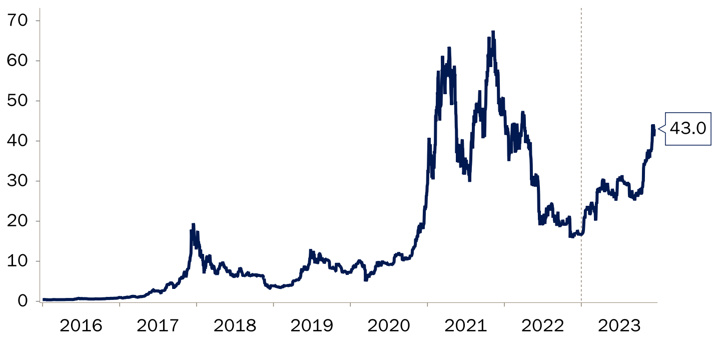
Year-to-date, Bitcoin has staged a remarkable recovery, rising from 2-year lows around $16'000 to well above $40'000. In essence, Bitcoin's recent surge relates to a number of recent developments, such as the anticipation of an SEC approval for crypto ETFs as a result of a landmark ruling, the conclusion of investigations into Binance and FTX, as well as the forthcoming of the 4th 'Bitcoin halving'. Taken these factors together, we see benign sentiment in the near term, yet we note that idiosyncratic events will likely remain in the driving seat.

Bitcoin has staged a remarkable recovery

Year-to-date, Bitcoin has staged a remarkable recovery, rallying from 2-year lows around $16'000 to well above $40'000 (Exhibit 1), leaving cryptos as the top performers across asset classes this year (Exhibit 2). Bitcoin's rise has been particularly accentuated over the past months and hence reflects a number of recent developments that warrant a closer look.

Exhibit 1: Bitcoin has staged a remarkably recovery

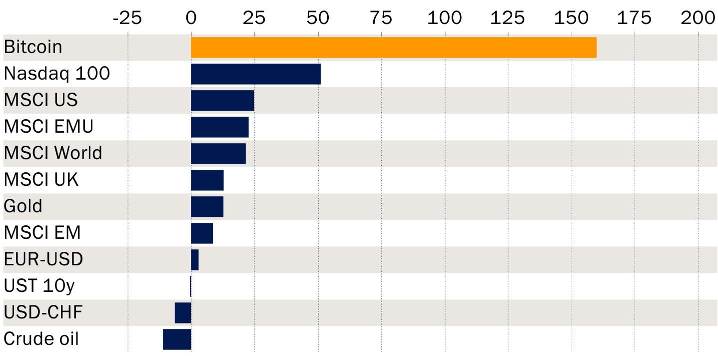
Bitcoin price in USD k



Source: Macrobond, Bank J. Safra Sarasin, 14.12.2023

Exhibit 2: Ytd, crypto assets are the best performing asset class

Ytd performance across asset classes in US dollar, %



Source: Macrobond, Bank J. Safra Sarasin, 14.12.2023

Market speculation about the upcoming SEC approval of a crypto ETF

While the general risk sentiment has certainly improved over the past months, the most important drivers of Bitcoin's surge were crypto-specific. To start with, the past months saw increased market speculation about the upcoming approval of an exchange traded fund (ETF) on the Bitcoin spot price by the US Securities and Exchange Commission (SEC). Several asset managers, including BlackRock, Fidelity, Invesco, Cathie Wood's ARK Invest and others, filed applications for crypto ETFs with the SEC. Absent the need for a digital wallet, crypto ETFs would make it much easier for everyday investors to invest into digital assets such as Bitcoin. Hence the release of crypto ETFs is expected to trigger a wave of inflows into crypto assets from both private and institutional investors, which would likely push the price of Bitcoin even higher in the near term.

US federal court ordered SEC to reconsider applications for crypto ETFs

So far, the SEC has refused to approve ETFs that are linked to Bitcoin's spot instead of futures prices. Yet the tide seems to be turning. Most importantly, the crypto asset manager 'Grayscale Investments' won a lawsuit against the SEC in August, challenging the SEC's rejection of its 2021 application for a Bitcoin ETF. In what was widely considered a landmark decision, the US federal court ruled that the SEC's rejection was «arbitrary and capricious» and ordered the SEC to reconsider its rejection.

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Anecdotal evidence suggests that application process is at an advanced stage

While the SEC declines to comment on the progress of crypto ETF applications currently underway, crypto assets have started to jump higher, given the community's anticipation of an eventual SEC approval. Moreover, insiders recently voiced that regulators are now asking more detailed and technical questions (e.g., see ARK Invest founder Cathie Wood in her November interview with CNBC). This is a departure from past practice where «filings were just rejected out of hand», suggesting that the application process is at an advanced stage. There seems to be a growing consensus in the crypto community that the approval, which could be given as early as in January 2024, is more «a matter of when» but «not a matter of if anymore». Indeed, crypto proponents have already started to declare the end of the so-called 'crypto winter'.

The resolution of legal cases against crypto exchanges added to the tailwinds...

The resolution of two pending legal cases added to the recent tailwinds. The conviction of Sam Bankman-Fried in early November was perceived as a major milestone for the industry's self-cleansing process. Even crypto insiders seem to hold this view. The founder of the failed FTX exchange was found guilty of all seven counts of fraud and conspiracy. Moreover, the resolution of the legal dispute between the US Department of Justice and the crypto exchange Binance constitutes a further step in the same direction. Pleading guilty for money laundering, unlicensed money transmitting and sanctions violations, Binance agreed to pay over $4bn. Founder Changpeng Zhao agreed to step down as the company's CEO and to pay a separate fine of $50m related to personal charges. But with a separate lawsuit with the SEC is pending, Binance is not yet out of the woods.

...along with the victory of pro-Bitcoin candidate Javier Milei in the Argentinian election

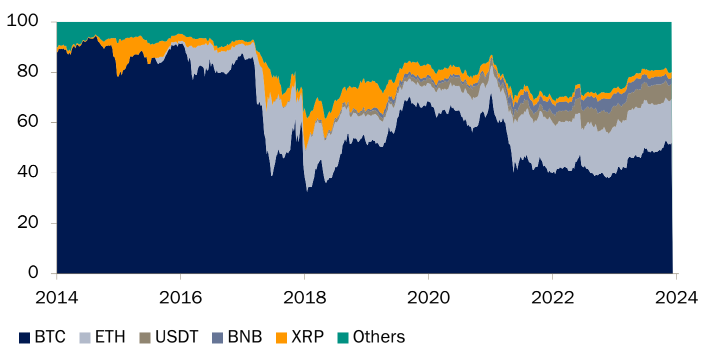
The victory of anti-establishment and pro-Bitcoin candidate Javier Milei in the Argentinian general election recently acted as a further positive catalyst. A believer in Austrian economics, he praised Bitcoin as «the return of money to its original creator, the private sector». But while Milei's takes on economic and the monetary system favour Bitcoin adoption, his dollarisation plans (on which we lately commented here) would be at odds with the introduction of Bitcoin as an official currency.

Going forward, 'Bitcoin halving' is expected to be a major driver

Going forward, 'Bitcoin halving' is expected to be a major driver. According to the halving policy embedded in Bitcoin's mining algorithm, the reward for miners for each successfully-mined block is cut in half after the mining of every 210'000 blocks. This occurs roughly every four years. As such, the next Bitcoin halving is scheduled for April 23, 2024.

Exhibit 3: Bitcoin dominance has risen again

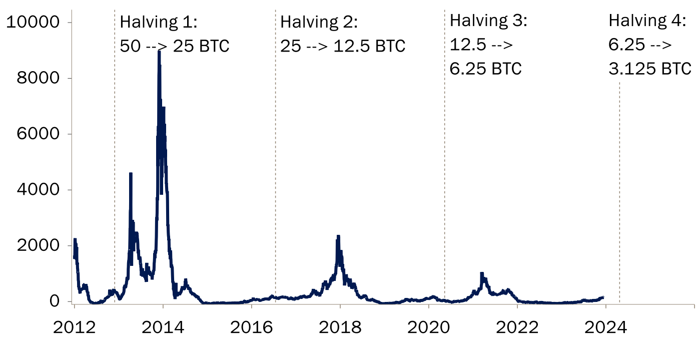
Bitcoin dominance: Bitcoin market cap as a share of total crypto market cap, %



Source: CoinMarketCap, Bank J. Safra Sarasin, 14.12.2023

Exhibit 4: Bitcoin has performed well following previous halvings

Bitcoin performance, % yoy



Source: Macrobond, Bank J. Safra Sarasin, 14.12.2023

This time around, Bitcoin halving may lead to a drop in mining activity

This time around, Bitcoin halving could be particularly meaningful for miners, given that energy cost has remained substantially above the levels prior to the last halving. While miners are incentivised to move to locations with low electricity cost, it might essentially drive several miners out of business, further adding to Bitcoin's scarcity. Overall, Bitcoin halving is regarded as a positive tailwind among crypto investors and likely contributed to the recent pickup in Bitcoin's dominance (Exhibit 3). A look at the previous three Bitcoin halvings in 2020, 2016 and 2012 reveals that Bitcoin experienced an extended rally following each of the past three Bitcoin halvings (Exhibit 4).

The importance of Bitcoin halvings for price development looks somewhat overstated

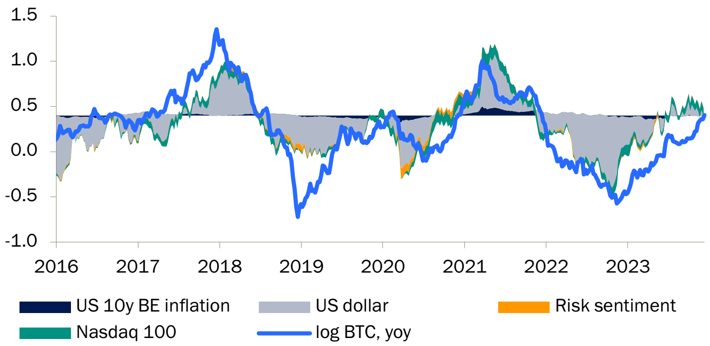
Yet there is substantial debate as to what degree the previous Bitcoin cycles were driven by the halvings. First, the reoccurrence of Bitcoin halvings is publicly known and hence today's Bitcoin price should in principle already reflect all future Bitcoin halvings. Second, a reduction in mining activity could cause a drop in the hash rate (the combined computational power in the network), which might reduce network stability. Third, we recently showed that an array of further factors significantly contributes to the price variation of Bitcoin as well. In 2020, these were the pronounced weakness of the US dollar seen during 2H20, along with ultra-low real yields, a stellar performance of the Tech sector and excessive risk taking. Lastly, one could argue that cryptos' stellar year-to-date performance already reflects a considerable portion of the anticipated upside.

Bitcoin's direction will also depend on the dynamics of the US dollar

With regard to the macro environment, we think that an end of the relative outperformance of the US economy may be benign for crypto assets. As we stressed earlier, Bitcoin shows particularly high inverse correlation with the US dollar (Exhibit 5) and hence a weaker dollar would be supportive for Bitcoin. Our macroeconomic base case of a mild recession in the US implies (i) some more downside for yields, and (ii) a likely less restrictive monetary policy stance, which – on balance –should also be supportive for the broader crypto space. Yet an unexpected uptick in US inflation could easily result in a re-strengthening of the US dollar on the back of higher yields, leaving Bitcoin exposed to substantial downside. Either case is reflected in the recent rise in option-implied volatilities (Exhibit 6).

Exhibit 5: The US dollar represents the most important macro driver

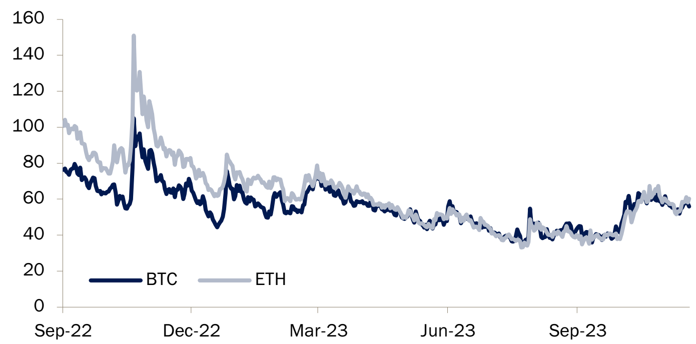
Bitcoin, yoy log returns – contributions from drivers, 2016 – present



Source: Macrobond, Bank J. Safra Sarasin, 14.12.2023

Exhibit 6: Implied volatility has ticked up in anticipation of large moves

Option-implied volatility



Source: CoinMarketCap, Bank J. Safra Sarasin, 14.12.2023

Cryptos are vulnerable to the downside, if exuberant expectations are not met

Taken together, we conclude that sentiment looks benign for crypto assets in the near term. And given that the crypto space has weathered several storms, an increasing share of crypto proponents is tempted to declare that the 'crypto winter' is over. Yet we caution that regulatory approval is pending and idiosyncratic events will likely remain in the driving seat. With an abundance of optimism priced, we note that crypto assets are vulnerable to substantial downside if the crypto community's exuberant expectations are not met.

EM equities

Asia equities: A look beyond China

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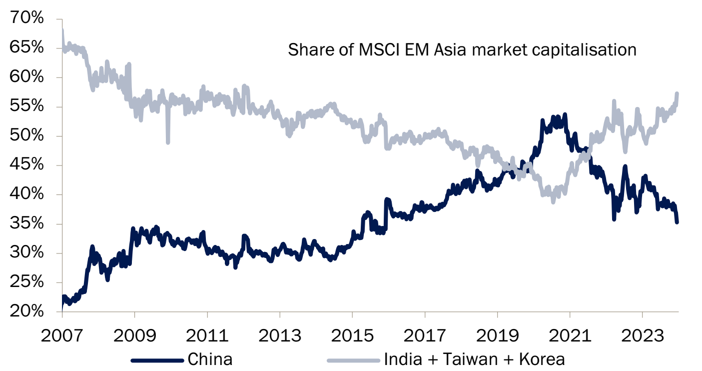
With Chinese equities' relevance for the EM Asia index in decline, Indian equities are filling the gap. They now account for more than 20% of the EM Asia index market cap, a result of their stellar performance over the past three years. While we would not question the long-term growth and return potential of the Indian equity market, it is starting to look stretched from a tactical point of view. Other markets, such as Korea and Taiwan appear more attractive in the short term. A weaker US dollar should provide some support in 2024 as well as a more balanced semiconductor inventory cycle.

Within EM Asia equities, India has gained its market cap share at the expense of China

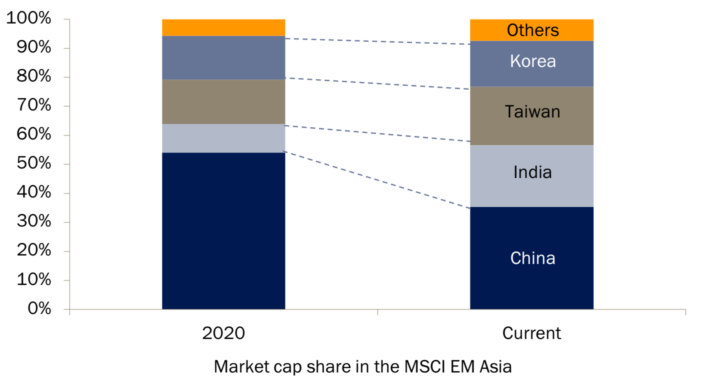
The structure of the Emerging Market (EM) Asia equity market has seen a gradual yet fundamental change over the past three years. After decades of rising dominance, the share of Chinese equities in the MSCI EM Asia peaked at above 50% in late 2020, before falling back to an eight-year low of 35% today (Exhibit 1). The gap has largely been filled by Indian equities, which saw their share in the MSCI EM Asia increase to an all-time high of 21%, driven by their remarkable outperformance over the rest of Asia in the past four years (Exhibits 2,4).

Exhibit 1: China's market cap share has fallen by almost 20%-points



Source: Refinitiv, Bank J. Safra Sarasin, 13.12.2023

Exhibit 2: India has increased its share in the MSCI EM Asia to 21%



Source: Refinitiv, Bank J. Safra Sarasin, 13.12.2023

Indian equities have outperformed most global peers, due to their strong domestically-driven growth

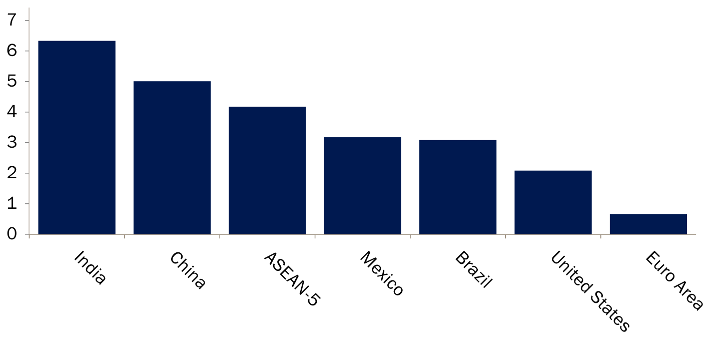
The outperformance of Indian equities vs most of their global peers has predominantly been a function of the strong rebound in India's growth after the pandemic. Largely insulated from the global cycle and from the slowdown in China, India has outgrown most other major economies in 2023 (Exhibit 3). This has directly translated into a strong earnings recovery and into equity market performance.

At more than 7%, Indian growth has beaten expectations, but is set to slow down to around 6%

At more than 7% in the last two quarters, India's growth beat expectations. But we expect activity to moderate towards 6% next year (its potential growth rate) as public capex spending slows and agricultural production weakens (see more details in this week's Emerging Markets Weekly). Growth in the last two years has been driven by strong increases in public capex spending, while consumption has lagged due to the scarring effects from the pandemic (Exhibit 5). While there has been a boom in the services export sector (e.g. global capability centres that serve global businesses), the employment situation in other sectors has not improved as much. A significant number of migrant workers that went back to the rural area during the COVID years remain in the agricultural sector (45% of total employment last year, compared to 42% pre-pandemic). Still, with China's structural slowdown, India's growth at around 6% is hard to beat compared to the rest of the world. More reforms could bring the potential growth closer to 7%.

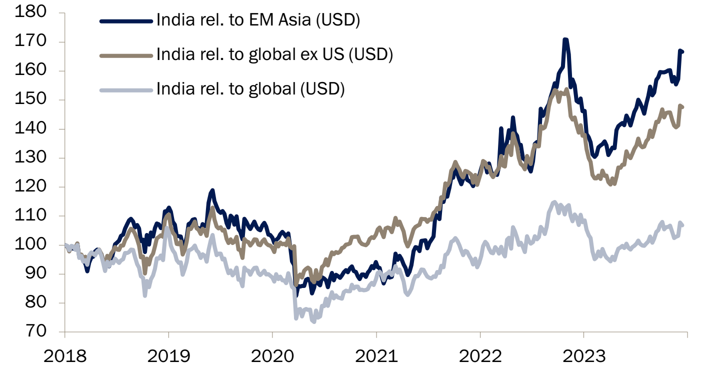
Exhibit 3: India sees strongest growth among major economies

IMF WEO, GDP Growth Estimates, 2023, % yoy



Source: Macrobond, Bank J. Safra Sarasin, 12.12.2023

Exhibit 4: Indian equities have outperformed across the board



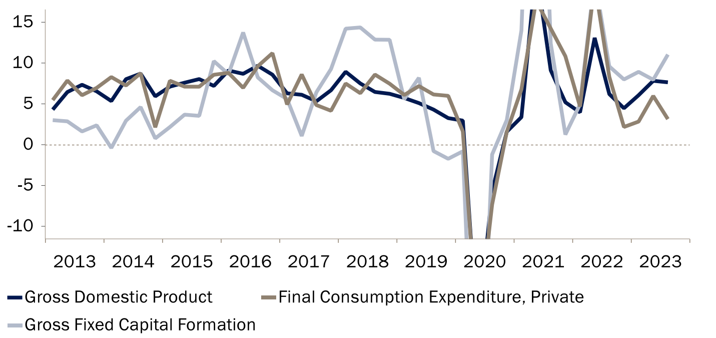
Source: Refinitiv, Bank J. Safra Sarasin, 12.12.2023

The heavily managed rupee has not gained as the US dollar recently weakened

The rupee continues to be heavily managed as the Reserve Bank of India (RBI) leans against the wind and accumulates reserves when the US dollar weakens. While foreign direct investment has slowed this year, other capital flows including flows into the stock market have seen a major recovery (Exhibit 6). The inclusion of Indian bonds in the JP Morgan bond index should keep portfolio flows robust. We expect the RBI to continue its current practice.

Exhibit 5: Strong growth in India has been driven by public capex

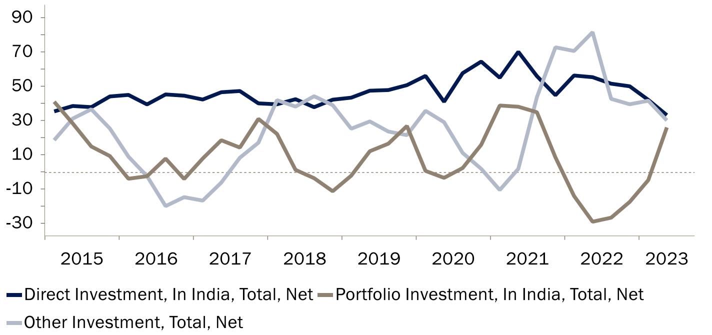
India, GDP Growth, % yoy



Source: Macrobond, Bank J. Safra Sarasin, 13.12.2023

Exhibit 6: Robust portfolio flows should continue

India, Financial Account, USD billion



Source: Macrobond, Bank J. Safra Sarasin, 13.12.2023

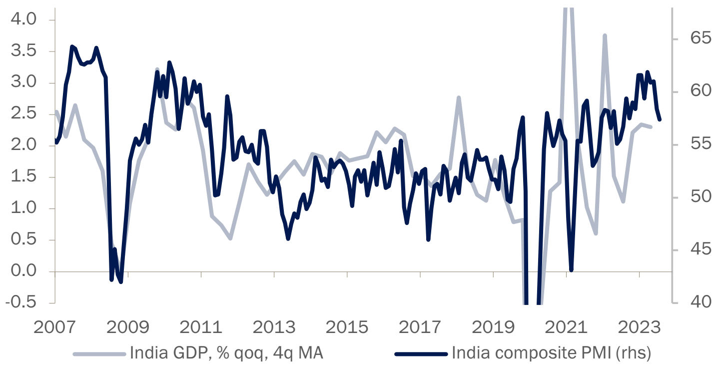
Moderating growth will likely translate into relative underperformance in 2024

For the equity market, the moderating growth backdrop implies some short-term consolidation after the strong performance over recent months. Quarterly GDP growth rates will likely drop to around 1.5% qoq in 2024, which would imply a further retreat in PMIs. These have already started to fade from their cycle peak at close to 62 in July. 1.5% of quarterly GDP growth would be equivalent to a PMI level below 55 (Exhibit 7). Relative macro momentum would likely turn negative as a result and see Indian equities underperform global equities by 5% to 10% over the coming 6 months (Exhibit 8).

Valuations are already elevated

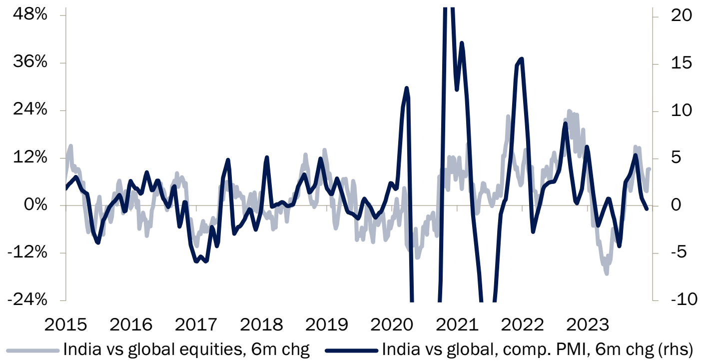
This would happen against a backdrop of already very elevated valuations. The Indian equity market is trading with the highest PE among major global equity markets. At 21x, 12-month forward EPS, it is even more expensive than the US large cap market and also trading at the highest premium relative to its own 10-year average among global indices (Exhibit 9).

Exhibit 7: Lower sequential growth likely means a lower PMI...



Source: Refinitiv, Bank J. Safra Sarasin, 12.12.2023

Exhibit 8: ...and relative underperformance of Indian equities

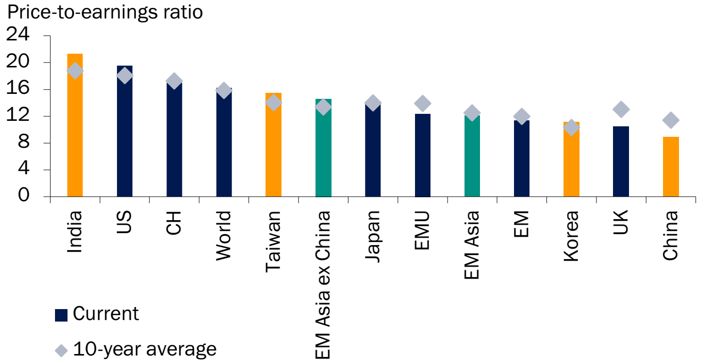


Source: Refinitiv, Bank J. Safra Sarasin, 12.12.2023

Given the growth slowdown and elevated valuations, we would tactically wait for a more attractive entry point for Indian equities

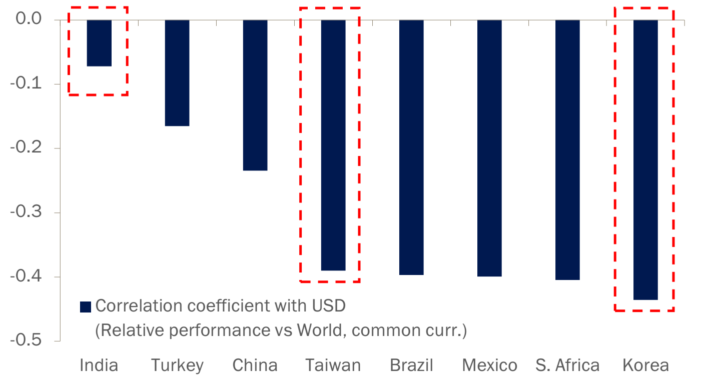
A weaker US dollar, which we expect in our base case, is unlikely to provide much support either. Among major EM equity markets, Indian equities are the least sensitive to US dollar moves, which is just another reflection of the market's insulation against global developments (Exhibit 10). Lastly, while more private capex support may come after the election, we cannot rule out higher market volatility in the period leading up to the election. Thus, while the long-term growth story for Indian equities remains intact, we would adopt a more cautious stance from a tactical point of view and wait for a more attractive entry point for a strategic position in the market.

Exhibit 9: Indian equities are expensive on 12-month forward PEs



Source: Refinitiv, Bank J. Safra Sarasin, 12.12.2023

Exhibit 10: Weaker US dollar does not help Indian equities



Source: Refinitiv, Bank J. Safra Sarasin, 12.12.2023

A weaker US dollar should support Korean and Taiwanese equities on the other hand

Other major EM markets appear more attractively positioned given the outlook for a weaker US dollar. For instance, Korean and Taiwanese equities are attractively valued and have benefitted from a weaker US dollar in the past (Exhibit 11).

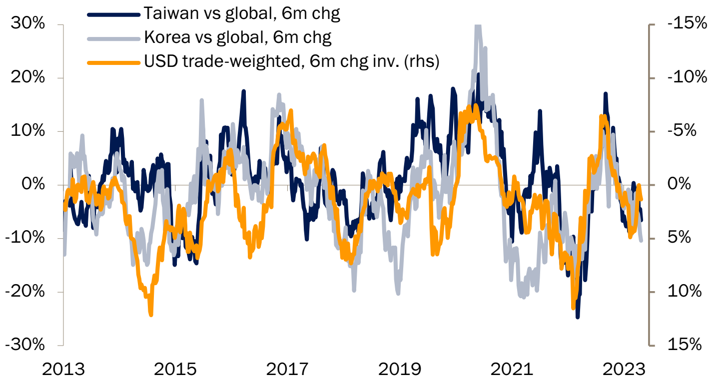
The improvement in the global tech cycle should also support Korea and Taiwan

Furthermore, the global tech cycle has turned and semiconductors sales are on the rise. A new product cycle as well as the AI boom have led to robust chip production and exports, after a slump that started in 2022. Growth in Korea's semiconductor exports, for example, is back in positive territory (Exhibit 12), while Taiwanese electronics exports are bouncing back as well.

Within EM Asia, Korean equities are most attractive, followed by Taiwanese equities

This leaves us to conclude that the EM Asia equity index is increasingly a sum of its parts, rather than a homogenous market. Over the past 2.5 years, Chinese equities have been struggling following a multitude of policy decisions by the government (internet platform and real estate developer crackdowns were two major decisions). India has risen in relevance but remains a very domestically-driven market, while Korea and Taiwan are largely geared towards the global tech and semi cycle. Against this backdrop, Korean equities are looking the most attractive in our view, followed by Taiwanese equities. On Indian equities, we would adopt a more cautious stance going into 2024, given the likely growth slowdown and elevated valuations. With regard to Chinese equities, we continue to be very cautious, mainly for regulatory reasons, even if the macro cycle is stabilising and valuations are looking very attractive.

Exhibit 11: Korea and Taiwan both benefit from a weaker US dollar



Source: Refinitiv, Bank J. Safra Sarasin, 13.12.2023

Exhibit 12: The global semiconductor cycle is on the rise

Source: Macrobond, Bank J. Safra Sarasin, 13.12.2023

Economic Calendar

Week of 18/12 – 22/12/2023

Country	Time	Item	Date	Unit	Consensus Forecast	Prev.
Monday, 18.12.2023						
GE	10:00	IFO Expectations	Dec	Index	--	85.20
US	14:30	New York Fed Services Activity	Dec	Index	--	-11.90
	16:00	NAHB Housing Market Index	Dec	Index	38.00	34.00
Tuesday, 19.12.2023						
JN	03:30	BOJ Policy Balance Rate	Dec19	%	-0.10%	-0.10%
	03:30	BOJ 10-Yr Yield Target	Dec19	%	0.00%	0.00%
US	14:30	Building Permits	Nov	1'000	1460k	1487k
	14:30	Housing Starts	Nov	1'000	1360k	1372k
Wednesday, 20.12.2023						
GE	08:00	PPI MoM	Nov	mom	--	-0.10%
	08:00	PPI YoY	Nov	yoy	--	-11.00%
UK	08:00	CPI MoM	Nov	mom	--	0.00%
	08:00	CPI YoY	Nov	yoy	--	4.60%
	08:00	CPI Core YoY	Nov	yoy	--	5.70%
US	16:00	Conference Board Expectations	De	Index	--	77.80
Thursday, 21.12.2023						
US	14:30	Initial Jobless Claims	Dec16	1'000	--	--
	14:30	Philadelphia Fed Business Outl.	Dec	Index	-3.00	-5.90
	16:00	Leading Index	Nov	mom	-0.40%	-0.80%
	17:00	Kansas City Fed Manf. Activity	Dec	Index	--	-2.00
Friday, 22.12.2023						
JN	00:30	Natl CPI YoY	Nov	yoy	--	3.30%
	00:30	Natl CPI Ex Fresh, Energy YoY	Nov	yoy	--	4.00%
UK	08:00	Retail Sales Ex Auto Fuel MoM	Nov	mom	--	-0.10%
	08:00	Retail Sales Ex Auto Fuel YoY	Nov	yoy	--	-2.40%
US	14:30	PCE Core Deflator MoM	Nov	mom	0.30%	0.20%
	14:30	PCE Core Deflator YoY	Nov	yoy	3.40%	3.50%
	14:30	Cap Goods Orders Nondef Ex Air	Nov P	mom	--	-0.30%
	14:30	Cap Goods Ship Nondef Ex Air	Nov P	mom	--	0.00%
	16:00	New Home Sales	Nov	1'000	690k	679k

Source: Bloomberg, J. Safra Sarasin as of 14.12.2023

J. Safra Sarasin

Cross-Asset Weekly

15 December 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 (%)	0.66	-13	-96	8.4
German Bund 10 year (%)	2.12	-16	-45	5.6
UK Gilt 10 year (%)	3.79	-15	12	3.4
US Treasury 10 year (%)	3.94	-28	7	3.0
French OAT - Bund, spread (bp)	52	-3	-2	
Italian BTP - Bund, spread (bp)	167	-12	-47	

Stock Markets	Level	P/E ratio	1W TR in %	TR YTD in %
SMI - Switzerland	11'210	18.3	2.2	7.8
DAX - Germany	16'752	12.5	0.7	20.3
MSCI Italy	962	8.0	0.5	27.7
IBEX - Spain	10'172	10.6	0.4	28.8
DJ Euro Stoxx 50 - Eurozone	4'539	12.8	1.5	23.7
MSCI UK	2'191	11.2	1.8	6.2
S&P 500 - USA	4'720	21.9	2.9	24.9
Nasdaq 100 - USA	16'538	29.4	3.2	52.4
MSCI Emerging Markets	993	13.4	2.4	6.7

Forex - Crossrates	Level	3M implied volatility	1W in %	YTD in %
USD-CHF	0.87	6.6	-1.5	-6.2
EUR-CHF	0.95	5.5	0.6	-3.7
GBP-CHF	1.11	6.3	0.2	-1.1
EUR-USD	1.10	6.4	2.1	2.7
GBP-USD	1.28	7.1	1.7	5.7
USD-JPY	141.9	10.7	-2.1	8.2
EUR-GBP	0.86	5.0	0.4	-2.8
EUR-SEK	11.27	7.2	0.1	1.0
EUR-NOK	11.54	9.2	-1.7	9.9

Commodities	Level	3M realised volatility	1W in %	YTD in %
Bloomberg Commodity Index	99	15.0	1.2	-12.5
Brent crude oil - USD / barrel	77	39.8	4.0	-5.0
Gold bullion - USD / Troy ounce	2'037	15.0	0.4	11.7

Source: J. Safra Sarasin, Bloomberg as of 14.12.2023

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