J. Safra Sarasin
Cross-Asset Weekly

12 January 2024

After the Fed pivot

After one of the sharpest and quickest tightening cycles in history, most developed markets central banks have indicated that peak policy rates have been reached and that rate cuts are on the table for 2024. In fact, the disinflationary process in most developed markets seems to be going faster than previously expected, although it is largely the result of normalising supply chains rather than a slowdown in demand. However, central banks seem to be increasingly concerned about the economic outlook, making more and faster policy rate cuts likely. This should help to reduce 'left-tail' risks to financial markets.
In our monthly macro and strategy update, we have therefore brought forward our first policy rate cuts to Q2 2024, from Q3, and we have increased the magnitude of cuts for 2024 by 25bp-50bp. While we still expect a mild recession in the US, we also think that additional policy easing will lead to a faster recovery as we move into 2025.

Even after the fierce bond rally in November and December, market expectations for policy rates are still not priced to go below levels considered neutral. While a rise in yields is possible over coming months, we continue to have a positive view on bond markets and expect yields to be lower in 6 to 12 months, with yield curves steepening.

In FX, a short-term dollar rebound looks likely as rates have stopped falling. Swiss franc appreciation should slow down somewhat going forward. Finally, we have upgraded our year-end forecast for gold.

In equities, we have upgraded our targets, raising the 2024 S&P 500 forecast to 5100. The Fed's dovish pivot implies more protection for the equity market in a downside scenario, while it should also help to lift valuations and support earnings until year-end, in our base case. Over coming months, however, we remain cautious, given the deteriorating macro dynamics and expect most of the upside only to materialise in H2 2024.

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Monthly macro and strategy forecast update

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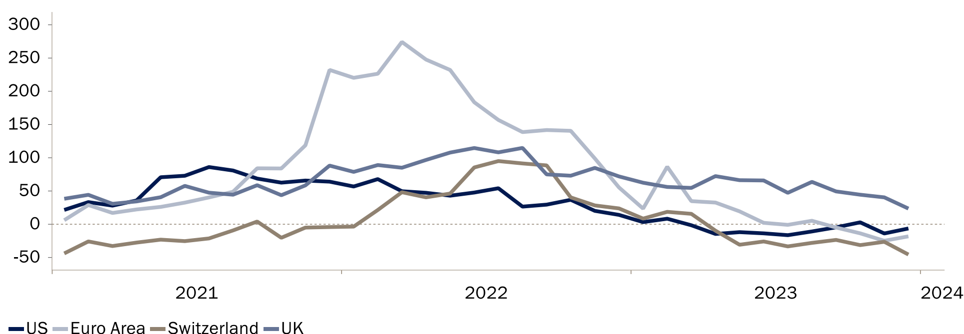
The faster-than-expected decline in inflation as well as Chair Powell's dovish pivot at the end of last year have reinforced the perception in financial markets that the Fed has nailed a soft landing. While we also recognise that the Fed is likely to cut rates a bit earlier and faster than previously anticipated, we don't think this will be enough to prevent the economy from falling into a mild recession in 2024. We still think that economic slack is a necessary condition for inflation to move closer to target. Instead, we think the recovery into 2025 will be stronger than previously anticipated. In Europe, the ECB and the BoE will probably follow in the Fed's footsteps once there is more evidence that underlying inflation is on downward trend. We continue to have a constructive outlook for fixed income and have upgraded our year-end forecast for gold. In the equity space, we have upgraded our year-end targets, raising the 2024 S&P 500 forecast to 5100. The Fed's dovish pivot implies more protection for the equity market in a downside scenario, while it should also help lift valuations and earnings slightly until year-end in our base case.

Global macro

Faster-than-expected disinflation and a more dovish Fed will probably result in earlier and more global policy easing than previously anticipated

Two important developments in the past few weeks have led us to make some revisions to our macroeconomic and policy rate outlook. First, inflation fell faster than expected at the end of last year in most major advanced economies, pushing down our inflation forecasts for 2024 (Exhibit 1). Second, faster disinflation and a more balanced labour market enabled the Fed, and in particular Chair Powell, to turn more dovish at the FOMC December meeting. The Fed now sees the risks to his dual mandate (price stability and full employment) as more balanced and is getting more concerned that it would inflict 'unnecessary pain' to the real economy if it were to keep policy tight for too long. In short, faster disinflation should allow the Fed, and most likely other central banks, to be a bit more forward-looking than previously anticipated.

Exhibit 1: Inflation surprised to the downside late last year



Source: Macrobond, Bank J. Safra Sarasin, 10.01.2024

Fed to cut rates in May or June

As a result, we have brought forward our expectation for a first Fed rate cut by one quarter to May/June. We also think that the Fed will be more comfortable in providing some additional support than previously anticipated once the real economy shows more signs of weakness. We see the Committee lowering its policy rate by 150bp by year end, an additional 50bp compared to our previous forecasts.

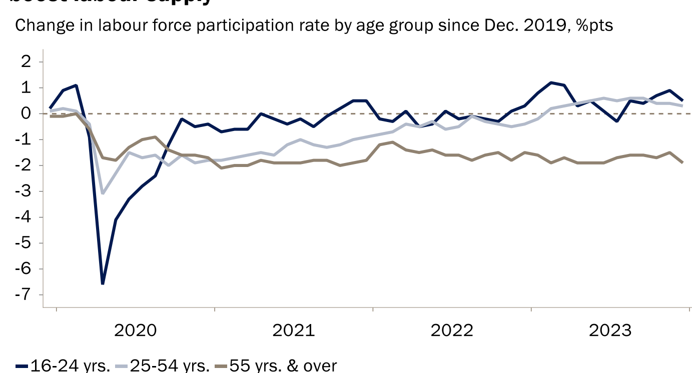
A soft landing of the economy would require another big increase in supply. We think this is unlikely

Does it mean the economy will avoid a recession and that the Fed will manage to soft land the economy? We still believe that this scenario is rather unlikely. Strong economic growth alongside falling inflation, as the US economy experienced last year, was very much the result of a net positive supply shock. But this is unlikely to be repeated. Indeed, supply rose faster than demand as production bottlenecks were removed and more people re-entered the labour force, reducing imbalances in the economy. But the post-pandemic normalisation to supply in products and labour markets have largely run their course, in our view (Exhibits 2-3). Stronger productivity growth, perhaps on the back of a fast deployment of Artificial Intelligence (AI), would support economic activity and reduce inflationary pressures. While we have little doubt that AI will lead to important productivity gains in the future, we are more sceptical that it could make a significant contribution in the next few quarters. History shows that it takes some time for new technologies to be widely adopted and to make a difference at a macro level.

Exhibit 2: The disinflationary impulse in the goods sector has passed

Source: Macrobond, Bank J. Safra Sarasin, 10.01.2024

Exhibit 3: Older workers would need to re-enter the labour force to boost labour supply



Source: Macrobond, Bank J. Safra Sarasin, 10.01.2024

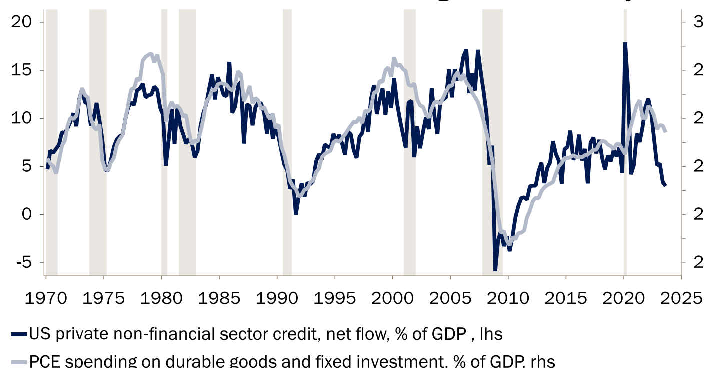
We expect demand to weaken, unemployment to rise and the economy to fall into a mild recession around mid-year

We return to the question of the long and variable lags of monetary policy and the extent to which demand will slow this year. In our view, past tightening is still working through the system, as highlighted by falling credit flows, rising bankruptcies and default rates (Exhibit 4). From the moment the economy no longer operates at full employment, any decline in demand is more likely to result in additional layoffs rather than just a cancellation of unfilled positions, as is currently the case. Though we might not be at this point yet, we have definitely moved much closer (Exhibit 5). On balance, we still think that the US economy is somewhat more likely to fall into a mild recession this year than not. But the rise in economic slack should weigh on wage growth and services inflation, bringing the inflation rate closer to target. A more pro-active Fed implies that the recovery we anticipate into 2025 should be a bit stronger than previously forecast. As such, we have revised up our 2025 GDP growth number to 1.6%, from 1.4% previously.

Euro area growth to remain weak in the winter half, and unemployment rate to rise somewhat

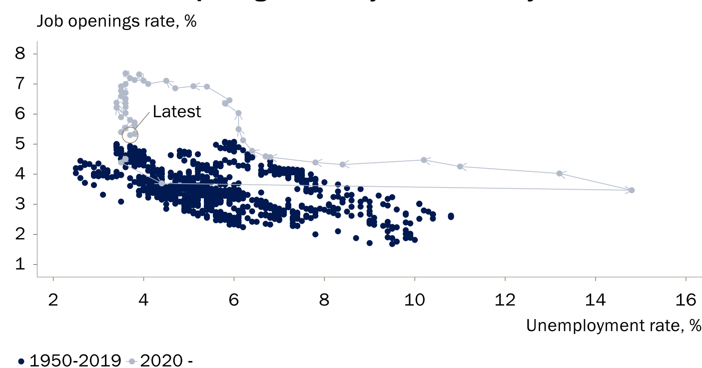
In the euro area, growth has remained anaemic and probably contracted in Q4. Still, the latest activity and consumer confidence surveys are a little more encouraging, in part reflecting the drop in headline inflation and a return to positive real wage gains. But this could be a double-edged sword. Euro area unemployment rate in 2023 remained historically low, despite weak aggregate demand. Companies preferred to reduce hours worked, in part because hoarding labour was relatively cheap with real wage growth being deeply negative. But as labour becomes costlier, the opportunity cost of hoarding labour rises and companies might need to shed labour if demand remains sluggish, as we expect.

Exhibit 4: Weaker credit flows should weigh on the economy



Source: Macrobond, Bank J. Safra Sarasin, 10.01.2024

Exhibit 5: Lower openings are likely to come with job destruction



Source: Macrobond, Bank J. Safra Sarasin, 10.01.2024

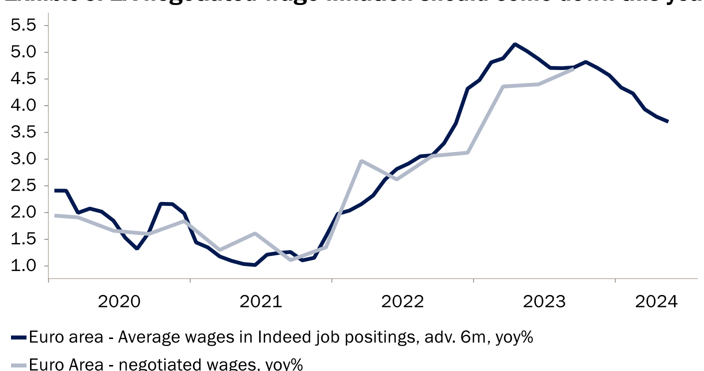
Wage and services inflation should continue to come down, allowing the ECB to ease policy in Q2

So far, the ECB has been wary of signalling any incoming policy easing. Still, wage gains for advertised positions have come down compared to last year and suggest that negotiated wage growth will fall by about 1pp by spring (Exhibit 6). Though this is still too elevated to be consistent with the ECB's 2% inflation target, lower wage pressures should also feed into lower services and core inflation. We expect the ECB to revise down again its inflation and growth outlook, allowing for more policy easing than we previously anticipated. We now see the deposit rate falling to 2.75% by year end, instead of 3.25%.

Similar dynamics should unfold in the UK

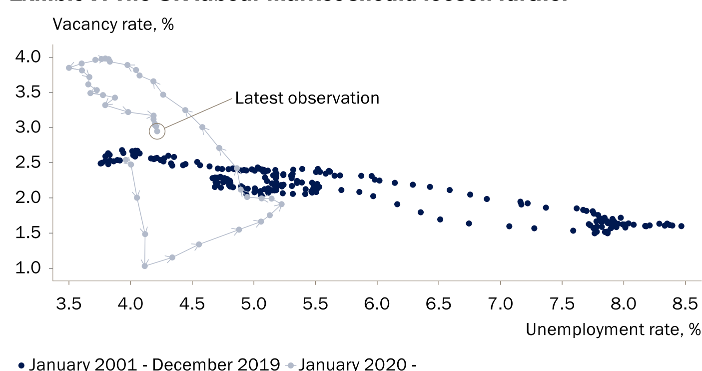
In the UK, the decline in wholesale gas and electricity prices have led us to revise down significantly the energy price caps that are set by the regulator, and, as a result, headline inflation. We expect inflation to average 2.3% this year, compared to 3% previously. This should help bring down inflation expectations, and eventually wage inflation too. Still the sharp fall in headline inflation will boost real wages, and put a floor under consumer confidence and spending. What is notable, however, is that the UK labour market has already loosened significantly, with both vacancies falling and unemployment rising last year (Exhibit 7). With some more pain to be felt from past monetary tightening, economic slack is likely to pick up further. But the faster-than-expected drop in inflation and further labour market loosening should also allow the Bank of England to switch stance and start easing policy in Q2, rather than Q3. We now expect 125bp of rate cuts this year, 25bp more than in our previous forecasts.

Exhibit 6: EA negotiated wage inflation should come down this year



Source: Macrobond, Bank J. Safra Sarasin, 11.01.2024

Exhibit 7: The UK labour market should loosen further



Source: Macrobond, Bank J. Safra Sarasin, 11.01.2024

No change to our outlook for Switzerland

We have kept our macro and policy rate outlook for Switzerland unchanged. Growth should remain weak in the first half of the year, but inflation will likely pick up above the target

range due to higher electricity and rent prices. Still, inflation should trend down again in 2025. We expect the SNB to cut its policy rate in Q3 only.

BoJ still to end NIRP in Q2. But its rate hike profile is likely to be shallower than previously anticipated

We continue to anticipate the Bank of Japan to end its Negative Interest Rate Policy (NIRP) in Q2. But we have revised down slightly our rate hike profile – we expect the policy rate to be at 0.2% (0.3% previously) at the end of 2024 – given more pronounced rate cuts in the rest of the world. Indeed, this limits the BoJ's scope to raise its policy rate as a widening interest rate differential gap would put additional upward pressure on the yen.

Recent easing of financial conditions could boost growth and inflation again, forcing central banks to delay rate cuts

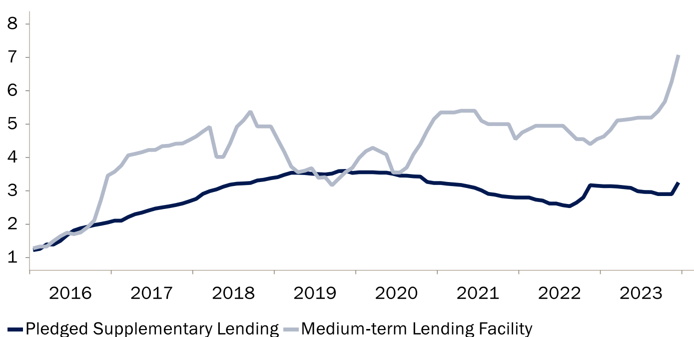
Finally, the main risk to our view is that the sharp loosening of financial conditions in the past few months reinjects some vigour into the global economy. This would keep labour markets tight and inflation stickier than generally anticipated. If this were to materialise, central banks would not cut rates this year as much as currently priced in the market. Rising tensions in the middle east could also add to inflationary pressures through higher energy and goods prices.

We expect some improvement in the Chinese business cycle in H1

China's recent cyclical indicators have been mixed. The housing market correction is still ongoing, and the industrial sector remains weak, except for those buoyed by exports such as electric vehicles and electronics (which benefit from the upswing in the global tech cycle). The government has injected more policy support into the economy, both through government bond issuance and lending facilities of the People's Bank of China (Exhibit 8). We expect this support together with robust service consumption to help lift the economy somewhat in the first half of the year. Still, private investment and investors sentiment remains weak as policy uncertainty, including geopolitical uncertainty, remains elevated (Exhibit 9). The anticorruption crackdown is ongoing and has affected many important services sectors, including financial companies. The election in Taiwan this coming weekend is another event that could create more geopolitical uncertainty in the next few months.

Exhibit 8: Rising policy support through the central bank

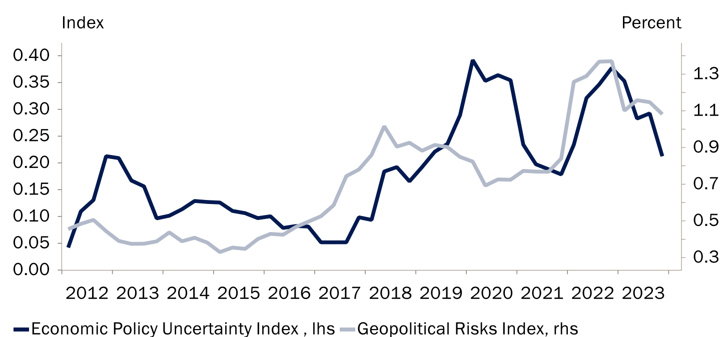
China, Liquidity Facilities, Month-End Outstanding, CNY trillion



Source: Macrobond, Bank J. Safra Sarasin, 11.01.2024

Exhibit 9: A new regime of high policy and geopolitical uncertainty

China, Economic Policy Uncertainty and Geopolitical Risks



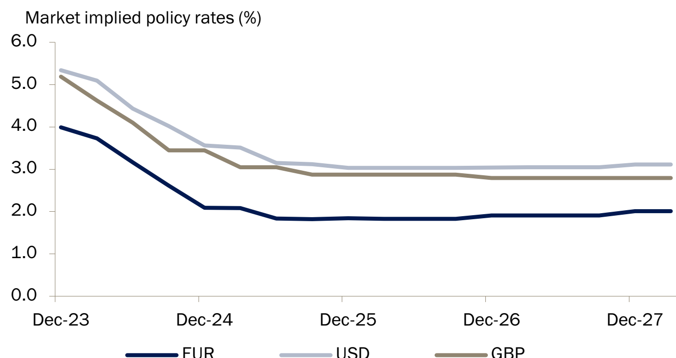
Source: Macrobond, Bank J. Safra Sarasin, 11.01.2024

Fixed income

Developed markets (DM) rate expectations have fallen sharply over past months, but still do not price a recession

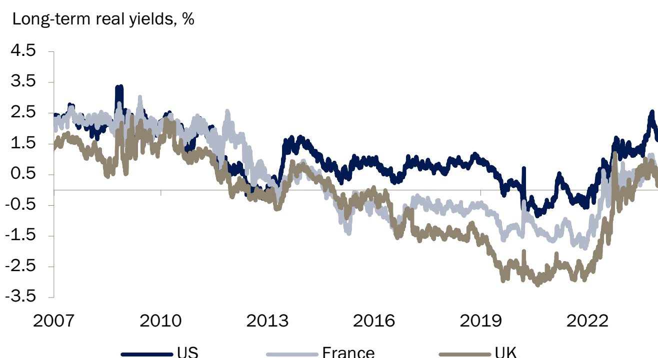
The sharp fixed income rally in November and December last year has guided policy rate expectations down further. Priced policy rate trajectories for most developed markets currently price central bank rate cuts towards levels which we estimate to be close to neutral. While this is a clear change from the "higher-for-longer"-mantra, markets still do not price rate cuts to levels below neutral. As such, no meaningful economic weakness is priced, let alone a recession (Exhibit 10).

Exhibit 10: Markets still do not price policy rates to go below neutral



Source: Macrobond, Bank J. Safra Sarasin, 10.01.2024

Exhibit 11: Real yields at or above most estimates of potential growth



Source: Bloomberg, Bank J. Safra Sarasin, 10.01.2024

Tighter monetary conditions should increasingly be felt over the coming quarters

The US in particular has so far proven much more resilient to higher rates than anticipated so far, however, we expect the cumulative effect of tighter policy to become increasingly more evident in the US as well over coming quarters. This will be accentuated by fiscal policy, which will likely turn into a drag next year. In the euro area and the UK, where fiscal support has been much weaker in 2023, the impact of tighter policy is already visible. The market's focus is set to shift from inflation concerns to the negative effects of substantially higher real rates on the cycle (Exhibit 11). Therefore, we still expect policy rate expectations to move lower over coming quarters.

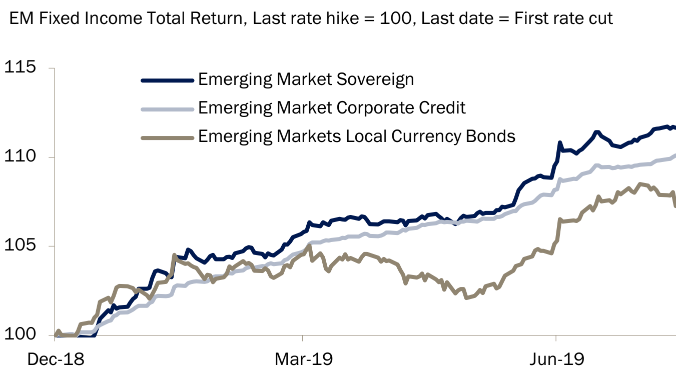
Intermediate maturities should do well over the next 6 to 12 months, with limited downside risk

While some upward retracement in yields is possible over coming months after the recent fierce bond rally, we continue to have a positive view on bond markets and expect yields to be somewhat lower in 6 to 12 months with steeper yield curves. Intermediate maturities (5 to 10 years) should be preferred: (1) they benefit from steeper yield curves, (2) they have sufficient duration to profit from lower yields, and (3) current intermediate yields provide significant downside protection in an adverse yield scenario.

Credit spreads are below their historical medians, we retain our preference for IG over HY

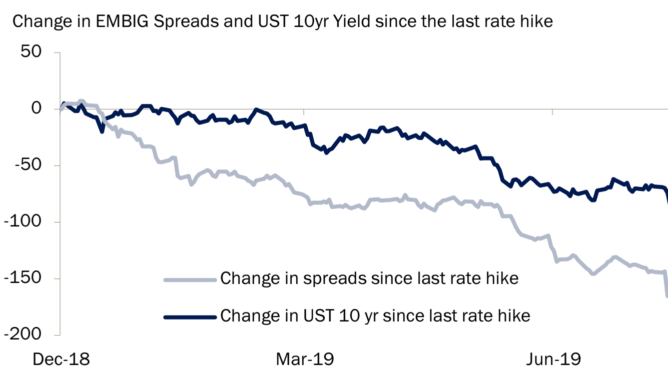
Credit spreads of Investment Grade (IG) and High Yield (HY) bonds both trade below their historical medians, which implies that spreads do not price a substantial economic slowdown, let alone a recession. Given our expectations for a weaker growth environment than markets are currently priced for, we retain our preference for IG over HY and would generally stick to higher quality. Still, the prospect for faster central bank easing helps underpin tight spread levels. We would therefore keep the HY underweight small for now.

Exhibit 12: EM bonds performed well between the last Fed hike in 2018 and the first rate cut in 2019



Source: Bloomberg, Bank J. Safra Sarasin, 11.01.2024

Exhibit 13: We do not expect as much spread tightening this year



Source: Bloomberg, Bank J. Safra Sarasin, 11.01.2024

2018 rate cycle suggests that EM local currency assets should do well prior to the first Fed rate cut

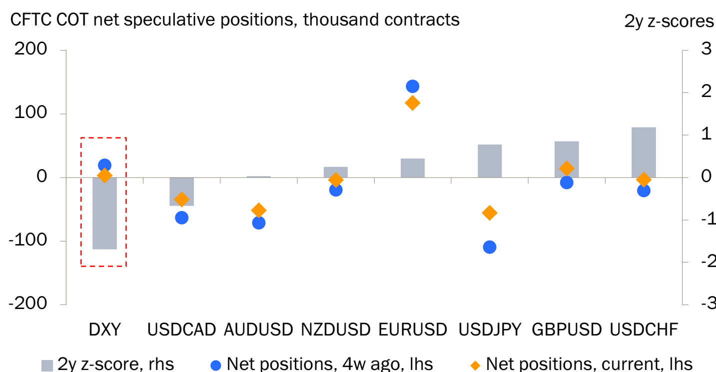
The 2023 end-year US rates rally has led to positive price action in EM assets as well. A weaker US dollar has led to stronger EM currencies, while credit spreads have tightened. When we look at the last Fed cycle in 2018, EM fixed income assets performed well between the last rate hike and the first rate cut (Exhibit 12). Yields dropped during that period as US rates fell and spreads tightened (Exhibit 13). This time around, spreads are already tight by historical standards, so we do not expect much gain from spread compression. However, lower rates and carry should provide attractive returns for EM local currency fixed income assets.

FX

Near-term, a US dollar rebound looks likely, yet the currency should eventually weaken further until the end of this year

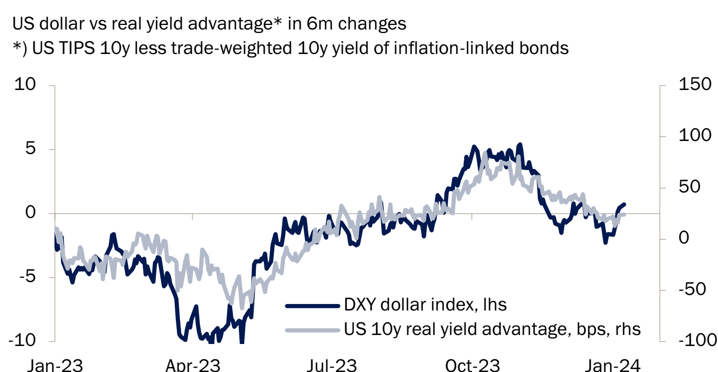
The US dollar has weakened considerably following the Fed's pivot in December, which largely reflected the retreat in US Treasury yields. The extended risk-on rally leaves the dollar technically oversold, even though the currency has started to rebound in past days. Given that net speculative longs are at 2-year lows (Exhibit 14), we expect the US dollar rebound to endure for a while. Near term, yield levels could retrace up somewhat as markets reassess the odds of the Fed cutting rates already in March. Yet we stick to our conviction that we will see a further weakening of the US dollar until the end of the year on the back of global yield dynamics (Exhibit 15). Given its high valuation, the US dollar is unlikely to benefit from a further weakening of the global economy to the same extent as during past slowdowns.

Exhibit 14: Speculative USD longs were scaled back further



Source: Macrobond, Bank J. Safra Sarasin, 11.01.2024

Exhibit 15: Medium term, the US dollar is poised to weaken further



Source: Macrobond, own calculations, Bank J. Safra Sarasin, 11.01.2024

Swiss franc appreciation should slow down, going forward

Amid other European currencies, the Swiss franc has strengthened notably around the turn of the year. While we remain bullish on the Swiss franc, we also believe that most of the currency's upside in 2024 has already materialised. Given the currency's extended upward move, we see the possibility that the SNB might revert to its old playbook and intervene in the FX market, should the franc continue to appreciate excessively. Hence the franc will likely appreciate more gradually going forward.

Higher YE24 target for gold, but our FX YE24 targets remain unchanged

We retain our constructive view on the euro and are cautious on the pound. We left our FX year-end targets for 2024 unchanged, but revised our year-end target for gold upwards from $2'050 to $2'100 per ounce. The precious metal in particular is set to benefit from a drop in global yield levels and should also benefit from a weaker US dollar along with heightened global geopolitical risk. Yet we note the risk of a short-term retracement.

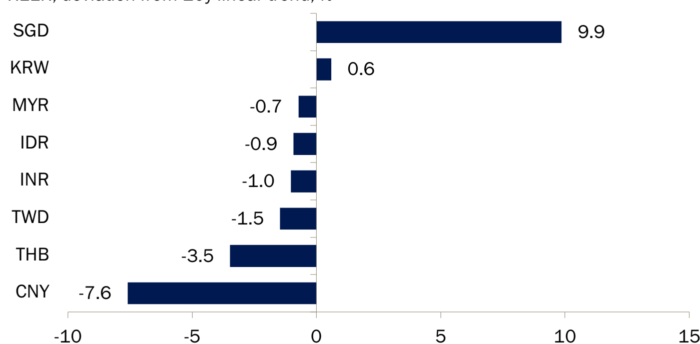
Selective opportunities in Asian FX

The year-end bond rally has also pushed Asian currencies higher. Yet we contend that the market should remain challenging for Asian FX. In the near term, a rebound of global bond yields and weak sentiment in China could present headwinds. In our view, the Japanese yen and the Korean won (Exhibit 16) are well-positioned for gains, while the Singapore dollar looks expensive (Exhibit 17). Read more on our expectations for Asian currencies in the January issue of our FX Atlas.

Exhibit 16: Korean won set to benefit from rebounding tech cycle

Source: Macrobond, Bank J. Safra Sarasin, 11.01.2024

Exhibit 17: Singapore dollar looks expensive



Source: Macrobond, Bank J. Safra Sarasin, 11.01.2024

Equities

We are upgrading our year-end target for the S&P500 to 5100 on the back of the Fed's pivot

We are upgrading our 2024 end-year targets as we think that the Fed's pivot in December considerably reduces downside risks for equities this year (Exhibit 18). As a result, we would not only expect the Fed to cut rates more aggressively in a downside scenario, thereby reducing the extent of a potential sell-off, but also to start reducing rates earlier in our base case scenario. A more pro-active approach by the Fed makes an initial cut in the first half of the year increasingly likely, which would come in an attempt to lean against a forthcoming slowdown before it actually bites. A more flexible Fed approach would also argue for a more opportunistic investment approach towards risk assets, i.e. as a sell-off would likely see quicker and sharper rate cuts, a potential rebound would likely materialise more quickly as well.

Exhibit 18: S&P500 at 5100 by year-end and downside risks limited by the Fed

S&P 500 end-2024		PE	US GDP growth 2024										
			-1.5%	-1.0%	-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
2025 EPS			214	223	232	242	251	260	269	278	288	297	306
Real Fed Funds future (bps)	0	20.9	4467	4660	4853	5045	5238	5431	5624	5817	6009	6202	6395
	10	20.6	4415	4605	4796	4986	5177	5367	5558	5748	5939	6130	6320
	20	20.4	4362	4551	4739	4927	5116	5304	5492	5680	5869	6057	6245
	30	20.2	4310	4496	4682	4868	5054	5240	5426	5612	5798	5984	6170
	40	19.9	4258	4442	4625	4809	4993	5177	5360	5544	5728	5912	6095
	50	19.7	4205	4387	4568	4750	4932	5113	5295	5476	5658	5839	6021
	60	19.4	4153	4332	4512	4691	4870	5049	5229	5408	5587	5766	5946
	70	19.2	4101	4278	4455	4632	4809	4986	5163	5340	5517	5694	5871
	80	18.9	4049	4223	4398	4573	4747	4922	5097	5272	5446	5621	5796
	90	18.7	3996	4169	4341	4514	4686	4859	5031	5204	5376	5549	5721
	100	18.4	3944	4114	4284	4455	4625	4795	4965	5135	5306	5476	5646
	110	18.2	3892	4060	4228	4396	4563	4731	4899	5067	5235	5403	5571
				Downside scenario			Base case			Upside scenario			

Source: Refinitiv, Bank J. Safra Sarasin, 11.01.2024

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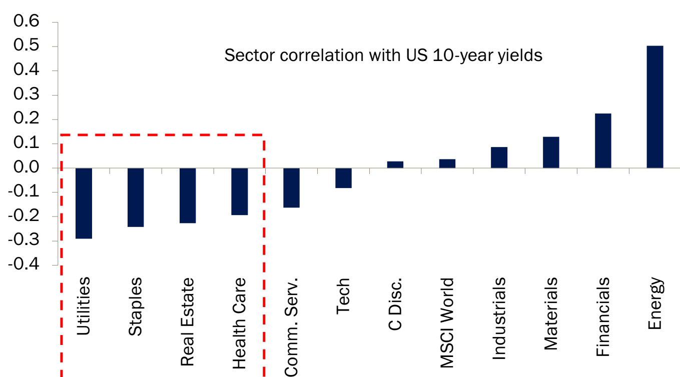
The first half of the year is likely to be choppy, as the US economy is likely to slow

Yet even though we expect equities to end the year higher, we caution that things may get worse before they get better, driven by a softening US cycle into mid-2024. The biggest boost to US GDP growth in 2023, a substantial fiscal expansion, is fading, while the lagged impact from higher central bank rates continues to weigh. We thus recommend a cautious approach over coming months and have a clear preference for defensive equity market segments.

We have a preference for defensive sectors and regions as well as credit-reliant parts of the equity market, such as renewables

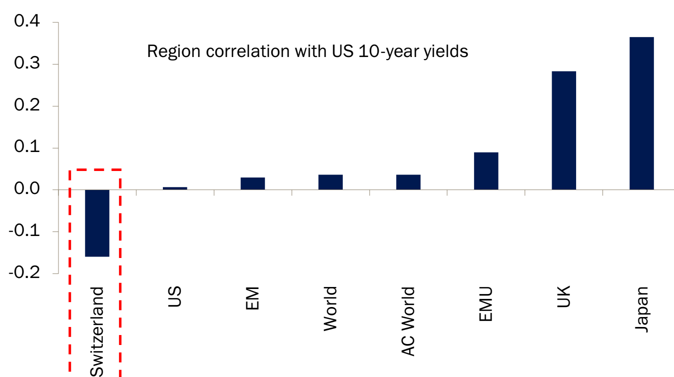
Among sectors, we prefer exposure to health care, utilities and staples (Exhibit 19). Those sectors have been under severe pressure over the past 12 months, with relative performance weighed down by a strong macro cycle and rising rates. As these dynamics are reversing, market leadership is set to change as well. We think that 2024 will look distinctly different from 2023 in this regard and expect many of last year's laggards to stage a comeback over coming months. This also includes Swiss equities, given their defensive characteristics, as well as more levered and credit-reliant parts of the equity universe, such as renewables (Exhibit 20).

Exhibit 19: Tactical preference for defensive sectors



Source: Refinitiv, Bank J. Safra Sarasin, 11.01.2024

Exhibit 20: Switzerland tends to benefit the most from falling rates



Source: Refinitiv, Bank J. Safra Sarasin, 11.01.2024

We have upgraded most regional targets in line with the US

Besides the US, we have upgraded targets for other regional indices as well but see upside mostly materialising in the second half of 2024 only. Japan is the only region whose targets have been downgraded due to the expected sharp appreciation of the yen. This would only change if inflation in Japan were to recede unexpectedly and the BoJ to remain committed to its currently dovish monetary policy stance (Exhibits 21, 22).

Exhibit 21: Our regional and sector preferences

Regional preferences	
Switzerland	↑
Emerging Markets	→
China	→
Japan	↓
USA	→
Eurozone	↑
United Kingdom	↓

↑ indicates most preferred
→ indicates neutral
↓ indicates least preferred

Sector preferences	
Information Technology	→
Industrials	↓
Energy	→
Materials	↓
Consumer Discretionary	→
Banks	→
Insurance	→
Communication Services	→
Real Estate	→
Utilities	↑
Consumer Staples	↑
Health Care	↑

Source: Bank J. Safra Sarasin, 11.01.2024

Exhibit 22: Our index targets

Index	Current	2Q24	4Q24	4Q25
MSCI World	3161	3070	3260	3570
S&P 500	4783	4700	5100	5600
Nasdaq 100	16793	16000	17500	19500
MSCI UK	2197	2150	2250	2400
Euro Stoxx 50	4469	4400	4600	5000
SMI	11255	11200	11800	12500
MSCI Japan	1495	1350	1340	1470
MSCI EM	989	1000	1050	1140

Source: Bank J. Safra Sarasin, 11.01.2024

Exhibit 23: JSS Forecast overview

Breakdown per Asset Class

Equities Countries / Regions	
USA	→
Eurozone	↑
Switzerland	↑
United Kingdom	↓
Japan	↓
Emerging Markets	→
China	→

Equity Sectors	
Energy	→
Materials	↓
Industrials	↓
Consumer Discretionary	→
Consumer Staples	↑
Health Care	↑
Banks	→
Insurance	→
Information Technology	→
Communication Services	→
Real Estate	→
Utilities	↑

Fixed Income Performance	
US Treasuries	↑
German Bunds	↑
UK Gilts	↑
Swiss Eidgenossen	→
IG Credit	↑
HY Credit	↓
EM USD Government Bonds	↓

↑ **Overweight** → **Neutral** ↓ **Underweight**

Asset class views (overweight, neutral, underweight) express a tactical recommendation with a 3-month horizon. Tactical views might diverge from year-end stock index targets, which are based on our long-term economic and interest rate forecasts.

Stock Index Price Targets

	09.01.	2Q24	4Q24	4Q25
S&P 500	4'757	4'700	5'100	5'600
MSCI UK	2'204	2'150	2'250	2'400
DJ Euro Stoxx 50	4'467	4'400	4'600	5'000
DAX	16'688	16'500	17'500	18'400
SMI	11'249	11'200	11'800	12'500
MSCI Japan	1'473	1'350	1'340	1'470
MSCI EM	993	1'000	1'050	1'140
MSCI China	54	56	58	61

Key Policy Rates in %

	09.01.	2Q24	4Q24	4Q25
US Fed Funds	5.50	5.00	4.00	3.00
EUR Depo Rate	4.00	3.50	2.75	2.00
SNB Target Rate	1.75	1.75	1.25	1.00
BoE Base Rate	5.25	5.00	4.00	2.75
BOJ Policy Balance Rate	-0.10	0.00	0.20	0.50

Bond Yields (10yr Benchmark)

	09.01.	2Q24	4Q24	4Q25
USA	4.02	3.70	3.65	3.90
Germany	2.16	1.85	1.85	2.35
Switzerland	0.87	0.85	0.85	1.20
United Kingdom	3.87	3.80	3.60	3.40
Japan	0.59	0.80	1.00	1.10

FX-Forecasts

	09.01.	2Q24	4Q24	4Q25
EUR-CHF	0.93	0.94	0.93	0.93
EUR-USD	1.09	1.08	1.10	1.12
EUR-GBP	0.86	0.89	0.90	0.90
GBP-USD	1.27	1.22	1.22	1.24
USD-JPY	144	140	130	125
USD-CHF	0.85	0.87	0.85	0.83
USD-CNY	7.16	7.20	7.10	7.05
Gold, USD per ounce	2'027	2'050	2'100	2'100

Macro Forecasts

		2023	2024	2025
US	GDP	2.5	1.1	1.6
	CPI	4.1	2.5	2.4
Euroland	GDP	0.4	0.5	1.1
	CPI	5.4	2.3	2.3
Switzerland	GDP	0.7	0.9	1.0
	CPI	2.1	1.7	1.9
UK	GDP	0.3	0.2	0.9
	CPI	7.3	2.3	2.0
Japan	GDP	2.0	0.7	0.8
	CPI	3.2	2.3	1.7
China	GDP	5.2	4.5	4.5
	CPI	0.3	1.0	2.4

Economic Calendar

Week of 15/01 – 19/01/2024

Country	Time	Item	Date	Unit	Consensus Forecast	Prev.
Monday, 15.01.2024						
EU	11:00	Industrial Production SA MoM	Nov	mom	--	-0.70%
	11:00	Industrial Production WDA YoY	Nov	yoy	--	-6.60%
Tuesday, 16.01.2024						
UK	08:00	Av. Weekly Earnings 3M/YoY	Nov	yoy	--	7.20%
	08:00	Weekly Earnings x Bonus 3M/YoY	Nov	yoy	--	7.30%
EU	10:00	ECB 1 Year CPI Expectations	Nov	%	--	4.00%
	10:00	ECB 3 Year CPI Expectations	Nov	%	--	2.50%
GE	11:00	ZEW Survey Expectations	Jan	Index	--	12.80
EU	11:00	ZEW Survey Expectations	Jan	Index	--	23.00
US	14:30	Empire Manufacturing	Jan	Index	-2.70	-14.50
Wednesday, 17.01.2024						
UK	08:00	CPI MoM	Dec	mom	--	-0.20%
	08:00	CPI YoY	Dec	yoy	--	3.90%
	08:00	CPI Services YoY	Dec	yoy	--	6.30%
US	13:00	MBA Mortgage Applications	Jan12	wow	--	9.90%
	14:30	NY Fed Services Business Act.	Jan	Index	--	-14.60
	14:30	Retail Sales Control Group	Dec	mom	0.20%	0.40%
	15:15	Industrial production MoM	Dec	mom	-0.10%	0.20%
	16:00	NAHB Housing Market Index	Jan	Index	--	37.00
Thursday, 18.01.2024						
US	14:30	Building Permits	Dec	1'000	1476k	1460k
	14:30	Philadelphia Fed Bus. Outlook	Jan	Index	-6.50	-10.50
	14:30	Housing Starts	Dec	1'000	1408k	1560k
	14:30	Initial Jobless Claims	Jan13	Index	--	--
Friday, 19.01.2024						
GE	08:00	PPI MoM	Dec	mom	--	-0.50%
	08:00	PPI YoY	Dec	yoy	--	-7.90%
UK	08:00	Retail Sales Ex Auto Fuel MoM	Dec	mom	--	0.30%
	08:00	Retail Sales Ex Auto Fuel YoY	Dec	yoy	--	1.30%
US	16:00	U. of Mich. Expectations	Jan P	Index	--	67.40
	16:00	U. of Mich. 5-10 Yr Inflation	Jan P	%	--	2.90%

Source: Bloomberg, J. Safra Sarasin as of 11.01.2024

J. Safra Sarasin

Cross-Asset Weekly

12 January 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 (%)	0.85	2	15	-1.1
German Bund 10 year (%)	2.17	1	14	-1.4
UK Gilt 10 year (%)	3.77	13	23	-2.0
US Treasury 10 year (%)	3.99	-6	11	-0.9
French OAT - Bund, spread (bp)	53	-1	-1	
Italian BTP - Bund, spread (bp)	162	-7	-5	

Stock Markets	Level	P/E ratio	1W TR in %	TR YTD in %
SMI - Switzerland	11'245	18.7	0.8	1.1
DAX - Germany	16'680	12.3	0.9	-0.4
MSCI Italy	969	8.1	1.5	0.9
IBEX - Spain	10'052	10.6	0.5	0.0
DJ Euro Stoxx 50 - Eurozone	4'464	12.7	0.5	-1.1
MSCI UK	2'204	11.3	-0.2	-0.8
S&P 500 - USA	4'757	22.2	1.7	0.3
Nasdaq 100 - USA	16'679	29.9	2.6	-0.2
MSCI Emerging Markets	993	13.5	-1.4	-3.4

Forex - Crossrates	Level	3M implied volatility	1W in %	YTD in %
USD-CHF	0.85	7.2	0.3	1.3
EUR-CHF	0.93	5.5	0.3	0.4
GBP-CHF	1.09	6.4	0.3	1.3
EUR-USD	1.09	6.5	0.0	-0.9
GBP-USD	1.27	7.3	0.0	0.0
USD-JPY	145.3	9.9	0.5	3.0
EUR-GBP	0.86	5.0	-0.1	-0.8
EUR-SEK	11.21	7.4	-0.2	0.6
EUR-NOK	11.30	9.6	0.3	0.7

Commodities	Level	3M realised volatility	1W in %	YTD in %
Bloomberg Commodity Index	98	12.9	-0.1	-0.5
Brent crude oil - USD / barrel	79	39.6	4.1	1.7
Gold bullion - USD / Troy ounce	2'030	14.0	-0.7	-1.6

Source: J. Safra Sarasin, Bloomberg as of 11.01.2024

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