J. Safra Sarasin

Cross-Asset Weekly

16 June 2023

Central banks signal they are not done yet

The ECB has hiked policy rates by 25bp, while the Fed has abstained from raising their benchmark rate. However, the messaging from both institutions was clear: It is too early to declare victory over inflation. Consequently, the ECB has given strong indications that at least one further hike will come in July, while the Fed has strengthened its message by pencilling in two more hikes in the median dot plot.

The case is even stronger in the UK where a tight labour market and stubbornly high inflation rates will force the Bank of England (BoE) to raise policy rates further, even if the economy is slowing sharply. We expect another two hikes by the BoE. However, markets currently price an additional 125bp worth of hikes into the Sterling rate structure, consequently we suggest starting to profit from the sharply higher yields. We deem the 5-year part of the curve to be a good entry point to benefit from excessive front-end pricing while still acquiring meaningful duration.

Finally, we revisit the crypto space. We find that the US dollar continues to matter most for Bitcoin, while Tech equities, risk sentiment and break-even inflation have remained on the side-line. Importantly, we believe that the latest pushes from US regulators could well take centre stage and likely lead to further consolidation in the crypto space.

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Fed meeting

A hawkish pause

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The Fed pressed the pause button on Wednesday, as widely expected. What was somewhat less expected is that officials added not one but two more rate hikes to the 'dot plot' for the remainder of the year. To us, this didn't come up entirely as a surprise. Conditions are in place for inflation to move lower, but so far progress has been limited. By flagging its intention to do more, the Fed should ensure that inflation expectations, a key driver of realised inflation, remain anchored at the 2% inflation target.

The Fed skipped June, but flagged its intention to hike twice more in 2H23

The Fed managed to deliver a hawkish pause. It skipped June, as widely expected, but flagged its intention to increase rates twice more over the remainder of the year. It also revised up its growth and core inflation projections and revised down its unemployment rate forecast for end-2023, as we had anticipated (Exhibits 1-2). This strategy makes sense, in our view. Given where the Fed funds rate is, and the data, the Fed can afford to take some more time to assess how the economy is reacting to past tightening.

Chair Powell gave several reasons to justify this pause

In particular, Chair Powell gave several reasons for taking a step back: (1) the Fed has already hiked a lot; (2) a lot of the tightening took place in the second half of last year, and these are still working their way through the economy, though the lags remain very uncertain; (3) recent bank failures have further tightened financial conditions, but again the extent of further tightening is highly uncertain; (4) inflation is starting to slow.

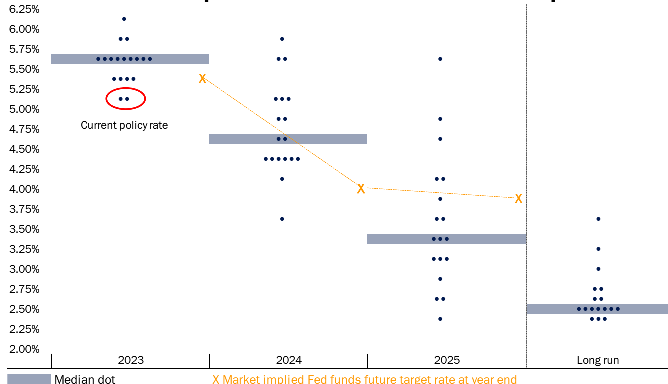
Flagging potentially additional tightening should ensure that inflation expectations remain anchored at the 2% target

Flagging additional tightening also makes sense given that officials still see the risks to their inflation forecasts skewed to the upside. Put differently, if the Fed needs to make a policy mistake, it would rather tighten too much than too little. Obviously, the hope is that it doesn't make any mistake, but if it does, the magnitude is as small as possible with this 'hawkish pause'. This strategy should ensure that inflation expectations, a key driver of realised inflation, remain anchored at their 2% inflation target.

Incoming data will drive the Fed's next decisions

What the Fed eventually does will depend on the incoming data. We continue to expect that the impact from past monetary tightening will start to be more visible in the data in the second half of the year, allowing for the Fed to increase its policy rate once this year and end QT somewhat faster than implied by Fed language. Still, if the economy proves to be more resilient than we anticipate, we have no doubt that FOMC members will not shy away from pushing the Fed funds rate deeper into restrictive territory.

Exhibit 1: New dot plot indicates two additional 25bp hikes this year



Source: US Federal Reserve, Bloomberg, Bank J. Safra Sarasin, 15.06.2023

Exhibit 2: A more resilient economy than previously expected

Variable	Median			
	2023	2024	2025	Longer run
GDP 4Q/4Q	1.0	1.1	1.8	1.8
March projection	*0.4*	*1.2*	*1.9*	*1.8*
Unemployment rate 4Q	4.1	4.5	4.5	4.0
March projection	*4.5*	*4.6*	*4.6*	*4.0*
PCE inflation 4Q/4Q	3.2	2.5	2.5	2.0
March projection	*3.3*	*2.5*	*2.1*	*2.0*
Core PCE inflation 4Q/4Q	3.9	2.6	2.2	
March projection	*3.6*	*2.6*	*2.1*	
Fed funds rate year end	5.6	4.6	3.4	2.5
March projection	*5.1*	*4.3*	*3.1*	*2.5*

Source: US Federal Reserve , Bank J. Safra Sarasin, 15.06.2023

ECB Meeting

Press conference more hawkish than the statement

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The ECB increased its policy rates by 25bp and indicated that it is not done yet. The bar for another rate hike in July is very low and the door for a September rate hike remains open. The policy statement seemed more balanced and less hawkish than President Lagarde's press conference. In the statement, the effects of past tightening and how much financing conditions have tightened already are a clear focus while the unsatisfactory developments of core inflation rates seemed to play a bigger role in the press conference. The macroeconomic projections of the ECB were revised in the right direction but still don't go far enough in our view. The GDP forecast for this year was revised to 0.9%, from 1.0%, while we believe that 0.5% is the upper limit. Most importantly, core inflation was revised up to 3.0% and 2.3% for 2024 and 2025, from 2.5% and 2.2% respectively in March. We fear that is still is too optimistic, but agree with the ECB that tighter financing conditions continue to be required to bring inflation back to 2%. We continue to expect one last rate hike in July, to a level of 3.75%, followed by at least six months during which rates stay at this elevated level. However, we remain concerned that core inflation rates are not falling sufficiently during this period, such that the risks of our policy rate forecasts are clearly to the upside.

ECB is not done yet. However, there seems to be no consensus in the Governing Council what to do after a July rate hike

The policy decision itself was not a surprise, neither that a very broad consensus in the Governing Council supported it, nor the signal that another rate hike in July is very likely. However, there seem to be different views in the Governing Council what to signal for the period beyond July. The policy statement appeared less hawkish than we thought, particularly in light of the hawkish "dot-plot" – the policy rate expectations of the FOMC members in the US yesterday. The ECB statement focused strongly on the effects past policy tightening has on financing conditions already, on the steep increase of borrowing costs and on their expected negative effects on demand. While President Lagarde added (i) that monthly changes in broad money continuously declined since December, that (ii) high borrowing rates and (iii) tighter funding conditions for banks are moderating credit growth, she seemed to put more emphasis on still too elevated core inflation rates.

Most importantly, the ECB revised up its inflation forecast for the 4th quarter of 2025 to 2.2% from 2.0% previously

The ECB revised its growth forecasts slightly down, to 0.9%, but still expects a rebound afterwards. At 1.5% and 1.6% for 2024 and 2025, GDP growth would be strong enough to reduce the unemployment rate further, to 6.3% in 2025. We are not sure how these numbers are compatible with slowing credit growth and tight financing conditions. We also don't understand how the underlying inflationary pressures can fall to the degree the ECB expects. We acknowledge that the ECB revised up its core inflation forecasts to 3.0% and 2.3% in 2024 and 2025, but fear that a stronger revision would have been needed in particular for next year. We also note that the ECB revised up the last quarter of its inflation forecast to 2.2%, from 2.0% in March. This implies that it doesn't see a return to its inflation target until the end of its projection horizon. As a result, the ECB would not be able to say that it has sufficiently tightened policy rates yet. Therefore, we agree with President Lagarde's words in the press conference that the ECB has "more ground to cover" and that a July hike is quite likely. She also stressed that "until there is a material change to [their] baseline forecast [they] are not thinking about pausing" as they are not "satisfied with the inflation outcome" yet. This clearly leaves the door open for another rate hike in September or later this year. The risks to our ECB terminal rate forecast of 3.75% therefore are also to the upside and we feel more than comfortable with our long-held view that there will be no rate cuts this year.

Bank of England preview

How far will the BoE go?

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April's jobs report was the straw that broke the camel's back, pushing investors to revise up their expectations for the terminal rate to 5.7%. This is an additional 40bp within a two-week space. Bank officials are clearly worried about second-round effects and there is little doubt that the MPC will hike when it meets next week, and most likely again in August. But we are sceptical that it will tighten policy much beyond this point given that wage growth is set to slow over the coming months.

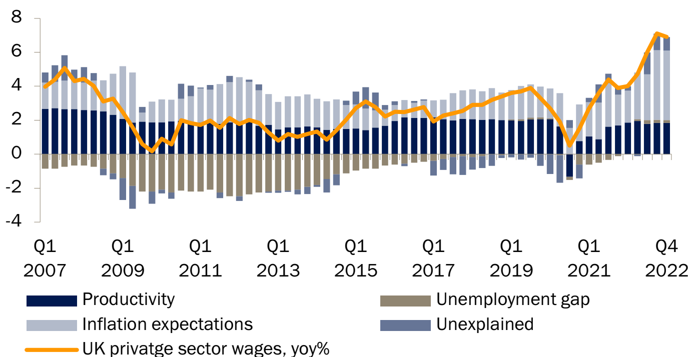
A tight labour market and nasty inflation surprises have pushed investors to expect an additional 125bp of rate hikes over the rest of the year

The latest jobs report suggests that the labour market remains very tight, and that elevated inflation rates might persist for longer than previously anticipated. Annual growth in wages excluding bonuses rose to 7.2% during the three months to April, up from 6.8% in March. The unemployment rate dropped back to 3.8%, and the big contraction in the HMRC payroll numbers for April was revised away. This strong report came on the heal of two nasty CPI surprises, pushing investors to revise up considerably their estimate for the Bank of England's (BoE) terminal rate to 5.7%. This implies that the MPC would hike rates by 25bp at each of its five remaining meetings of the year. There is no doubt that the BoE has more work to do, but we think that market pricing is excessive.

The pick-up in inflation expectations as well as labour shortages appear to have contributed to most of the increase in the pace of wage gains in recent years

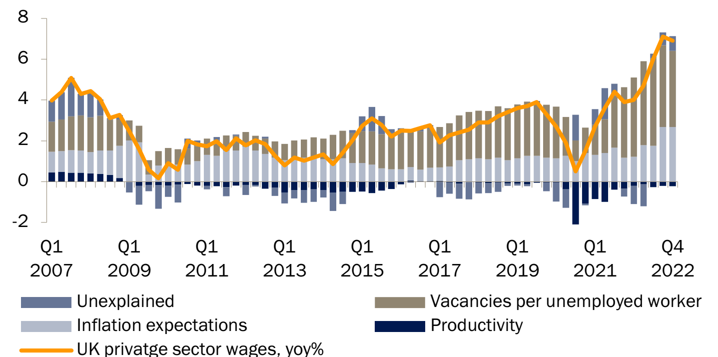
The labour market is central to the Bank's reaction function. In its latest Monetary Report, it published an analysis, based on an augmented Phillips Curve, on what it sees to be behind the rapid pick-up in wage growth. Its model, which we have reproduced, suggests that it is short-term consumer inflation expectations (1-year ahead) that have driven the sharp rise in wage growth over the past couple of years (Exhibit 1). We have also created another model, which is a slight modification. Instead of using the unemployment gap (the difference between the unemployment rate and what is believed to be its equilibrium level) as a measure of labour market slack, we use the ratio of job vacancies per unemployed worker (Exhibit 2). This measure might better assess the true extent of labour market tightness given the drop in the participation rate in recent years. Our alternative model indicates that while inflation expectations have contributed to stronger wage gains, labour shortages might have been a more important driver.

Exhibit 1: BoE model points to inflation expectations as a major driver of wage growth



Source: Macrobond, Bank J. Safra Sarasin, 15.06.2023

Exhibit 2: An alternative model suggests that labour market tightness has contributed to most of the increase in wage growth



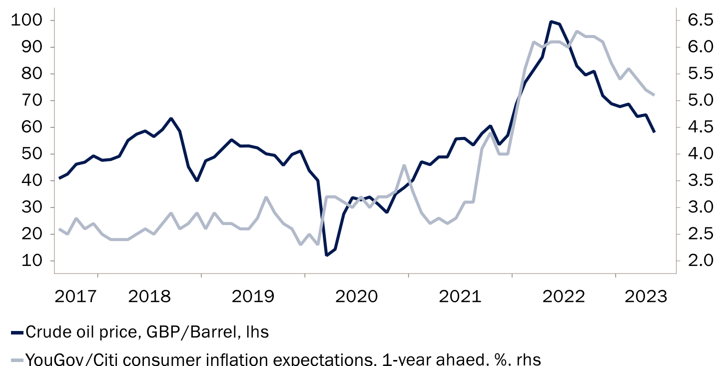
Source: Macrobond , Bank J. Safra Sarasin, 15.06.2023

But short-term inflation expectations are coming down ...

The good news is that both short-term inflation expectations and labour shortages have come down over the past few months, and are expected to decline further (Exhibits 3).

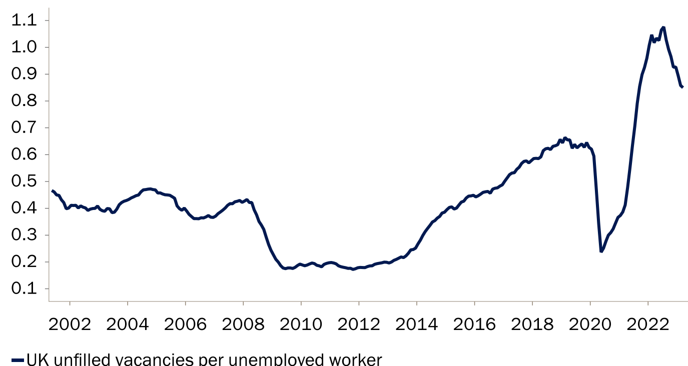
Short-term inflation expectations are largely driven by the recent experience of what people typically buy, such as food and fuel. While food prices remain stubbornly high in the UK, at least energy prices are on their way down.

Exhibit 3: Short-term inflation expectations have come down



Source: Macrobond, Bank J. Safra Sarasin, 15.06.2023

Exhibit 4: The ratio of unfilled vacancies to unemployed has fallen



Source: Macrobond, Bank J. Safra Sarasin, 15.06.2023

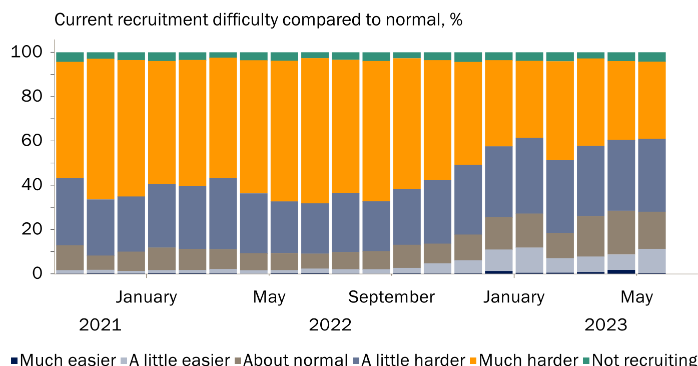
... and labour shortages are not as acute as they were last year

Labour shortages don't appear to be as bad as they were last year. The Bank's Decision Maker Panel survey shows that the percentage of firms finding it "much harder" to find staff is down to 35%, from 65% last summer. This goes hand-in-hand with the drop in vacancies, the slight drop in the number of workers inactive (neither employed nor actively seeking a job) in recent months, as well as the rise in net migration (Exhibits 4-5).

The bad news is that some long-term structural factors are partly to blame for the lack of workers; wage growth should fall but only gradually

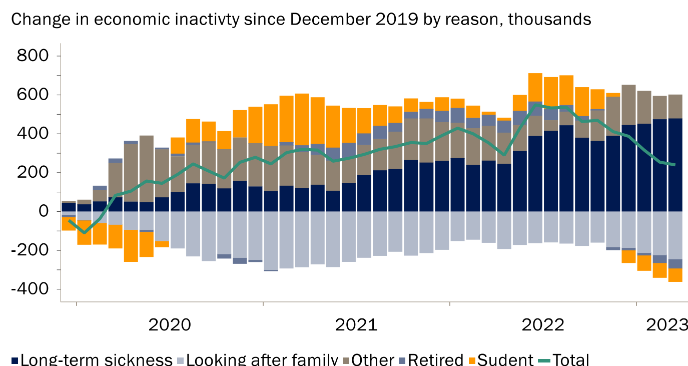
The bad news is that some of the reasons behind shortages of staff appear to be structural, and are unlikely to turn anytime soon. Indeed, there are close to half-a-million more workers that are inactive due to long-term illness since the start of 2019, a trend that the pandemic might have exacerbated (Exhibit 6). The implication is that the fall in wage growth could be more gradual – and could perhaps end the year above 5%, which would still be some way above what's consistent with a 2% inflation target.

Exhibit 5: Recruiting new staff is getting 'less hard'



Source: Macrobond, Bank J. Safra Sarasin, 15.06.2023

Exhibit 6: Long-term illness has driven labour inactivity higher



Source: Macrobond, Bank J. Safra Sarasin, 15.06.2023

Bank of England is likely to increase its policy rate by 25bp in June and again in August

The BoE has therefore little other choice but to tighten policy further, and we expect two additional 25bp rate hikes at the coming two meetings, which would push up the Bank rate to 5.0%. With the natural rate probably between 1.5-2%, this already implies a very restrictive policy stance, which should increasingly weigh on the economy. The amount of tightening priced into markets – an additional 75bp of rate increases compared to our forecasts – looks excessive.

UK fixed income

Time for the brave

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The Sterling market is currently the least loved fixed income market in all advanced economies. Although risks loom large in the short term, forward markets are pricing an excessively steep policy rate trajectory. We think it is time for the brave to start locking at the higher yields. The 5-year part of the curve seems to be a good entry point to profit from current front-end pricing while still acquiring meaningful duration.

The September 2022 Gilt market debacle

It was the latter part of September 2022 when the announcement of the "mini budget" led to a historic sell-off in the Gilt market. Within just a few days, 10y Gilt yields surged by 150bp as markets revolted against the prospect of substantially higher deficits and funding needs. The Bank of England (BoE) had to intervene as a buyer of last resort to prevent a potential collapse of the British pension system. Eventually a new government under prime minister Rishi Sunak and finance minister Jeremy Hunt managed to calm markets.

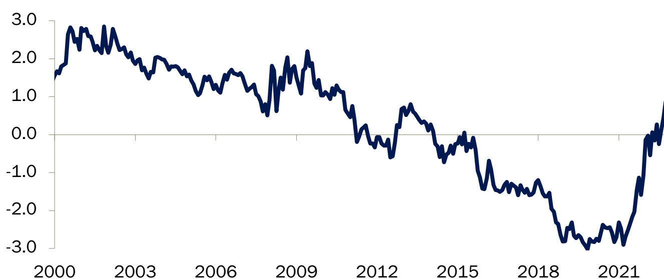
The Gilt market is a volatile beast, for good reasons

Large fiscal and current account deficits in the UK suggest that a significant part of Gilt issuance needs to be financed by foreigners. As a matter of fact, 25%-30% of the £ 2.3tn Gilt market needs to be funded by foreign buyers, which by itself is a source of volatility. To make matters worse, the UK economy is suffering from considerable structural weaknesses. It has one of the lowest productivity growth rates among advanced economies, while registering one of the highest inflation rates. Investors therefore demand an additional risk premium in the form of higher real rates. UK real yields as measured by inflation-linked bonds have now risen by close to 400bp over the past 18 months, bringing real Gilt yields to around +1% (Exhibit 1).

Sticky inflation is forcing the BoE to raise rates aggressively

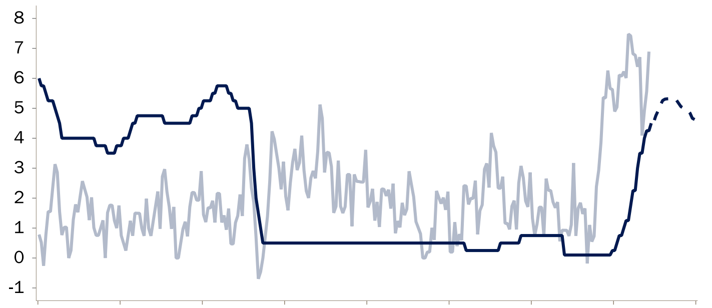
Despite a softening economic backdrop, labour markets continue to be tight and inflation remains stubbornly high. Structural impediments, partly due to Brexit, aggravate supply shortages and prices pressures. 6-month annualised core inflation rates continue to hover substantially above priced policy rates and have recently even accelerated (Exhibit 2). The BoE therefore has no choice, but to tighten monetary policy further in order to weaken demand and bring down inflation. Markets are reflecting that.

Exhibit 1: Real Gilt yields have surged by close to 4% from their lows



Source: Bloomberg, Bank J. Safra Sarasin, 15.06.2023

Exhibit 2: UK core inflation hasn't turned yet



Source: Macrobond, Bank J. Safra Sarasin, 15.06.2023

Markets now price more for the UK than for other developed markets

As a consequence, the implied policy rate path by the Bank of England is now the highest in advanced economies, much higher than in the US and the euro area (Exhibit 3). Markets

currently price an additional 125bp of tightening by the BoE. If these hikes were to be delivered, the BoE would have hiked by close to 600bp in this cycle. In addition to that, the BoE is actively reducing its balance sheet by outright sales of Gilts in the order of £ 3bn per quarter.

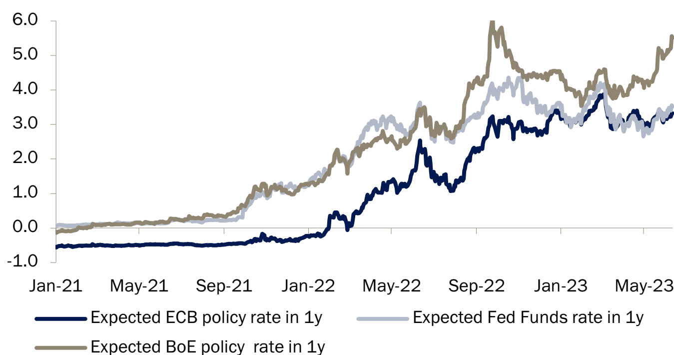
It will be difficult for the UK economy to muster this real rate shock for very long

The UK economy is already slowing down sharply and we expect a recession to start in the last quarter of 2023, lasting into the first half of 2024. Monetary policy affects the real economy with lags of at least 12 months, hence a substantial part of the cumulative tightening so far (and still to come) has likely yet not arrived in the real economy. Given the sharp run-up in real rates and our view that the real equilibrium rate of interest is probably hardly above zero, the current monetary stance is already tight. This is confirmed by the sharp inversion of the Sterling yield curve. As the headwinds for the economy continue to increase in the second half of 2023, inflationary pressures should ease more quickly as we move into next year, allowing the BoE to ease policy in 2024.

The Sterling market ticks a lot of boxes in terms of relative attractiveness

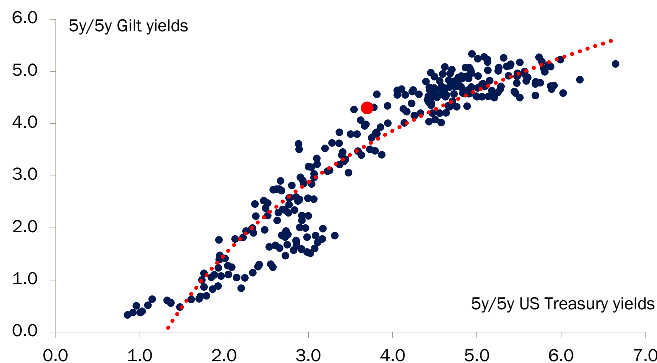
The more aggressive policy pricing is reverberating across the whole Sterling yield curve. Yields have risen substantially across the board. The Gilt market is a very volatile high beta market, i.e., Gilts underperform their reference markets sharply in a rising yield environment and vice versa. Nevertheless, the Sterling market ticks a lot of boxes in terms of relative attractiveness. (1) Markets now price 125bp of additional hikes over the next 6 months (after a cumulative 440bp of rate increases so far), at a time when (2) most developed markets central banks are getting closer to the end of the rate hike cycle as their respective economies are slowing, and (3) the Gilt market looks cheap relative to all other government bond markets. The relative valuation argument deserves particular attention. While global government bond yields are highly correlated, high beta markets such as UK Gilts can temporarily over- and undershoot global trends. The recent surge in BoE policy rate expectations has led UK 5y5y nominal yields to be priced substantially above their US counterparts and other markets (Exhibit 4). In our view, this is not sustainable as Gilt yields should trade at lower levels than US Treasury yields over the medium term.

Exhibit 3: BoE implied policy rates surge relative to US and EA



Source: Bloomberg, Bank J. Safra Sarasin, 15.06.2023

Exhibit 4: Gilts look cheap relative to other DM government markets



Source: Bloomberg, Bank J. Safra Sarasin, 15.06.2023

It is time for the brave

The Sterling market is probably the most unloved fixed income across advanced economies. Although risks loom large in the short term, forward markets are pricing an excessive policy rate trajectory. We think it is time for the brave to start locking in the higher yields with a 6- to 12-month horizon. The 5-year part seems to be a good starting point to profit from excessive front-end pricing while still acquiring some meaningful duration.

Crypto assets

What's driving cryptos these days?

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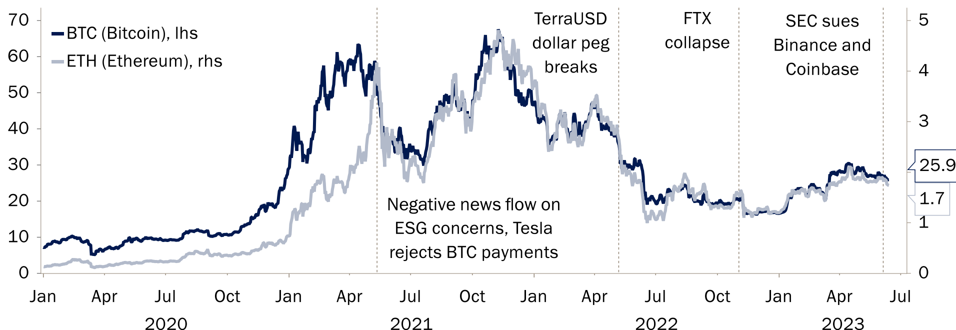
By historical standards, crypto assets have traded within a relatively narrow range over the past 12 months. We find that the US dollar continues to matter most for Bitcoin, while Tech equities, risk sentiment and break-even inflation have remained on the side-line. We furthermore outline the latest pushes from US regulators, which could well eclipse signals from the macro side.

By historical standards, cryptos have traded within a relatively narrow range over the past 12 months

Following an extended period of decline, which started to unfold at the end of 2021, crypto assets have staged a sizeable recovery since the beginning of this year. Constituting around two thirds of the total capitalisation of the crypto market, Bitcoin (BTC) and Ether (ETH) are both up 50% year-to-date. Yet in light of the extreme volatility that both crypto assets have shown over the years, one could say that by historical standards, both assets have traded in a relatively narrow range over the past 12 months (Exhibit 1). Also, the correlation between Bitcoin and Ether appears to have become tighter. In our view, this suggests that crypto assets are essentially driven by very similar forces – in spite of the significant differences in their technological setup.

Exhibit 1: Over the past 12 months, Bitcoin and Ether have both traded more steadily



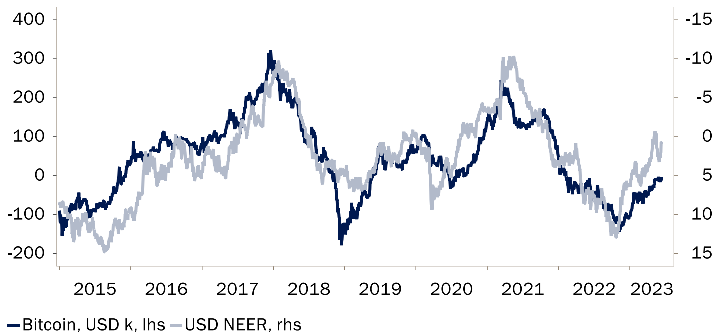
Source: Macrobond, Bank J. Safra Sarasin, 15.06.2023

Established as an «anti-dollar», Bitcoin is negatively correlated to the world's foremost reserve currency

Last summer, we took a closer look at the macro drivers of Bitcoin. Most notably, we found that Bitcoin was remarkably negatively correlated with the US dollar. Perhaps, this surprises less when we consider that the crypto asset was purposely established as an «anti-dollar» (see original post by Satoshi Nakamoto, 11/02/2009). Taking a look at the past 12 months, we observe that Bitcoin has moved closely with the US dollar, hitting lows when the dollar peaked in Q4 2022 and staging its recovery at a time when the US dollar fell (Exhibit 2). Based on monthly data ranging from 2015 to present, we can say that on average, a 1% appreciation of the trade-weighted US dollar translated into a 15% drop of the Bitcoin price and vice versa (Exhibit 3). Other factors matter as well for Bitcoin, though to a significantly lesser extent. A simple regression model based on the trade-weighted US dollar, Tech equities, US 10-year break-even inflation (which we derive from 10-year inflation-linked Treasuries) and risk sentiment (proxied by the VIX index) allows us to explain Bitcoin's price variation over the past months to a considerable extent.

Exhibit 2: Bitcoin moves closely with the trade-weighted US dollar

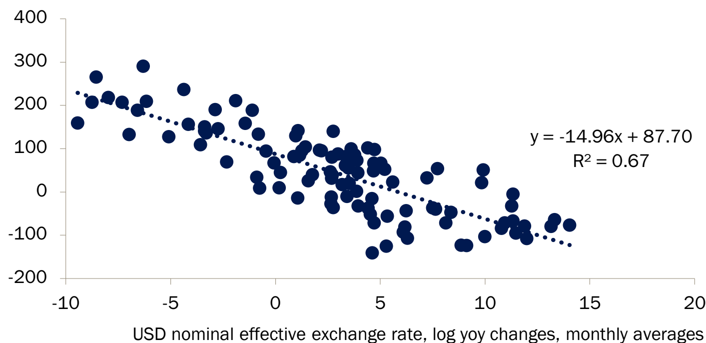
Bitcoin vs US dollar, annual returns, %



Source: Macrobond, Bank J. Safra Sarasin, 15.06.2023

Exhibit 3: On average, BTC rises by 15%, when USD falls by 1%

Bitcoin, log yoy changes, monthly averages



Source: Macrobond, own calculations, Bank J. Safra Sarasin, 15.06.2023

Monetary tightening itself has and will have only little relevance for the movement of crypto assets

The attribution analysis derived from our model (Exhibit 4) reveals two important points:

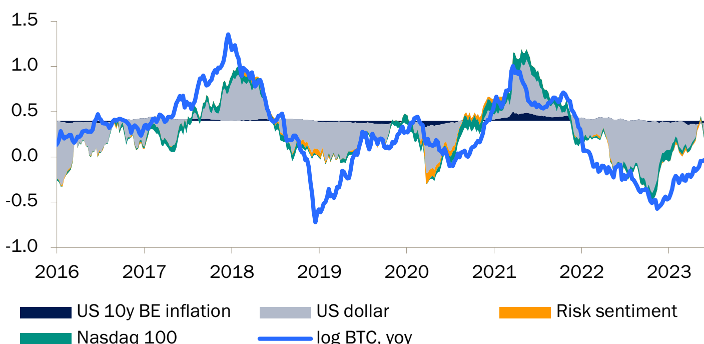
1. Though statistically significant, break-even inflation only contributes very little to Bitcoin's overall moves. Real yields fare even worse, which reinforces our view that the substantial degree of monetary tightening itself will have only little relevance for the movement of crypto assets, going forward.
2. Our analysis also reveals that Tech equities constitute the second most important underlying factor for Bitcoin, though to a lesser extent than the dollar. Yet we can see that Bitcoin has started to diverge from Tech equities (Exhibit 5). The opening gap suggests that crypto assets continue to be driven by a further array of factors that are impossible to incorporate into any type of model.

Crypto assets remain largely event-driven

By construction, the modelling of Bitcoin in a macro framework neglects that crypto assets have long been predominantly driven by events and incidents apart from what is happening on the macro front. Throughout its 14-year-long history, Bitcoin experienced a series of crashes and bear markets. Out of these, the theft of 850'000 bitcoins from the former Tokyo-based crypto exchange Mt Gox inarguably represented the fiercest, triggering Bitcoin to plummet from $32 to just $0.01 in a matter of days during June 2011. Given this context, more recent events such as the breakdown of the stable coin TerraUSD's dollar peg in May 2022 and the collapse of FTX in November 2022, which both (only) triggered approximate 30% drops both appear quite moderate.

Exhibit 4: USD is most important for BTC, followed by Tech equities...

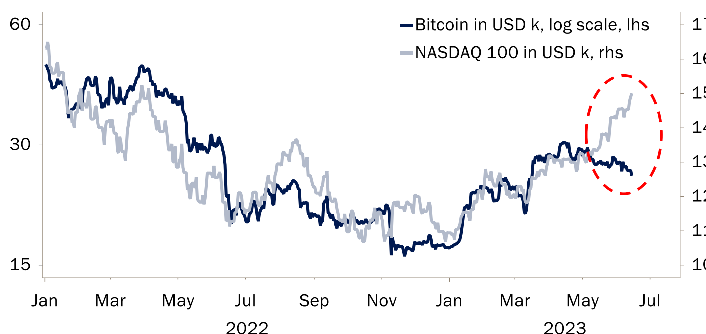
Bitcoin, yoy log returns – contributions from drivers, 2016 – present



Source: Bloomberg, Macrobond, own calculations, Bank J. Safra Sarasin, 15.06.2023

Exhibit 5: ...yet some de-coupling is visible as of late

Bitcoin vs Tech equities



Source: Macrobond, Bank J. Safra Sarasin, 15.06.2023

Lawsuits against Binance and Coinbase constitute the latest drag on crypto space

Still, the US government's recent push towards tighter regulation of the crypto space may constitute a major game changer. Last week, the US Securities Exchange Commission (SEC) sued the world's two largest crypto trading platforms Binance and Coinbase. At their core, both complaints accuse Binance and Coinbase of offering trading services in securities that the SEC claims to fall under its jurisdiction. In comparison to the complaints filed against Coinbase, the accusations against Binance appear to be even more severe and reminiscent of charges against FTX. Founder Changpeng Zhao is personally accused of deceiving US regulators about Binance's true operations and diverting billions of customer funds into a separate company under his control.

Imminent litigation risk should trigger more large-scale crypto liquidation, which should weigh on the entire crypto space

While the outcome of these trials needs to be awaited, the filing of lawsuits against two major players in the crypto space are ample indication that US regulators are finally following through with a broad crack down on the industry that had been looming large since the breakdown of FTX in November 2022. We deem an eventual complete ban as rather unlikely given that adoption is too widespread already, yet regulatory requirements should only grow in the months and years to come. This should increase compliance and reporting requirements, which will likely drive smaller crypto firms out of the market. Furthermore, we see the risk that crypto assets might become less attractive for various groups of investors. To this date, the imminent litigation risk has already led market makers to reduce their exposures substantially, which is likely to drag on for a while and deteriorate liquidity in the crypto space further. Taken together, we expect the self-cleaning process to carry on. Throughout this process, the crypto space is likely to consolidate further before it can reach a trough.

Economic Calendar

Week of 19/06 – 23/06/2023

Country	Time	Item	Date	Unit	Consensus Forecast	Prev.
Monday, 19.06.2023						
US	16:00	NAHB Housing index	Jun	mom	50.0	50.0
Tuesday, 20.06.2023						
DE	8:00	PPI MoM	May	mom	--	0.3%
	8:00	PPI YoY	May	yoy	--	4.1%
US	14:30	Building Permits	May	1'000	1435k	1416k
	14:30	Housing Starts	May	1'000	1400k	1401k
	14:30	Philadelphia Fed Non. Manf.	Jun	Index	--	-16.0
Wednesday, 21.06.2023						
UK	08:00	CPI MoM	May	mom	--	1.2%
	08:00	CPI YoY	May	yoy	8.5%	8.7%
	08:00	CPI Core YoY	May	yoy	--	6.8%
	12:00	CBI Trends Total Orders	Jun	Index	--	-17.0
US	13:00	MBA Mortgage Applications	Jun16	wow	--	7.2%
Thursday, 22.06.2023						
UK	13:00	Bank of England Bank Rate	Jun22	%	--	4.5%
US	14:30	Chicago Fed Nat Activity Index	May	Index	--	0.07
	16:00	Existing Home Sales	May	mn	4.25mn	4.28mn
	16:00	Leading Index	May	mom	-0.8%	-0.6%
	17:00	Kansas City Fed Manf. Activity	Jun	Index	--	-1.00
Friday, 23.06.2023						
JN	02:30	Natl CPI YoY	May	yoy	3.1%	3.4%
	02:30	Natl CPI Ex Fresh Food YoY	May	yoy	4.2%	4.1%
	02:30	Jibun Bank Japan PMI Mfg	Jun P	Index	--	50.6
FR	09:15	France Manufacturing PMI	Jun P	Index	--	45.7
GE	09:30	Germany Manufacturing PMI	Jun P	Index	--	43.2
UK	10:00	UK Manufacturing PMI	Jun P	Index	--	47.1
US	15:45	US Manufacturing PMI	Jun P	Index	48.5	48.4
	17:00	Kansas City Fed Services Activity	Jun	Index	--	1.0

Source: Bloomberg, J. Safra Sarasin as of 15.06.2023

Market Performance

Global Markets in Local Currencies

Government Bonds	Current value	Δ 1W	Δ YTD	TR YTD in %
Swiss Eidgenosse 10 year (%)	1.08	11	-54	4.7
German Bund 10 year (%)	2.54	16	-3	1.1
UK Gilt 10 year (%)	4.38	13	71	-3.4
US Treasury 10 year (%)	3.75	1	-13	2.4
French OAT - Bund, spread (bp)	52	-3	-3	
Italian BTP - Bund, spread (bp)	162	-12	-53	

Stock Markets	Level	P/E ratio	1W TR in %	TR YTD in %
SMI - Switzerland	11,303	17.2	0.0	8.5
DAX - Germany	16,290	11.5	1.9	17.0
MSCI Italy	874	8.4	1.5	15.9
IBEX - Spain	9,431	10.4	1.2	17.0
DJ Euro Stoxx 50 - Eurozone	4,365	12.5	1.6	18.2
MSCI UK	2,182	10.6	0.3	3.8
S&P 500 - USA	4,426	20.3	3.1	16.2
Nasdaq 100 - USA	15,185	29.2	4.9	39.4
MSCI Emerging Markets	1,024	13.4	3.1	8.3

Forex - Crossrates	Level	3M implied volatility	1W in %	YTD in %
USD-CHF	0.89	6.8	-1.4	-3.6
EUR-CHF	0.98	4.6	0.5	-1.4
GBP-CHF	1.14	6.6	0.4	2.0
EUR-USD	1.10	6.5	1.9	2.3
GBP-USD	1.28	7.8	1.9	6.0
USD-JPY	141.0	9.0	1.1	7.5
EUR-GBP	0.86	5.6	0.1	-3.4
EUR-SEK	11.60	7.1	-0.4	3.9
EUR-NOK	11.49	10.0	-0.7	9.4

Commodities	Level	3M realised volatility	1W in %	YTD in %
Bloomberg Commodity Index	104	14.4	3.3	-7.8
Brent crude oil - USD / barrel	76	31.5	0.7	-10.8
Gold bullion - USD / Troy ounce	1,961	12.0	-0.2	7.5

Source: J. Safra Sarasin, Bloomberg as of 15.06.2023

J. Safra Sarasin
Cross-Asset Weekly

16 June 2023

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