

Economy

US statistics confirmed the strength of economic activity and a degree of inflationary pressure: consumer prices once again surprised to the upside (up 0.9% MoM and 5.4% YoY), as did producer prices (up 7.3% YoY). SME confidence (NFIB index) bounced back more strongly than expected in June (up from 99.6 to 102.5), while retail sales were up 0.6% MoM in the same month. Consumer confidence has proved somewhat disappointing in July, down from 85.5 to 80.8, while industrial production is up only 0.4% MoM. In the eurozone, industrial production came in lower than expected in May (down 1% MoM; up 20.5% YoY). Lastly, in China, retail sales, industrial production and investment all exceeded expectations in June (up 12.1%, 8.3% and 12.6% YoY respectively). Q2 GDP was in line with expectations (up 1.3% QoQ).

Climate

The EU has unveiled its "Fit for 55" package to cut CO2 emissions by 55% by 2030 (from a 1990 baseline). The emphasis is on vehicle electrification, energy efficiency and boosting the share of renewables in electricity generation. The Emissions Trading System is to be extended to cover sea and road transport and heating. A CO2 import tax could be introduced in those European sectors already affected: steel, aluminium, cement, fertiliser and electricity.

Bonds

The US yield curve has continued to flatten: after climbing to 1.41% on the back of another huge rise in the CPI (up 0.9% MoM), 10-year yields fell on Thursday and Friday amid fears over the impact of the delta variant on global growth, ending the week down 7 bps at 1.29%. In credit, spreads widened across all categories, and particularly in the US high-yield segment (up 13 bps). In Europe, the hybrid segment was the top performer for the second week running (posting a 0.32% gain).

Sentiment of traders

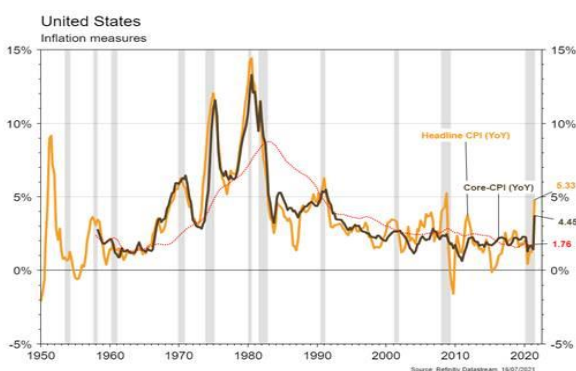
Stock market

Doubt has set in after a lower end to the week: indices continued to trend downwards this morning, averaging a drop of over 1% since Friday. Quarterly results season continues this week (SGS, PM, Halliburton, UBS, SAP, Coca-Cola, etc.). On the macro front, we are expecting EU and US PMIs and US housing numbers. The correction could last a few days.

Currencies

The resurgence in Covid-19 cases in Europe and fears of fresh lockdowns have caused EUR and GBP to fall to EUR/USD 1.1785 and GBP/USD 1.3720. Breaking through support at EUR/USD 1.1770 would pave the way for a move towards 1.1705. CHF remains firm at EUR/CHF 1.0845. Gold is trading at \$1,804/oz. Our ranges – EUR/USD: 1.1705-1.1850; USD/CHF: 0.9100-0.9250; GBP/USD: 1.3700-1.3900.

Today's graph



Markets

Fears over the pace of recovery and Jay Powell's speech pushed down sovereign yields despite inflation numbers. Sovereign bonds gained 0.5-0.6%, while European and US equities lost ground (down 0.6% and 1.0% respectively) but commodities (excluding copper) and emerging equities posted gains. Brent (down 2.7%) is set to continue to fall after OPEC+ agreed over the weekend to increase production. To be monitored this week: confidence among homebuilders (NAHB index), building permits and housing starts, leading indicators (Chicago and Kansas City Feds) and manufacturing and services PMIs (expected to be stable) in the US; ECB meeting, consumer confidence and manufacturing and services PMIs in the eurozone; and financing rates in China.

Swiss Market

To be monitored this week: FCA June and Q2 foreign trade and watch exports.

The following companies are also due to report figures/results: SGS, SFS, Kühne+Nagel, UBS, Medacta, EFG International, Georg Fischer, Julius Baer, Novartis, Valora, Temenos, Sika, Sulzer, Givaudan, V-Zug, ABB, Belimo, Cembra, Leonteq, Roche, Schindler and Lonza.

Equities

ASML (Satellites) is due to report its Q2 results this Wednesday. With the share already up 43% YTD, this quarter is unlikely to be a major catalyst for the share price despite strong new orders for 2021.

EXPERIAN (Core Holdings) has reported strong Q1 performance, with like-for-like sales up 22% YoY. The company is now forecasting FY 2022 organic sales growth of 9-11% (previously 7-9%), with "strong" EBIT margin expansion.

ROCHE (Core Holdings): Hemlibra has been shown to have a reassuring safety profile in patients with haemophilia A with inhibitors (with no new cases of thrombotic microangiopathy or serious thrombotic events) and confirmed as effective (with 82.6% of patients achieving zero treated bleeds). This profile supports five-year peak sales of CHF 5bn (vs. CHF 2bn in 2020).

TSMC (Satellites): Q2 sales were up 28% at a record \$13.29bn. TSMC is forecasting Q3 revenue of \$14.6-14.9bn. The company has also announced that it intends to build new production facilities in the US and Japan.

UNILEVER (Core Holdings) is due to report its Q2/H1 2021 results on Thursday. A more sustained quickening in organic sales growth thanks to recovering US and emerging markets, an improved product mix and price rises could translate into stronger than expected performance.

Performances

	Since		
	As at 16.07.2021	09.07.2021	31.12.2020
SMI	12 026.50	0.31%	12.36%
Stoxx Europe 600	454.74	-0.64%	13.96%
MSCI USA	4 206.00	-1.07%	14.67%
MSCI Emerging	1 340.08	1.66%	3.78%
Nikkei 225	28 003.08	0.22%	2.04%
As at 16.07.2021			
CHF vs. USD	0.9193	-0.48%	-3.85%
EUR vs. USD	1.1809	-0.47%	-3.49%
10-year yield CHF (level)	-0.31%	-0.29%	-0.55%
10-year yield EUR (level)	-0.40%	-0.34%	-0.58%
10-year yield USD (level)	1.30%	1.36%	0.91%
Gold (USD/per ounce)	1 812.56	0.24%	-4.49%
Brent (USD/bl)	73.67	-2.60%	41.97%

Source: Datastream

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