

**Economy**

US statistics were once again something of a mixed bag. On the plus side, durable goods orders were up 1.8% MoM and, above all, the ISM Manufacturing Index climbed from 59.9 to 61.1 in September. Meanwhile, the main disappointments were the Dallas Fed's leading indicator, down from 9 to 4.6, and consumer confidence, down from 115.2 to 109.3 in September. In the eurozone, EC confidence indicators moved in the right direction in September (up from 13.7 to 14.1 for industry and from 117.6 to 117.8 for the economy) except in services (down from 16.8 to 15.1), while consumer prices continued to rise (up 0.5% MoM and 3.4% YoY). Lastly, in China, while the official manufacturing PMI undershot expectations in September (down from 50.1 to 49.6), its Caixin counterpart rose from 49.2 to 50 and the services PMI bounced back from 47.5 to 53.2.

**Climate**

According to Europe's Copernicus Earth observation programme, this summer's huge forest fires (e.g. in North America and Siberia) released 2.5bn metric tons of CO<sub>2</sub>, equating to c. 6% of annual global emissions from all sources. This level of emissions is comparable to those generated by India and over three times those generated by Germany. What we have here is a real-life example of a feedback loop, with climate change giving rise to phenomena that in turn generate more emissions.

**Bonds**

US yields ended the week more or less unchanged: 10-year yields were up 1 bp at 1.46%, with lower real yields (-4 bps at -0.92%) offset by higher inflation expectations (+5 bps at 2.38%). In Europe, peripheral yields ended the week higher (Italian 10-year yields: +3 bps). In credit, risk aversion caused spreads to widen in both Europe (+1 bp in IG and 17 bps in HY) and the US (+4 bps in IG and 11 bps in HY). As regards performance, high-yield outperformed amid the downturn in the US (+20 bps vs. IG) but underperformed in Europe (-22 bps vs. IG).

**Sentiment of traders**

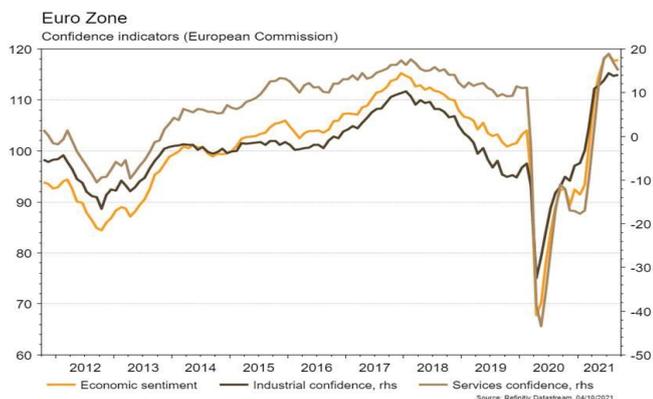
**Stock market**

Comments on US inflation and the start of tapering have rattled equity markets, which are becoming more volatile, testing technical support levels. Evergrande's imminent default and China's energy shortage penalised Asian markets this morning. With US job numbers due out this Friday, the hitherto upward trend could go into reverse.

**Currencies**

The greenback has continued to gain ground against most other currencies, supported by bond yields. This morning: EUR/USD 1.1610; USD/CHF 0.93; GBP/USD 1.3550. Gold lost \$40/oz before climbing back to \$1,760/oz. We anticipate the following ranges: EUR/USD 1.15-1.17; USD/CHF 0.9210-0.94; EUR/CHF 1.0740-1.0845.

**Today's graph**



**Markets**

Rising energy costs (with oil up 5.4%) and the lack of agreement on stimulus plans and raising the debt ceiling in the US weighed on investor morale. Equities thus lost ground (with the MSCI World down 2.5%) and high-yield credit spreads widened, while sovereign yields held steady. The dollar gained ground (with the dollar index up 0.8%), as did gold (up 0.2%), signalling growing risk aversion. To be monitored this week: ISM Non-Manufacturing Index and jobs report in the US; Sentix indicator of investor confidence, producer price index and retail sales in the eurozone; and (Caixin) services PMI, currency reserves and money supply in China.

**Swiss Market**

To be monitored this week: FSO August retail sales, FSO September inflation, FSO August overnight hotel stays, KOF autumn forecasts, SECO September unemployment and SNB end September currency reserves.

In other news, Aryzta reports its 2020/21 results today and Chronext is due to be listed on the Swiss stock exchange at the end of the week.

**Equities**

**ADOBE** (added to US Core Holdings), whose flagship products include Photoshop, Acrobat and InDesign, is one of the world's largest software companies. With the digital transformation in full swing, demand for its software is growing strongly.

At its investor day on 28 September, **ASML** (EU Satellites) upgraded its 2025 sales guidance to €24-30bn.

**PEPSICO** (US Core Holdings) is due to report its Q3 2021 results on Tuesday evening. We should see another strong quarter in terms of organic sales growth, EBIT and EPS. After its progress in H1 and expected performance in Q3, the group could upgrade its full-year guidance (on organic sales growth and EPS), though Q3 is likely to highlight the growing impact of costs (commodities and transport) on margins.

**ROPER** (US Satellites) is to sell transport infrastructure technology specialist TransCore, which it has owned for 17 years, to Singapore-based ST Engineering. The \$2.7bn sale proceeds will be redeployed towards Roper's pipeline of acquisition opportunities, which the group describes as "robust".

**SANDVIK** (Core Holdings) has acquired US-based CNC, which specialises in computer-aided design and manufacturing (CAD/CAM) software. CNC, which will add c. \$60m in sales (0.6% of group sales) and boost the group's margins, has joined the Design & Planning Automation division.

**Performances**

	Since		
	As at 01.10.2021	24.09.2021	31.12.2020
SMI	11 575.37	-2.05%	8.15%
Stoxx Europe 600	452.90	-2.24%	13.50%
MSCI USA	4 233.18	-2.37%	15.41%
MSCI Emerging	1 246.60	-1.46%	-3.46%
Nikkei 225	28 771.07	-4.89%	4.83%
<b>As at 01.10.2021</b>			
<b>CHF vs. USD</b>	0.9299	-0.54%	-4.94%
<b>EUR vs. USD</b>	1.1597	-1.00%	-5.22%
10-year yield CHF (level)	-0.18%	-0.16%	-0.55%
10-year yield EUR (level)	-0.22%	-0.23%	-0.58%
10-year yield USD (level)	1.47%	1.46%	0.91%
Gold (USD/per ounce)	1 756.10	0.22%	-7.47%
Brent (USD/bl)	79.32	5.44%	52.86%

Source: Datastream

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