

Economy

Statistics were thin on the ground during the festive break. In the US, while the Dallas Fed's leading economic indicator fell short of expectations in December, down from 11.8 to 8.1, the Richmond Fed's rose reassuringly from 12 to 16 and the Chicago PMI climbed from 61.8 to 63.1. Home prices (S&P CoreLogic) rose 0.92% MoM in October (up 18.4% YoY), in line with expectations. In the eurozone, year-on-year M3 money supply growth slowed more sharply than expected, down from 7.7% to 7.3%. Lastly, the KOF leading economic indicator for Switzerland held relatively steady in December at a historically high 107.

Markets

After some brief questions thrown up by the Fed's December meeting, equity markets ended the year at peak levels, in defiance of the Omicron variant. The S&P 500 and the Stoxx 600 posted monthly gains of 4-5% in December. Over FY 2021, 10-year yields rose 60 bps in the US and c. 40 bps in Europe and Switzerland. To be monitored this first week of 2022: ISM Manufacturing and Non-Manufacturing indices, Fed minutes and jobs report in the US; price and confidence indices and retail sales in the eurozone; and manufacturing and services PMIs and currency reserves in China.

Swiss Market

To be monitored this week: December PMIs, FSO December inflation, first indications of SNB 2021 results, SECO December unemployment and SNB end December currency reserves.

In other news, Jungfraubahn is due to release its 2021 traffic statistics and Raiffeisen its 2022 investment outlook.

Equities

ALSTOM (Satellites and b-Transition) will continue to provide maintenance services for the Bucharest metro until 2036 under a 15-year contract worth around €500m extending services provided by the group since 2004.

SANDVIK (Core Holdings) announced or completed no fewer than five acquisitions in December 2021 alone: Deswik in mine planning software, Kwatani in screening, GWS Tool Group in tools, ICAM in digital machining technologies and DCS in on-site software. This quickening in the pace of acquisitions is consistent with the group's strategic plan and our investment case.

ZURICH (Satellites) has sold an Italian life and pensions back book to Portuguese insurer GamaLife. The transaction, set to be finalised in H2, will help Zurich derisk by selling off \$9.5bn of reserves. This will reduce the group's capital requirement by \$1.2bn, increase its cash position by \$200m and boost its SST solvency ratio by 11 points.

Climate

On 31 December 2021, the European Commission published its draft green taxonomy covering sectors accounting for c. 80% of EU greenhouse gas emissions. New nuclear power stations are expected to qualify for the green label (making it easier for such projects to access funding) for permits obtained before 2045, as are new gas-fired power stations generating less than 270 gCO₂ / kWh (c. 40% less than current technologies) for permits obtained before 2035.

Bonds

Yields ended the final week of the year higher, with US 10-year yields up 2 bps at 1.51% and, in Europe, 10-year Bund yields up 7 bps at -0.18%. In credit, spreads narrowed across all categories in both the US (IG: -1 bp; HY: -6 bps) and Europe (IG: -1 bps; HY: -4 bps). US and European HY indices posted solid full-year gains, up 6% and 4.5% respectively, while IG indices were adversely affected by interest rate effects, losing 1.07% in the US and 2.47% in Europe.

Sentiment of traders

Stock markets

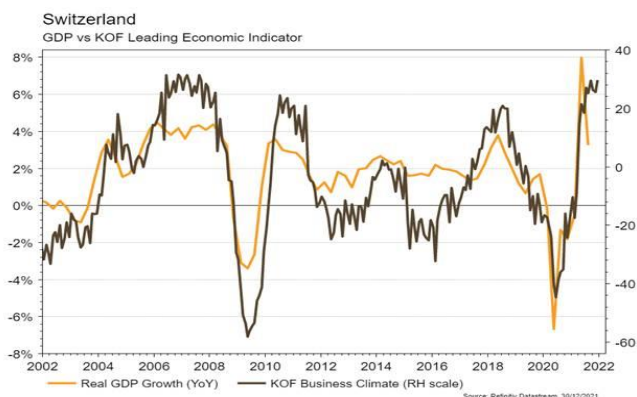
The situation at the open this morning looked uncannily like the end of 2021: low volatility and thin trading, with many markets (including the UK, Japan and China) closed. This week, we are expecting ISM indices, FOMC minutes and job numbers in the US and PMIs, PPI and CPI in the eurozone.

We remain positive.

Currencies

EUR has rallied slightly against CHF and USD: EUR/CHF 1.0368 and EUR/USD 1.1340. To confirm this trend, EUR will have to break through resistance at EUR/CHF 1.0395 and EUR/USD 1.1370, failing which a return towards EUR/CHF 1.0330 and EUR/USD 1.1260 is possible. GBP continues to rise against USD, at GBP/USD 1.3509; we expect the pair to trade in the range 1.3250-1.36. USD is holding steady against CHF at USD/CHF 0.9140; the range 0.91-0.93 remains valid. Gold has risen to \$1,823/oz.

Today's graph



Performances

	Since		
	As at 31.12.2021	24.12.2021	31.12.2020
SMI	12 875.66	0.71%	20.29%
Stoxx Europe 600	487.80	1.10%	22.25%
MSCI USA	4 593.59	0.72%	25.24%
MSCI Emerging	1 232.01	0.94%	-4.59%
Nikkei 225	28 791.71	0.03%	4.91%
As at 31.12.2021			
CHF vs. USD	0.9112	0.70%	-2.99%
EUR vs. USD	1.1372	0.38%	-7.06%
10-year yield CHF (level)	-0.14%	-0.18%	-0.55%
10-year yield EUR (level)	-0.18%	-0.25%	-0.58%
10-year yield USD (level)	1.50%	1.49%	0.91%
Gold (USD/per ounce)	1 822.39	0.77%	-3.97%
Brent (USD/bl)	78.40	3.21%	51.09%

Source: Datastream

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