

Economy

US statistics have been fairly disappointing this new year. The ISM Manufacturing Index fell from 61.1 to 58.7 in December, while its non-manufacturing counterpart fell further still, down from 69.1 to 62. Similarly, the number of jobs added to the economy in December was disappointing at 199,000. However, hourly wages rose more quickly than expected (up 4.7% YoY) and unemployment fell further than expected (to 3.9%). In the eurozone, November retail sales surprised to the upside (up 1% MoM). Inflation also quickened more than expected in December (coming in at 5% YoY). Lastly, Chinese manufacturing and services PMIs picked up from 49.9 to 50.9 and from 52.1 to 53.1 respectively in December.

Climate

According to the Guardian, more than 400 weather stations around the world beat temperature records in 2021. Ten national annual temperature records were broken or equalled in the year, including 54.4°C in Furnace Creek, California, 51.8°C in Swiehan, United Arab Emirates, 51.6°C in Oman, 48.8°C in Syracuse, Sicily, 49.1°C in Cizre, Turkey and 49.6°C in Lytton, Canada.

Bonds

In the US, the last Fed minutes were seen as hawkish and the market is now expecting four rate hikes in 2022. US yields ended the week 15-25 bps higher right across the yield curve. Driven by a sharp upturn in real interest rates (up 33 bps), US 10-year yields rose 25 bps to 1.79%, topping their March 2021 peak (1.75%). The trend was similar in Europe, with the 10-year Bund yield rising 10 bps to -0.04%. In credit, IG spreads narrowed 3 bps in both Europe and the US, while European and US HY spreads diverged, the former falling 13 bps while the latter climbed 13 bps.

Sentiment of traders

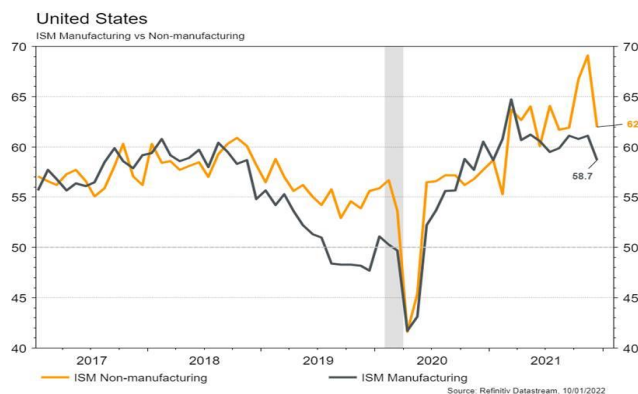
Stock markets

With no one really expecting further tapering or rate hikes, the FOMC minutes published last Wednesday soured the mood. Against this backdrop, all eyes will be on the CPI and PPI and the progress of the epidemic: further volatility is likely. We remain cautious.

Currencies

EUR has consolidated against USD and CHF: EUR/USD 1.1325 and EUR/CHF 1.0430. The ranges EUR/USD 1.1260-1.1370 and EUR/CHF 1.0330-1.05 remain valid. USD/CHF has risen slightly to 0.9211, with strong support at 0.91 and resistance at 0.93. GBP continues to benefit from momentum created by rising interest rates: EUR/GBP 0.8339; GBP/USD 1.3575. For this trend to continue, GBP would have to break through resistance at GBP/USD 1.36 and EUR/GBP 0.8314. Gold is under pressure at \$1,792/oz.

Today's graph



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Markets

The minutes of the last Fed meeting showed that members were considering tightening monetary policy more quickly than initially expected. This prompted a sharp rise in 10-year yields (USD: +25 bps; EUR: +10 bps; CHF: +14 bps – positive again!). Credit spreads remained under control but equities suffered (with the MSCI World losing 1.6%), as did gold (down 1.7%). To be monitored this week: SME confidence (NFIB index), producer and consumer price indices, retail sales, industrial production and consumer confidence (Univ. of Michigan) in the US; Sentix indicator of investor confidence, industrial production and unemployment rate in the eurozone; and producer and consumer price indices and trade balance in China.

Swiss Market

To be monitored this week: EY Banking Barometer 2022 and Flughafen Zürich December traffic statistics.

In other news, the following are due to report their 2021 sales: Sika, Bossard, Geberit, Partners Group (2021 assets under management) and Zehnder. Swiss blog Inside Paradeplatz has reported rumours according to which Chairman Antonio Horta-Osorio wants to either sell Credit Suisse (NR) or steer it towards a big merger, with Unicredit being mentioned.

Equities

DEERE, a market leader in farming and construction equipment, has been added to US Satellites with the b-Transition label. We expect growing income from agricultural commodities to fuel a cycle of investment. In the medium term, Deere is well placed to benefit from the agricultural transition thanks to digital technologies and precision agriculture.

EATON (Satellites, b-Transition) has paid \$600m for a controlling stake in Royal Power Solutions (450 employees), a US firm specialising in high-precision connectivity components notably used in electric vehicles and electrical industrial applications, both structural growth markets.

SYMRISE (Core Holdings) announced on Friday that it is to acquire Dutch company Schaffelaarbos (sales: €25m), the European market leader in egg protein for pet food. The deal will bolster Symrise's position in this segment, which constitutes one of the group's medium-to-long-term growth areas. The price tag has not yet been disclosed.

STELLANTIS and **VOLKSWAGEN** (Satellites): Automotive News reports that the semiconductor industry continues to increase production and the supply situation for the automotive sector should improve in 2022.

VEOLIA (Satellites, b-Transition): in its takeover bid for Suez, Veolia says it holds over 86% of the share capital at the end of the cash tender offer period. With the full effects of the acquisition not yet priced in, we remain buyers of the share.

Performances

	As at 07.01.2022	Since 31.12.2021	31.12.2021
SMI	12 797.94	-0.60%	-0.60%
Stoxx Europe 600	486.25	-0.32%	-0.32%
MSCI USA	4 489.17	-2.27%	-2.27%
MSCI Emerging	1 226.10	-0.48%	-0.48%
Nikkei 225	28 478.56	-1.09%	-1.09%
As at 07.01.2022			
CHF vs. USD	0.9199	-0.95%	-0.95%
EUR vs. USD	1.1348	-0.21%	-0.21%
10-year yield CHF (level)	0.01%	-0.14%	-0.14%
10-year yield EUR (level)	-0.07%	-0.18%	-0.18%
10-year yield USD (level)	1.77%	1.50%	1.50%
Gold (USD/per ounce)	1 791.65	-1.69%	-1.69%
Brent (USD/bl)	81.88	4.44%	4.44%

Source: Datastream