

Economy

US statistics for June were a mixed bag. Although retail sales advanced 1% MoM, the 0.2% MoM decline in industrial production was disappointing, while the drop in SME confidence (NFIB) from 93.1 to 89.5 was steeper than expected. The quickening tempo of rising prices (+1.3% MoM and +9.1% YoY) had not been expected, but that has not stopped University of Michigan longer-term inflation expectations from coming down 0.3 of a percentage point to 2.8%. As for the eurozone, the ZEW financial market experts' sentiment index slumped in July (from -28 to -51.1), but industrial production proved more resilient (+0.8% MoM; +1.6% YoY). In China, although Q2 GDP was a disappointment (-2.6% annualised QoQ rate), retail sales (+3.1% YoY), investment (+6.1% YoY) and industrial production (+3.4% YoY) were more heartening.

Climate

According to Brazil's National Institute for Space Research (INPE), some 3,750 square kilometres were lost and 7,533 forest fires reported in the Amazon rainforest in Brazil in H1 2022, record high figures since INPE satellite observations first began. According to Nature Climate Change, the world's largest tropical rainforest, which is already no longer a net carbon sink, is fast being transformed into savannah.

Bonds

In the US, inflation numbers came in above expectations once again in June (9.1% YoY, vs. an expected 8.8%), prompting a rise in short-term yields (1Y: up 15 bps), whereas long bond yields moved lower (10Y: down 17 bps), leaving the yield curve inversion between 10Y and 2Y rates at -18 bps, its deepest point since 2000. In Europe, yields fell (down 18 bps on 10Y Bunds), mostly on fears about energy supplies. Against this backdrop, investors will be keeping a very close watch on this Thursday's ECB meeting for further clarification about the direction of monetary policy.

Sentiment of traders

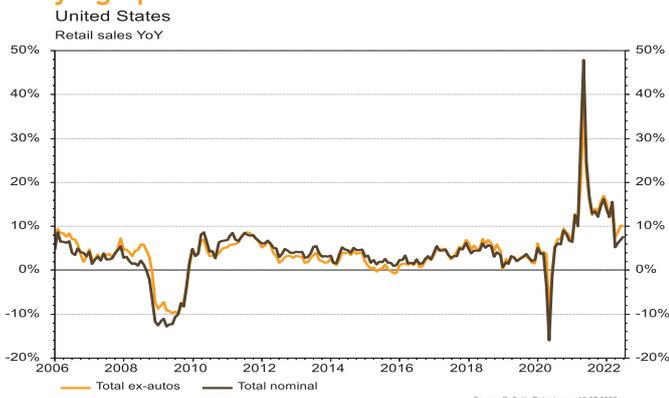
Stock markets

Markets rallied a little on the back of hopes the Fed's forthcoming rate hike would not top 75 bps. All eyes this week will be riveted on the ECB which should announce its first monetary-tightening step since 2011: a quarter-point hike expected. Elsewhere, on the micro front, the reporting season is in full swing, with seventy S&P 500 companies due to publish results. The week will be a volatile one.

Currencies

Volatility was the order of the day late last week: the euro, penalised by the political crisis in Italy and fears over gas supplies (NordStream 1) crashed through parity against the dollar to a low of EUR/USD 0.9950. The euro picked up this morning to EUR/USD 1.0138, buoyed by expectations about the ECB rate hike this Thursday (21 July) and profit-taking on the dollar; we are looking at ranges of EUR/USD 0.99-1.0350 and EUR/CHF 0.9775-1.0047. The dollar is consolidating at USD/CHF 0.9750: supp. 0.9645; res. 0.9990. The gold price stands at \$1,716/oz: supp. \$1,677; res. \$1,772.

Today's graph



Markets

The spectre of looming recession resulted in positive returns from developed-market sovereign bonds (US +1.5%; Germany +2.2%), but negative returns for equities, apart from Japan (US -1%; Europe -0.8%; emerging markets -3.8%), and especially commodities (copper -7.9%; oil -5.5%). To be monitored this week: confidence among homebuilders (NAHB), housing starts, building permits, manufacturing and service PMIs, and the Philadelphia Fed's regional leading economic indicator in the US; 1- and 5-year loan prime rates in China; and consumer confidence, the ECB meeting, manufacturing and services PMIs, and, above all,... resumption (or not) of operation of the NordStream 1 Russian gas pipeline in Europe.

Swiss Market

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

The following companies are scheduled to report results: Rietter, SGS, Novartis, Barry Callebaut, Georg Fischer, Mikron, Valora, Bossard, Givaudan, ABB, Bystronic, Cembra, EFG Int'l, Leonteq, Roche, Temenos, Sika, Schindler, Lonza, V-Zug and SIX Group.

Equities

ASTRAZENECA (Core Holdings): in the run-up to the World Conference on Lung Cancer (WCLC) to be held from 6 to 9 August, AstraZeneca has reported a summary of the Phase 1 trial assessing DS-1062 (a TROP2-targeting antibody-drug conjugate and prospective long-term growth driver for the group) in combo with Keytruda for treating lung cancer. Though still at an early stage, the data are very promising (objective response rate of 69% for patients who have not had any previous treatment – considered an intermediate indicator of efficacy) ahead of publication of Phase III results expected in early 2023.

MOWI (Core Holdings) has this morning released a trading update on its Q2 2022 results (due out on 24 August). Group operating profit came in at €320m, a big jump compared to last year (€137m) and 4% ahead of expectations. Unlike its competitors, Mowi has been able to boost its salmon harvest volumes (103,000 tonnes, vs. 99,000t guided for), enabling it to benefit more handsomely from very buoyant demand in a highly positive pricing landscape.

RUSSIAN GAS: as part of our drive to guard against repercussions from gas supplies being completely turned off, we have removed Evonik, Geberit, Saint-Gobain and VW from our lists of recommendations, as these companies' businesses and results look to be particularly vulnerable to this risk.

Performances

	Since		
	As at 15.07.2022	08.07.2022	31.12.2021
SMI	10 982.09	-0.30%	-14.71%
Stoxx Europe 600	413.78	-0.80%	-15.17%
MSCI USA	3 672.50	-1.04%	-20.05%
MSCI Emerging	961.85	-3.77%	-21.93%
Nikkei 225	26 788.47	1.02%	-6.96%
As at 15.07.2022			
CHF vs. USD	0.9789	-0.26%	-6.92%
EUR vs. USD	1.0080	-0.92%	-11.37%
10-year yield CHF (level)	0.74%	0.84%	-0.14%
10-year yield EUR (level)	1.07%	1.30%	-0.18%
10-year yield USD (level)	2.93%	3.10%	1.50%
Gold (USD/per ounce)	1 705.30	-2.33%	-6.43%
Brent (USD/bl)	101.29	-5.50%	29.20%

Source: Datastream

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