Economy

US figures were disappointing last week. The NAHB index of home-builders has fallen 12 points in July to 55 (vs. 64.5 expected), while housing starts fell from 1.59m in May to 1.56m in June (vs. 1.58m expected) and home sales fell from 5.41m in May to 5.12m in June (vs. 5.39m expected). The Philly Fed index has fallen 9 points in July to -12.3 (vs. -0.7 expected) and, above all, the services PMI is down 5.7 MoM at 47 (vs. 52.7 expected). In Europe, the ECB made its first rate hike (50 bps) since 2011; Italy's government collapsed, with fresh elections slated for September; the Nord Stream 1 gas pipeline reopened after maintenance; and manufacturing and services PMIs fell to 49.6 (down 2.5 into contractionary territory, vs. 51.0 expected) and 50.6 (down 2.4, vs. 52.2 expected).

Climate

The US president attempted to reiterate his climate commitments in the middle of last week by announcing an investment plan aimed at developing infrastructure that is resilient to climate change. However, the lack of a majority in Congress and a hostile Supreme Court are likely to continue to thwart the president's ambitions. Declaring a state of emergency would, however, give the executive branch some additional room for manoeuvre.

Bonds

Last week's key event was the ECB meeting, with the central bank kicking off its monetary tightening cycle with a 50 bps rate hike. The emphasis was on inflation and the need to hike rates more quickly than anticipated. To avoid the risk of fragmentation, the ECB also unveiled its new Transition Protection Instrument, the workings of which remain unclear beyond the fact that the central bank's balance sheet will be sterilised. Despite this hawkish move, investors were focused on fears of recession and sovereign yields ended the week lower (with the 10-year Bund down 10 bps).

Sentiment of traders

Stock markets

After a jittery but positive week, stock market indices began this week in the red in the wake of Asian markets. With all eyes on the FOMC meeting (a 75 bps rate hike is expected), quarterly company results (with more than 500 EU and US companies set to report) are likely to fuel further volatility.

Currencies

Despite a 0.50% ECB rate hike, the euro remains under pressure at EUR/USD 1.0196; we expect the pair to trade in the range 0.9950-1.0350. Forex dealers will be focused on this week's Fed meeting, with the market braced for a 0.75% rate hike. CHF has strengthened to EUR/CHF 0.9830 and USD/CHF 0.9645. We anticipate the following ranges – EUR/CHF: 0.9650-1.0160; USD/CHF: 0.9495-0.9991. Gold is trading at $1,726/oz; supp. $1,570; res. $1,814.

Markets

Against this worsening macroeconomic backdrop, sovereign yields other than Italy's ebbed (DE: -10 bps; GB: -15 bps), allowing government bonds (DE: +0.9%; US: +1.3%) and corporate bonds (IG: +1.8%; HY: +2.7%) to post gains. Equities rallied (US: +2.6%; EU: +2.9%; EM: +3%) after Q2 2022 results gave less cause for alarm than anticipated at this stage. Hampered by Italy, the euro showed little reaction to the ECB rate hike. This week, in the US we will be keeping an eye on July consumer confidence, June household income and expenditure, Q2 2022 GDP after a negative first quarter, and the FOMC meeting. In Europe, we will be watching the business climate, consumer and industrial confidence, consumer price inflation and Q2 2022 GDP.

Swiss Market

To be monitored this week: FSO June retail sales and KOF July economic barometer.

The following are due to report results: Bobst, Kühne+Nagel, Julius Baer, Logitech, UBS, Belimo, Lindt & Sprüngli, SIG, Holcim, Credit Suisse, Autoneum, Zehnder, Bucher, Comet, Kardex, Clariant, Inficon, LEM, Vontobel, Nestlé, Sulzer, Sunrise UPC, Swiss Re and the SNB.

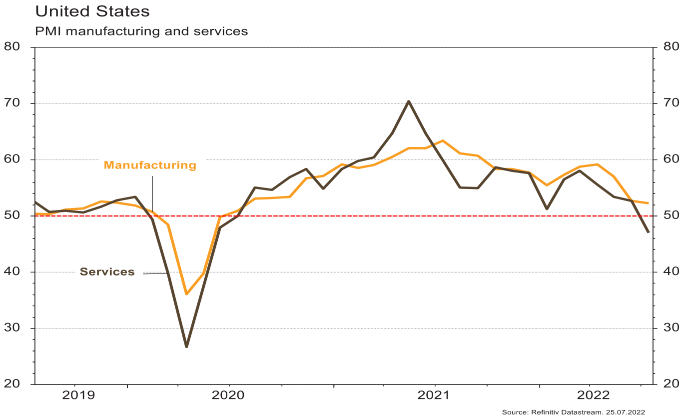
Equities

ASTRAZENECA (Core Holdings): following its recently released strong clinical results, the US FDA has accepted the submission for approval of Enhertu (breast cancer – one of the group's long-term growth drivers) with Priority Review status. A decision is scheduled for sometime in Q4.

AXA (Satellites): ahead of Q2 results (3 August), the market is ratcheting up the pressure over a share buyback (€1-2bn). The group is well capitalised, with €3-5bn in cash, and AXA XL now seems to be on an even keel with no further need for capital injections.

With results due from Core Holdings (**Alphabet, Microsoft, Apple, Amazon**), sentiment remains cautious this week. Given macroeconomic conditions and the slowdown in some sectors, estimates for most companies are likely to be further downgraded.

Today's graph



Performances

	As at 22.07.2022	Since 15.07.2022	Since 31.12.2021
SMI	11 096.12	1.04%	-13.82%
Stoxx Europe 600	425.71	2.88%	-12.73%
MSCI USA	3 769.74	2.65%	-17.94%
MSCI Emerging	990.37	2.97%	-19.61%
Nikkei 225	27 914.66	4.20%	-3.05%
	As at 22.07.2022		
CHF vs. USD	0.9609	1.87%	-5.17%
EUR vs. USD	1.0231	1.50%	-10.04%
10-year yield CHF (level)	0.66%	0.74%	-0.14%
10-year yield EUR (level)	0.98%	1.07%	-0.18%
10-year yield USD (level)	2.78%	2.93%	1.50%
Gold (USD/per once)	1 730.95	1.50%	-5.02%
Brent (USD/bl)	103.25	1.92%	31.70%

Source: Datastream

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