

## Economy

Last week's US statistics tended to surprise to the upside. The US economy added a slightly higher than expected 315,000 new jobs in August, supporting consumer confidence, which unexpectedly rose from 95.3 to 103.7 in the month. Similarly, the ISM Manufacturing Index stood firm, holding steady in expansionary territory at 52.8. Lastly, house price inflation slowed very sharply in June (0.4% MoM; 18.6% YoY). In the eurozone, EC confidence indicators (economy, industry and services) all fell further than expected in August. Furthermore, consumer price inflation continued to quicken in August, rising more sharply than expected to 9.1% YoY, its highest since the launch of the euro. Finally, in China, official August PMIs lacked any clear direction, with the manufacturing PMI up from 49 to 49.4 and the services PMI down from 53.8 to 52.6.

## Climate

According to coal-to-clean think tank Ember, securing permits for wind and solar projects takes longer than the 24 months laid down in European directives in many European countries, including Germany, Italy, France, Spain and Portugal. The record goes to Croatia, where it takes an average of 120 months – five times the official timescale – to get a permit for a wind project and 48 months for a solar project.

## Bonds

With the market now thinking both the Fed and the ECB will hike rates by 75 bps this month, sovereign yields have continued to rise. The US curve steepened last week, with two-year yields remaining unchanged, while 10-year yields climbed 15 bps to 3.19%. The uptrend was similar in Europe for both core yields (10-year Bund: +13 bps) and peripheral yields (10-year BTP: +14 bps). In credit, spreads widened across all categories in both Europe (IG: +9 bps; HY: +39 bps) and the US (IG: +9 bps; HY: +40 bps) amid persistent risk aversion.

## Sentiment of traders

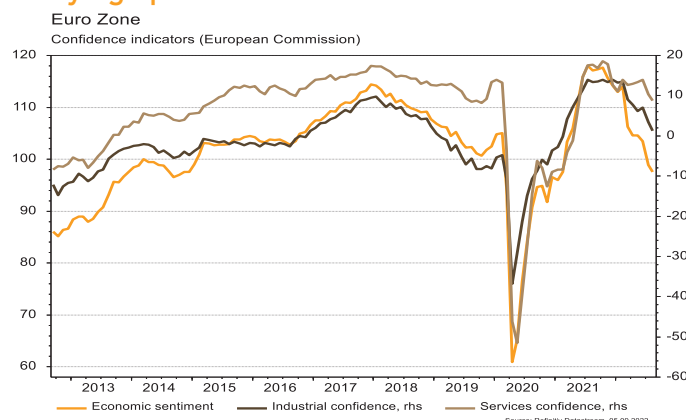
### Stock market

We are unlikely to be headed for the sunny uplands this week, with last week's US job numbers proving the US economy can withstand a few more rate hikes. The same cannot necessarily be said of markets. The S&P 500 is hovering around support at 3,900. Meanwhile, in Europe, Thursday's expected rate hike is unlikely to improve the mood. Keep covered!

### Currencies

News of the extended shutdown of the Nord Stream 1 pipeline caused EUR to plummet this morning to EUR/USD 0.9900 and EUR/CHF 0.9720. We will be keeping a close eye on this Thursday's ECB meeting, which should see rates hiked 75 bps. UK inflation is hitting new heights, sending sterling tumbling to GBP/USD 1.1460 and GBP/CHF 1.1260. We anticipate the following ranges – EUR/USD: 0.9613-1.0200; USD/CHF: 0.9640-1.00; GBP/USD: 1.1400-1.1620; EUR/CHF: 0.9652-0.9957.

## Today's graph



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## Markets

While we wait to find out whether the ECB will hike rates by 50 or 75 bps, the energy crisis affecting Europe has been pushing risk aversion higher. Equities fell (down 3.4% in the US, 2.4% in Europe and 3.4% in emerging markets), credit spreads widened and the dollar strengthened (with the dollar index up 0.7%). Gold (down 1.2%) was adversely affected by rising sovereign yields, with 10-year yields up 15 bps in the US and more in the eurozone (DE: c. +13 bps; FR: c. +40 bps), except in the periphery (IT: +14 bps). To be monitored this week: ISM Non-Manufacturing Index, trade balance and consumer credit in the US; Sentix confidence indicator, retail sales and ECB meeting in the eurozone; and currency reserves, trade balance and CPI in China.

## Swiss Market

To be monitored this week: FSO July overnight hotel stays, SECO Q2 GDP, SNB end August currency reserves and SECO August unemployment.

The following are due to report results: Burkharter, Romande Energie, Von Roll, BKW, Fundamenta, Helvetia, Medacta and Mobilière.

## Equities

**BAIDU** (Satellites) has reported Q2 results showing higher than expected margins (with the EBIT margin coming in 66.5% ahead of the consensus). Management had already kicked off its cost optimisation programme, which is likely to run until 2023. We expect advertising and cloud business to pick up quarter on quarter in H2 2022.

**DSM** (Satellites) has completed the sale of its Protective Materials business to Avient Corporation for an enterprise value of €1.45bn. The company will receive €1.35bn in cash.

**ENERGY:** last Friday evening's announcement of what may turn out to be the permanent interruption of Russian gas supplies will result in: (i) government packages to support households; (ii) in our opinion, a high risk of production cuts or stoppages in the European industrial sector; (iii) emergency plans to support energy suppliers at risk of liquidity shortfalls; and (iv) an overhaul of the EU electricity market, whose prices are dictated by gas prices... which have shot up 35% today. Watch this space.

Further to requests from US authorities, **NVIDIA** and **AMD** (not recommended) have stopped exporting artificial intelligence chips (Nvidia's A100 and H100; AMD's MI250) to China and Russia. The decision will hinder Chinese firms' progress on image recognition and machine learning. Nvidia's R&D activities will also be affected (management expects a \$400m hit to revenue in Q3). Intel, Marvel and Broadcom could also be impacted by this change.

## Performances

	Since		
	As at 02.09.2022	26.08.2022	31.12.2021
SMI	10 891.71	-0.46%	-15.41%
Stoxx Europe 600	415.98	-2.37%	-14.72%
MSCI USA	3 735.53	-3.37%	-18.68%
MSCI Emerging	972.02	-3.43%	-21.10%
Nikkei 225	27 650.84	-3.46%	-3.96%
As at 02.09.2022			
CHF vs. USD	0.9794	-1.65%	-6.96%
EUR vs. USD	1.0028	0.11%	-11.82%
10-year yield CHF (level)	0.87%	0.85%	-0.14%
10-year yield EUR (level)	1.52%	1.33%	-0.18%
10-year yield USD (level)	3.19%	3.05%	1.50%
Gold (USD/per ounce)	1 716.60	-1.16%	-5.81%
Brent (USD/bl)	93.06	-7.98%	18.70%

Source: Datastream