

Economy

US statistics were thin on the ground last week. The ISM Non-Manufacturing Index rose slightly in August (from 56.7 to 56.9), whereas it had been expected to fall. New weekly jobless claims came in lower than expected. Conversely, consumer credit increased less than expected in July (up \$23.8bn). In the eurozone, the Sentix indicator of investor confidence resumed its decline in September (down from -25.2 to -31.8). July retail sales were disappointing (up 0.3% MoM; down 0.9% YoY). Lastly, in China, the trade surplus was smaller than expected in August (\$79.4bn), indicating that economic activity is struggling to quicken (with exports up 7.1% YoY and imports up 0.3% YoY). However, inflation is not an issue, coming in lower than expected in August (2.5% YoY).

Planetary Limits

According to an international study published in Science, Earth is on the threshold of five climate tipping points (implying irreversible change) if and when global warming reaches 1.5°C: melting of the Greenland and West Antarctic ice sheets, thawing of the northern hemisphere permafrost, tropical coral reef die-off and loss of Barents Sea ice. At 2°C of warming, all glaciers would melt.

Bonds

The ECB has raised its deposit facility rate from zero to 0.75%, the biggest hike in its history. Christine Lagarde reaffirmed the central bank's determination to continue tightening monetary policy and the market now expects rates to peak at 2.25% (vs. 2%). Against this backdrop, sovereign yields rose sharply, though without any panicked reaction in peripheral yields (10-year Bund: +20 bps; 10-year BTP: +18 bps). It was a risk-on week for credit, with HY spreads narrowing sharply in both Europe and the US (down 23 bps and 43 bps respectively).

Sentiment of traders

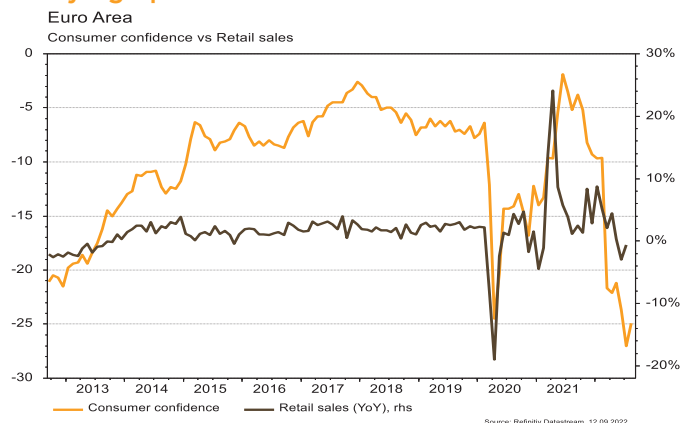
Stock market

Indices finally had a positive week despite the ECB's 75 bps rate hike and ahead of a raft of key numbers including US and eurozone inflation indicators. Markets are thus likely to be jittery; record rate increases on either side of the Atlantic could trigger significant sell-offs of risk assets at any time.

Currencies

The ECB has raised interest rates by 75 bps, the biggest hike since the creation of the single currency in 1999. EUR/USD was trading at 1.0190 this morning. CHF has appreciated further against EUR, reaching 0.9633, and USD, at 0.9548. After falling to its lowest level against the dollar since 1985, sterling has risen to GBP/USD 1.1690 despite the death of the Queen.

Today's graph



Markets

The ECB's unprecedented 75 bps rate hike had no adverse effect on equities, which gained 3.8% in the US and 1.1% in Europe but lost 0.2% in emerging markets. However, 10-year sovereign yields rose in response (US: +13 bps; EUR and CHF: +20 bps). Credit spreads narrowed, benefiting from this upturn in risk appetite, particularly in the high-yield segment. The dollar suffered as a result (with the dollar index down 0.5%), as did gold (down 0.1%). To be monitored this week: SME confidence (NFIB index), CPI, retail sales, industrial production, Philadelphia Fed leading indicator and consumer confidence (Univ. of Michigan) in the US; ZEW confidence indicator, industrial production and trade balance in the eurozone; and industrial production, retail sales and investment in China.

Swiss Market

To be monitored this week: Flughafen Zürich August traffic statistics, FSO August producer and import prices and FSO August overnight hotel stays.

The following companies are due to report results: BVZ, Laliq, Newron, Aegis, Zwahlen and Mayr.

Equities

ASTRAZENECA (Core Holdings): additional data shows that Tarigriso (on the market since 2015), used as adjuvant therapy for lung cancer patients with EGFR mutations, demonstrates median disease-free survival of 5.5 years.

BUREAU VERITAS (Core Holdings) has announced the acquisition of C.A.P. Government Inc., a US firm specialising in building and infrastructure inspection with a workforce of 250 experts and annual revenue of c. €25m (c. 0.5% of BV's sales).

INDITEX (Core Holdings) is due to report its Q2 2022 results this Wednesday. Favourable weather for its summer collection, the reopening of all stores, little discounting, favourable forex effects and rising prices hint at strong business and operating performance. Things are looking good for H2.

SWISS RE (Satellites): to coincide with the RVS Monte Carlo reinsurance conference, Swiss Re and its main competitors have issued press releases showing very encouraging volumes and premium rates for upcoming December renewals.

Performances

	Since		
	As at 09.09.2022	02.09.2022	31.12.2021
SMI	10 900.24	0.08%	-15.34%
Stoxx Europe 600	420.37	1.06%	-13.82%
MSCI USA	3 877.53	3.80%	-15.59%
MSCI Emerging	970.29	-0.18%	-21.24%
Nikkei 225	28 214.75	2.04%	-2.00%
As at 09.09.2022			
CHF vs. USD	0.9616	1.85%	-5.24%
EUR vs. USD	1.0043	0.15%	-11.69%
10-year yield CHF (level)	1.03%	0.87%	-0.14%
10-year yield EUR (level)	1.70%	1.52%	-0.18%
10-year yield USD (level)	3.32%	3.19%	1.50%
Gold (USD/per ounce)	1 714.40	-0.13%	-5.93%
Brent (USD/bl)	92.92	-0.15%	18.52%

Source: Datstream

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