

Economy

US statistics tended towards the disappointing. While Q3 GDP came in slightly higher than expected (up 2.6% QoQ annualised), manufacturing and services PMIs both fell further than expected in October (down from 52 to 49.9 and from 49.3 to 46.6 respectively). Consumer confidence also fell from 107.8 to 102.5 in October, while home prices fell 1.3% month on month in August. The core PCE price index (the gauge of inflation tracked by the Fed) came in marginally lower than expected (up 5.1% YoY). In the eurozone, manufacturing and services PMIs were also disappointing (down from 48.4 to 46.6 and from 48.8 to 48.2 respectively). In China, Q3 GDP surprised to the upside (up 3.9% QoQ and 3% YoY) while October PMIs were disappointing (with manufacturing down from 50.1 to 49.2 and services from 50.6 to 48.7).

Planetary Limits

On the eve of COP27, due to kick off in Cairo, Egypt on 6 November, the UN Environment Programme's Emissions Gap Report 2022 warns the world is heading for temperatures in 2100 to be 2.6-2.8°C higher than in the pre-industrial era... a far cry from the 1.5°C target/2.0°C maximum laid down in the Paris Agreement and in the range where the consequences will be both uncontrollable and irreversible.

Bonds

As expected, the ECB raised its deposit facility rate by 75 bps (to 1.50%) and confirmed it would be continuing to tighten monetary policy. Although its messaging was not particularly dovish, the market downgraded the level at which it expects rates to peak (down 25 bps to 2.75%). European yields ended the week sharply lower (with the 10-year Bund down 31 bps). US long yields also retraced part of their October increase (with 10-year yields down 23 bps). In credit, spreads narrowed across all categories, particularly in the US high-yield segment (down 43 bps), which saw inflows of \$3bn.

Sentiment of traders

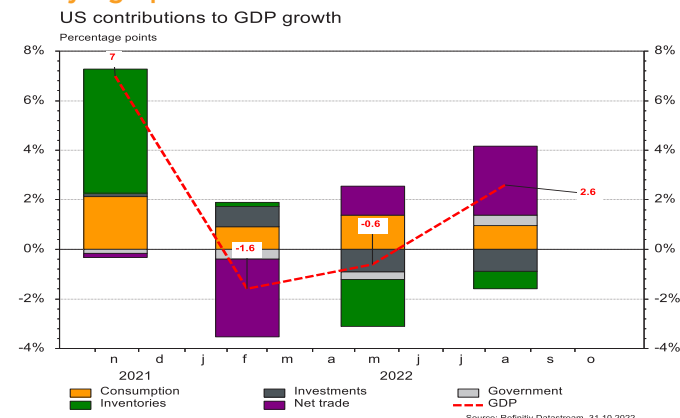
Stock market

After a positive week, all eyes will be on the FOMC meeting (0.75% hike expected) and Jay Powell's comments. Note that this week will also bring the eurozone CPI as well as job numbers in both the US and Europe. The quarterly results season rolls on, with many companies yet to report (Pfizer, BP, Mondelez, Vestas, etc.). We remain positive.

Currencies

After a vain attempt to break through resistance at EUR/USD 1.0080, EUR fell victim to profit-taking and was trading this morning at 0.9920. Breaking through support at 0.9880 would pave the way towards 0.9537. USD has firmed to USD/CHF 1.00 ahead of Wednesday's Fed meeting. We anticipate the range 0.9738-1.0148. CHF remains firm at EUR/CHF 0.9927; supp. 0.9640; res. 1.0047. After rallying strongly, GBP is struggling to break through resistance at GBP/USD 1.1625 and could test support at 1.1220. Gold is trading at \$1,638/oz; supp. \$1,622; res. \$1,683.

Today's graph



Markets

The observed upturn in risk appetite has been driven more by renewed hopes of a pivot by central banks than by any improvement in fundamentals. Equities thus rose last week (up 4% in the US and 3.7% in Europe; down 2.2% in emerging markets), while 10-year sovereign yields fell (USD: -23 bps; EUR: c. -31 bps; CHF: -24 bps). Gold did not benefit (down 0.1%) despite a weakening dollar (with the dollar index down 1.1%). To be monitored this week: ISM Manufacturing and Non-Manufacturing indices, Fed meeting, new vehicle registrations and jobs report in the US; consumer and producer price indices, first read of Q3 GDP, and unemployment in the eurozone; and (Caixin) manufacturing and services PMIs in China.

Swiss Market

To be monitored this week: FSO September retail sales, SECO October consumption climate, October PMIs, KOF Q4 employment indicator, FSO October inflation and KOF October economic survey.

The following are due to release figures: SNB, Burckhardt, Financière Tradition, Straumann, Barry Callebaut, Sunrise, Dufry, Aluflex-pack, Oerlikon, Adecco, Geberit and Phoenix Mecano.

Equities

3M CO (removed from Core Holdings): with Q3 2022 results still showing no structural improvement in the business model four years after the new CEO took office and environmental and litigation risk still high, we have removed the stock from our Core Holdings.

TECH SECTOR: forecasts given by cloud computing giants (Alphabet, Microsoft, Amazon – Core Holdings) when they released their results do not bode well for the resilience of corporate spending on technology. Market estimates of 2023 growth in the cloud computing industry have been considerably downgraded.

Visa (Core Holdings) is looking resilient, with revenue and EPS both up 19% YoY. Management continues to believe spending, volumes and payment methods will remain stable. Note that Visa made no mention of the risk of recession in its 2023 guidance (10% revenue growth).

SIG (Swiss Convictions) last Friday reported mixed results showing strong growth but EBITDA margins under pressure (with 2022 guidance cut from 26% to 25%). Higher input prices have eroded profit, but price rises are set to ramp up and management has reported logistics and materials costs peaked in Q3. Buy on weakness.

Performances

| | As at 28.10.2022 | Since 21.10.2022 | 31.12.2021 |
|---------------------------|------------------|------------------|------------|
| SMI | 10 772.37 | 3.40% | -16.34% |
| Stoxx Europe 600 | 410.76 | 3.65% | -15.79% |
| MSCI USA | 3 708.01 | 3.95% | -19.28% |
| MSCI Emerging | 845.58 | -2.25% | -31.37% |
| Nikkei 225 | 27 105.20 | 0.80% | -5.86% |
| As at 28.10.2022 | | | |
| CHF vs. USD | 0.9964 | 0.89% | -8.56% |
| EUR vs. USD | 0.9950 | 1.56% | -12.51% |
| 10-year yield CHF (level) | 1.13% | 1.37% | -0.14% |
| 10-year yield EUR (level) | 2.09% | 2.44% | -0.18% |
| 10-year yield USD (level) | 4.01% | 4.21% | 1.50% |
| Gold (USD/per ounce) | 1 641.20 | -0.07% | -9.94% |
| Brent (USD/bl) | 95.84 | 2.47% | 22.24% |

Source: Datastream

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