

## Economy

Last week's US statistics were something of a mixed bag. Good news included October new job numbers (261,000) and new vehicle registrations (14.9m over 12 months). The ISM Manufacturing Index fell from 50.9 to 50.2, in keeping with expectations, whereas its Non-Manufacturing counterpart fell further than expected in October (from 56.7 to 54.4). Unemployment (based on a consumer survey) climbed higher than expected, to 3.7%, sending out a different message from job creation figures (based on a business survey). In the eurozone, inflation quickened more than expected (up from 10% to 10.7% YoY), as did GDP growth in Q3 (at 0.2% QoQ), while unemployment fell from 6.7% to 6.6%. In China, the Caixin manufacturing PMI surprised to the upside (up from 48.1 to 49.2), while its services counterpart undershot expectations (down from 49.3 to 48.4) in October.

## Planetary Limits

The International Energy Agency's World Energy Outlook 2022 foresees global demand for fossil fuels peaking during the coming decade – somewhere around 2030 for gas and 2035 for oil. The Stated Policies Scenario (known as STEPS), which includes policies already announced by governments, sees demand for energy growing at roughly 1% a year, with the main thrust of this growth met from renewables and electrification.

## Bonds

The Fed hiked interest rates 75 bps (to 3.75-4%) and Jay Powell confirmed rates would be higher for longer, stating that (i) the level at which rates peak would be higher than the Fed estimated in September (4.65%) and (ii) it was far too early to countenance pausing monetary tightening. Against this backdrop, peak rate expectations climbed 30 bps to 5.15% and the US sovereign yield curve rose sharply (2Y: +24 bps; 10Y: +15 bps). In credit, US spreads were a mixed bag (IG: 10 bps; HY: +4 bps), while European credit put in a strong performance (IG: -10 bps; HY: -21 bps).

## Sentiment of traders

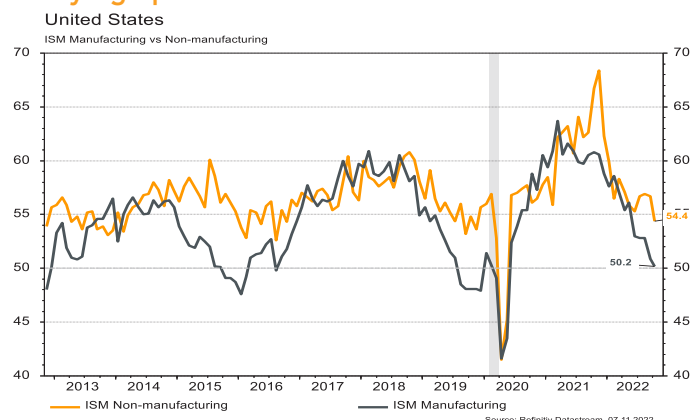
### Stock market

It was a week of mixed fortunes for equity markets: while Europe had a positive week, all three flagship US indices posted falls. With few economic figures expected, US midterm elections will be the highlight of the week. On the micro front, a few more quarterly results are due (BioNTech, Palantir, Ryanair, Bayer, DuPont, etc.). Indices are likely to resume falling.

### Currencies

Last week was a good one for USD until rumours surfaced that China might ease its zero-Covid policy and Christine Lagarde signalled further rate hikes to come, propelling the EUR/USD rate 200 pips higher (to 0.9750-0.9950). The pair must break through resistance at 1.0095, failing which we expect it to fall back towards support at 0.9750. GBP benefited from the correction in USD: GBP/USD 1.1362; res. 1.1647; supp. 1.1060. CHF remains firm at EUR/CHF 0.9885; res. 0.9965; supp. 0.9741; USD/CHF 0.9935; res. 1.0149; supp. 0.9841.

## Today's graph



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## Markets

The Fed confirmed that its priority remains controlling inflation, triggering a further rise in 10-year sovereign yields (USD: +15 bps; EUR: +25 bps; CHF: +10 bps). Rumours that Covid restrictions might be eased in China revived risk appetite last Friday, enabling some equity indices to end the week higher (up 1.5% in Europe and 4.7% in emerging markets but down 3.5% in the US). To be monitored this week: confidence among SMEs (NFIB index), CPI and consumer confidence (Univ. of Michigan) in the US; Sentix confidence indicator and retail sales in the eurozone; and currency reserves, trade balance, CPI and money supply in China.

## Swiss Market

To be monitored this week: SECO October unemployment, SNB end October currency reserves and Flughafen Zürich October traffic statistics.

The following are due to release figures: LEM, PSP Swiss Property, Valiant, Züblin, Swiss Life, Zurich Insurance, Montana Aerospace, Swiss Steel, Vontobel, Addex and Richemont.

## Equities

**ASSA ABLOY** (Core Holdings) has acquired Australian designer and manufacturer of premium access systems D&D Technologies. D&D has 110 employees and generates sales of c. SEK 475m, equating to c. 0.5% of Assa Abloy's 2021 group sales.

**OWENS CORNING** (removed from Satellites): on the back of another solid set of results in Q3 2022, we are removing the share from our recommendations in light of the now sharply worsening health of the US housing market.

**STELLANTIS** (Satellites): as well as reporting stronger than expected Q3 sales, management sees no reason why margins should be any different in H2 2022 from what they were in H1 (a record 14.1%) and foresees solid earnings in 2023. Despite the worsening economic situation, management is not anticipating a downturn in prices, with a more modest trend likely, and thinks input cost inflation will be lower than in 2022, which it will be feasible to fully offset the latter through the product mix and pricing.

## Performances

	Since		
	As at 04.11.2022	28.10.2022	31.12.2021
SMI	10 787.77	0.14%	-16.22%
Stoxx Europe 600	416.98	1.51%	-14.52%
MSCI USA	3 579.62	-3.46%	-22.07%
MSCI Emerging	884.98	4.66%	-28.17%
Nikkei 225	27 199.74	0.35%	-5.53%
As at 04.11.2022			
CHF vs. USD	0.9982	-0.18%	-8.72%
EUR vs. USD	0.9896	-0.54%	-12.98%
10-year yield CHF (level)	1.23%	1.13%	-0.14%
10-year yield EUR (level)	2.29%	2.09%	-0.18%
10-year yield USD (level)	4.16%	4.01%	1.50%
Gold (USD/per ounce)	1 673.40	1.96%	-8.18%
Brent (USD/bl)	98.78	3.07%	25.99%

Source: Datastream