INVESTMENT STRATEGY

2ND QUARTER 2023

Editorial
CDS, AT1S, COCOS: HITTING WHERE IT HURTS

The economist’s viewpoint
FINDING BALANCE AMIDST UNCERTAINTY

BCGE
Editorial

CDS, AT1s, CoCos: hitting where it hurts

The truth hurts: the banking sector is spoiling a promising start to the year. The collapse of two US banks, the UBS takeover of Credit Suisse, and the unexpected plunge in share price of Germany’s largest bank have caused no shortage of worry. Many are asking whether this is the beginning of a major crash or a passing phenomenon.

Volatility, already exacerbated by an uncertain economic outlook and uncontrollable inflation, is now fuelled by doubts about the stability of the financial system and banks in general. A look at historical trends (Graph 1), as is often the case, provides a reassuring answer. Indeed, while credit default swaps (CDS, credit risk hedging instruments) on Credit Suisse Group and Deutsche Bank have indeed approached record highs, the CDS market as a whole has remained at much lower levels than those observed during the eurozone sovereign crisis and the great financial crisis of 2008. Logically, we could explain the most recent upheavals by rising interest rates (which mainly affect banks with lower quality assets) or even by the decline in the balance sheets of central banks. After all, the economy no longer really needs to be stimulated so rates need not be kept low. In any case, the process of metabolising the rise in interest rates is underway and affecting lending conditions; this is part of the normalisation process after years of extremely low rates.

But let us go back to our basic question and look at the underlying issue of AT1s and CoCos. Additional Tier 1 (AT1) bonds are part of the family of “contingent convertible” bank capital securities, otherwise known as CoCos. They are labelled convertible because they can be converted from bonds to shares (or fully depreciated) and contingent because this conversion only occurs if certain conditions are met, notably if the capital strength of the issuing bank falls below a predetermined trigger level. Figure 2 highlights the hierarchy of instruments in terms of security for the investor and conversely, the expectation of return. Like traditional convertible bonds, AT1s and CoCos are hybrid instruments. They were created after the financial crisis to help banks strengthen their capital base (Tier 1). Unfortunately, the risk for the investor is twofold. Firstly, the investor is exposed to a conversion whose mechanism remains difficult to predict. Secondly, the conversion into the target asset – the issuer’s share – may take place at a time when the latter is also in sharp decline. This is a double whammy. As compensation for these risks, a higher return potentially awaits the investor. This market has taken off considerably in bond markets with negative yields, where many managers have used these instruments to “boost” yields.

Exposing our clients’ management mandates to this type of asset is not in line with our investment philosophy here at BCGE. Yet again, rigour, discipline and a healthy mistrust of complex structures have helped us avoid many a trap.


The economist’s viewpoint

Finding balance amidst uncertainty

The 1st quarter of 2023 was no different from 2022 for financial markets in terms of the volatility of financial assets; this was demonstrated in January by a strong rally in stock, bond and even real estate values, in February by ubiquitous apprehension and in March by jolts following US and Swiss banking debacles. Nevertheless, the quarter closed with appreciable gains in value, close to 5% for equities and 3% for bonds; a slight Swiss under-performance should not, however, be associated with the takeover of Credit Suisse. Though we may be used to March sleet, fuelled by the thermal contrast between high and low altitudes, the financial markets have, for several years now, suffered from a sensitivity to cooling during this seasonal transition period. A pandemic crisis, energy crisis, currency crisis, economic crisis, banking crisis, crisis of confidence, political crisis… when we become accustomed to the term, we forget its original definition: “the breakdown of equilibrium”. Are we really at a breaking point, or more simply at a crossroads where the inflection point between cyclical and structural forces creates tension?

Confidence has been undermined in recent weeks, particularly because the lungs of the economy, i.e. the banking system, whose primary mission is to serve as a transmission belt between the region’s big money makers and its economic players, has been short on air. Reaching a new economic equilibrium, which is the challenge of monetary policy, is no easy feat because the structural forces of transition (i.e. demographic, digital and energy transitions) affect inflation and growth.

The tightening of financing conditions through the rapid and drastic increase in central bank rates, as well as the contraction of liquidity (mainly when the monetary base = central bank liability), heralds a slowdown in lending dynamics. Does this mean that individuals and companies are stopping their spending, or are they reflecting on it by limiting impulse buying in favour of long-term rationality? It is worth noting that during the recent crises, the financial strength of companies and individuals was able to absorb all or part of the lag through their main fundamental sources of income, activity and work.

Although it may seem that overall bank deposit balances are in a sorry state (as witnessed by the M2 money supply), potentially laying the foundation for a run on banks, the situation is not so simple. Many may have withdrawn their bank savings, but this is often to lengthen the duration of their investments. This is done by transferring savings to bonds or term accounts (as demonstrated by the M3 money supply) to take advantage of interest rate normalisation, which better reflects the price of risk and protects against long-term inflation. So beware of the quasi-automatic interpretation of the devastating effects of tightening. Instead, let us focus on reaching a new economic and financial equilibrium that will take into account cyclical and structural adjustments, given that we have exited negative rate territory. Tensions will remain during this search for the inflection point and will affect specific economic and financial segments. We need to analyse their domino effects, contagious and too quickly labelled as crisis-inducing, by thinking outside the box.

That brings us to the most likely scenario for 2023-24, based on both the more cyclical short-term factors and the long-term transformations envisioned by economic players. Keep in mind that while growth in 2022 started out slow, it did not stall, re-
cording between 2 and 3% of wealth creation in Switzerland, the eurozone and the United States. Investment in innovation and technology continues, as does private consumption. Exceptional fluctuations resulting from the Covid-19 crisis are no longer in play. Persistent inflationary pressures, rekindled by the conflict between the Ukraine and Russia, have kept inflation rates at levels that are unacceptable for price stability (over 8% for the US and the eurozone, nearly 3% for Switzerland). The risks of an inflationary spiral triggering second-round effects, notably through wages, have pushed central banks into drastic and rapid action to tighten interest rates (4.25% increase in the United States) and make liquidity available for activity. Such a scenario led to the appreciation of the dollar by nearly 7% (after a peak of almost 13%). Will it also lend itself to slowing cyclical activity, exacerbating fragilities and laying the foundation for recession in 2023? Tighter financing conditions have already hit the residential and structural construction sector, which has been contracting for several quarters. International trade, after the necessary catch-up in 2021 and 2022, is naturally slowing down due to the appreciation of the dollar and its predominant sectors (raw materials, chemicals, semi-conductors and automobiles).

Cyclical forces are at work and many observers believe the contagion could spread to all economic players. However, structural factors are coming into play and offer an undeniable source of resilience. Indeed, the demographic transition and digital transformation must be viewed through such a lens; the shortage of labour following the exit of the baby-boomers from the labour market means that the labour force must be compensated by productive investments in innovation, technology and digitalisation in order to feed and renew the creation of added value, a source of income for all economic players. Added to this are developments in the pharmaceutical sector, including medtech and biotech, which are indispensable for the ageing population and the quest for regional autonomy. Finally, the energy dilemma, largely owing to the conflict between the Ukraine and Russia, has accelerated the dynamics of transition and the innovations that are imperative for moving toward greater independence. These crucial investments, supported by US and European government programmes, are driving a redeployment of high value-added manufacturing in Western economies. This redeployment is a source of underlying structural growth, unaffected by cyclical concerns. Taken as a whole, and without looking at certain particularities, the financial solidity of companies exposed to these megatrends is soundly preserved and makes it possible for them to continue supporting the innovative investment projects already in progress.

As for those living in Switzerland, the eurozone or the United States, though budgets have been badly affected by the rise in the price of foodstuffs and energy sources, they are nevertheless maintained by a buoyant job market, as is the case in Western countries in general. Many job vacancies remain unfilled despite announced cuts in some sectors and it is believed unemployment rates will see little deterioration; this scenario continues to fuel wage growth, a source of persistent concern for some central banks. While wage growth pressures in the United States are slowing, in the eurozone they are still active and require close vigilance if they are to be curbed. This justifies additional rate increases, to the great displeasure of financial system stability advocates who would like to see central bank key rates rapidly approach terminal rates. Inflation has not disappeared from the radar and will persist in 2024, less driven by cyclical forces but increasingly revealing the structural tensions stemming from restrictions on the factors of production (basic resources and labour) that are holding inflation between 2 and 3%; this context is resulting in a somewhat different monetary policy environment from the last decade, marked by disinflation and deflation. However, the decision to keep key interest rates at current levels for too long (which has led to restrictive financing conditions and tensions in credit provision) must be questioned.

The economic environment that is taking shape around an inflation point for growth and inflation in 2023-24 is poorly understood. It will still generate occasional tensions and volatility in asset classes while waiting for a more marked acceleration. This search for a soft economic and financial equilibrium, without necessarily a rupture or crisis, does not necessitate a change in our risk strategy. We shall continue to invest in a quality selection of companies oriented towards long-term transitions and exposed to risk through capital or, recently, through debt. Balanced portfolios are regaining their appeal.
Macro overview: Trend and scenario

Recent developments
The results of 2022 have demonstrated how resilient economies can be. The year’s collapse in consumer, business and investor sentiment was countered by the resilience of real activity. The strength of employment preserved household incomes, which were able to maintain their level of consumption, protected also by various tariff shields, particularly in Europe. Cyclical pressures penalised construction investment, which suffered from the tightening of financing conditions, while investment in technological equipment, innovation and intellectual property continued at a sustained pace.

Inflationary pressures were reignited and are persistent, increasing the risk of contagion and the start of a wage-price spiral. To counter this risk, a tightening of rates has been integral to monetary policy. In the US, wage growth seems to have peaked and moderation is in sight, even though service prices are still rising rapidly. In the eurozone, wages are still accelerating. In Switzerland, inflation – increasingly widespread – remains modest despite its recent acceleration. The Fed, ECB and SNB continue with their monetary tightening programmes. In March, renewed banking turmoil once again raised the spectre of the financial crisis.

Economic outlook for 2023-24
In 2023-24, momentum will be looking for an inflection point between cyclical constraints and structural opportunities. The slowdown in international trade and the deterioration in credit conditions will penalise cyclical activity, while the strength of employment will allow consumption to resist. Indeed, the working age population is shrinking, and companies, faced with major recruitment difficulties, will limit their restructuring plans. The demographic transition, climate change, and the programmes put in place on both sides of the Atlantic to deal with climate change are encouraging business investment. The inflection point will be soft, but not breakneck.

In the fight against inflation, any monetary response will have to subtly balance interest rates and liquidity while preserving financial stability.
Market summary

ASSET ALLOCATION

- The advanced normalisation of interest rates favours a more balanced bond allocation, protecting capital for quality debtors and against recessionary risks.
- Despite persistent volatility at the inflection point, moderate exposure to the value creation of companies oriented towards long-term transitions and profitability should be maintained.
- The adjustment of overall valuations, mainly due to interest rate hikes, is coming to an end. Picking the right investments and holding true to them during times of change should provide cover against short-term volatility.
  - Remain moderately overweight in equities
  - Keep bond weighting balanced
  - Limit cash flow

EQUITIES

- Though the earnings outlook for 2023 is fragile, pervasive resilience factors and productive investment in manufacturing will encourage recovery.
- Exposure should be carefully considered and limited to quality industrial companies in Switzerland and Europe demonstrating innovation and profitability. Preference for Switzerland.
- We continue to be positioned in technology and healthcare in the US market. Diversification of technology exposure to the US and Asia is justified.
- Valuations are adjusted to interest rates, but caution is advised given their relative attractiveness.
  - Favour Swiss over European industry, maintain balanced regional exposure
  - Maintain megatrends through innovations in IT and the medical and industrial sectors

BONDS

- The entire bond environment is back in positive interest rate territory. Bond allocation for quality debtors is proving to be a shield against the economic risks of recession.
- The central banks’ terminal rate strategy still justifies caution in the long term. In the face of structural inflation, maintaining rates can be justified.
- Investors are once again being rewarded for taking credit risk. Selectivity is essential for avoiding any bond portfolio mishaps, as recent events have reminded us.
  - Maintain the less sensitive 5-year maturity benchmark
  - Maintain high-quality bonds and limit corporate credit and liquidity risk

CURRENCIES

- The 1st quarter’s movements are still unclear. Sentiment dominates with the dollar in the lead.
- The dollar appreciation cycle may have peaked and the slightly depreciated fundamental value could be redrawn.
- The systematic appreciation pattern of the Swiss franc against the Euro could well change, despite the solidity of Switzerland’s currency. Let us therefore remain cautious about a potential appreciation of the Swiss franc.
## Outlook

### ECONOMY

<table>
<thead>
<tr>
<th>% GDP</th>
<th>2022</th>
<th>MOST RECENT DATA*</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>SWITZERLAND</td>
<td>2.1</td>
<td>0.1</td>
<td>0.9</td>
<td>1.2</td>
</tr>
<tr>
<td>EUROZONE</td>
<td>3.5</td>
<td>-0.2</td>
<td>0.7</td>
<td>1.5</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>2.1</td>
<td>2.6</td>
<td>1.0</td>
<td>2.0</td>
</tr>
<tr>
<td>DYNAMIC GROWTH REGIONS</td>
<td>3.9</td>
<td>N/A</td>
<td>4.0</td>
<td>4.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% INFLATION</th>
<th>2022</th>
<th>MOST RECENT DATA*</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>SWITZERLAND</td>
<td>2.8</td>
<td>3.4</td>
<td>1.7</td>
<td>1.2</td>
</tr>
<tr>
<td>EUROZONE</td>
<td>8.4</td>
<td>8.5</td>
<td>5.4</td>
<td>2.8</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>8.0</td>
<td>6.0</td>
<td>4.1</td>
<td>3.0</td>
</tr>
<tr>
<td>DYNAMIC GROWTH REGIONS</td>
<td>9.9</td>
<td>N/A</td>
<td>8.1</td>
<td>5.5</td>
</tr>
</tbody>
</table>

### MARKETS

<table>
<thead>
<tr>
<th>% KEY INTEREST RATE</th>
<th>31/12/2022</th>
<th>31/03/2023</th>
<th>3 MONTHS</th>
<th>12 MONTHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>SWITZERLAND</td>
<td>1.00</td>
<td>1.75</td>
<td>1.50</td>
<td>1.50</td>
</tr>
<tr>
<td>EUROZONE</td>
<td>2.50</td>
<td>2.50</td>
<td>3.50</td>
<td>1.00</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>4.50</td>
<td>2.50</td>
<td>5.00</td>
<td>4.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% 10 YEAR INTEREST RATE</th>
<th>31/12/2022</th>
<th>31/03/2023</th>
<th>3 MONTHS</th>
<th>12 MONTHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>SWITZERLAND</td>
<td>1.6</td>
<td>1.7</td>
<td>1.2</td>
<td>-0.3</td>
</tr>
<tr>
<td>EUROZONE</td>
<td>2.6</td>
<td>2.7</td>
<td>2.3</td>
<td>-0.3</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>3.9</td>
<td>2.4</td>
<td>3.5</td>
<td>-0.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXCHANGE RATES</th>
<th>31/12/2022</th>
<th>31/03/2023</th>
<th>3 MONTHS</th>
<th>12 MONTHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/CHF</td>
<td>0.92</td>
<td>1.2</td>
<td>0.91</td>
<td>-1.0</td>
</tr>
<tr>
<td>EUR/CHF</td>
<td>0.99</td>
<td>-4.6</td>
<td>0.99</td>
<td>0.5</td>
</tr>
<tr>
<td>EUR/USD</td>
<td>1.07</td>
<td>-5.9</td>
<td>1.09</td>
<td>2.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EQUITY INDICES</th>
<th>31/12/2022</th>
<th>31/03/2023</th>
<th>3 MONTHS</th>
<th>12 MONTHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMI</td>
<td>10729</td>
<td>-16.7</td>
<td>11106</td>
<td>3.5</td>
</tr>
<tr>
<td>STOXX 600</td>
<td>425</td>
<td>-13.1</td>
<td>458</td>
<td>7.8</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>3840</td>
<td>-19.7</td>
<td>4109</td>
<td>7.0</td>
</tr>
<tr>
<td>MSCI EM</td>
<td>956</td>
<td>-21.8</td>
<td>990</td>
<td>3.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMMODITIES</th>
<th>31/12/2022</th>
<th>31/03/2023</th>
<th>3 MONTHS</th>
<th>12 MONTHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRUDE OIL</td>
<td>85</td>
<td>7.0</td>
<td>80</td>
<td>-6.1</td>
</tr>
<tr>
<td>GOLD</td>
<td>1816</td>
<td>0.3</td>
<td>1977</td>
<td>8.9</td>
</tr>
</tbody>
</table>

*For interest rates, values expressed as a differential over the period.
**Switzerland**

**Macroeconomic trend**

**Hitting the economic breaks**

Economic activity in Switzerland stagnated in the 4th quarter. Cyclical constraints weighed on exports, but less cyclical sectors, such as pharmaceuticals, once again demonstrated their resilience. In addition, domestic demand (investment in capital goods and consumption) showed robust growth. Investment in construction, as elsewhere, has stalled, held back by construction cost inflation and higher credit costs.

In 2023-24, activity will continue to slow due to its sensitivity to the dynamics of exports (74% of GDP in 2022) and international trade; this is despite Switzerland’s sectoral specialisation in pharmaceuticals, which is not very affected by the economic cycle and provides a cushion of resistance. The tightening of financing conditions will further penalise construction but will not create a disruption in the real estate market. Indeed, the demographic transition, which is proving to be an additional support factor for employment, favours the resilience of household demand, particularly for lodging. The increase in the cost of credit is no longer a decisive factor in the choice between renting and buying. In addition, the decline in the working age population is leading companies to invest more in order to increase productivity. Lastly, the energy transition to a low-carbon economy will also fuel investment in technological equipment and intellectual property, despite the absence of large-scale public programmes in Switzerland. In 2024, the past inflection point will allow cyclical forces to combine with structural resilience factors to bring back moderate growth.

**Price inflation** has once again accelerated since the beginning of the year. Second-round effects are now at work (diffusion of inflation to all goods and services) but producer prices are showing signs of moderation and wage growth is not fuelling a wage-price spiral. Nevertheless, the Swiss National Bank’s determination to bring inflation back to the price stability range prompted it to raise its key rate by another 50 basis points to 1.5% at its March meeting. Further increases, close to terminal rates, cannot be ruled out but are not essential in the current growth and banking turbulence.

---

**MACROECONOMIC DATA: SWITZERLAND**

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>% GDP</td>
<td>0.9</td>
<td>1.2</td>
</tr>
<tr>
<td>% INFLATION</td>
<td>1.7</td>
<td>1.2</td>
</tr>
<tr>
<td>% UNEMPLOYMENT RATE</td>
<td>2.3</td>
<td>2.3</td>
</tr>
<tr>
<td>% KEY INTEREST RATE</td>
<td>1.50</td>
<td>1.50</td>
</tr>
<tr>
<td>% 10-YEAR INTEREST RATE</td>
<td>1.60</td>
<td>2.00</td>
</tr>
<tr>
<td>USD/CHF</td>
<td>0.90</td>
<td>0.91</td>
</tr>
<tr>
<td>EUR/CHF</td>
<td>0.99</td>
<td>1.05</td>
</tr>
<tr>
<td>SMI INDEX</td>
<td>11200</td>
<td>12000</td>
</tr>
<tr>
<td>EPS</td>
<td>26%</td>
<td>13%</td>
</tr>
<tr>
<td>PER</td>
<td>15.9</td>
<td>16.5</td>
</tr>
</tbody>
</table>
Switzerland
Interest rates and exchange rates

Short-term interest rates: in line with the SNB
The SNB has continued its monetary normalisation cycle. In March, it raised its rate by 50 basis points to 1.5%. The SARON rate was right behind it, ending the 1st quarter of 2023 at 1.4%. In the wake of the turmoil in the Swiss and US banking sectors, bond market volatility reached new extremes. Investors widely anticipated a pause in the monetary tightening process, or even an easing. As a result, the 2-year federal government rate, which reflects these monetary policy expectations, collapsed, losing 126 basis points in a few days before rebounding. It ended the quarter down 6 points.

Long-term interest rates: down
The 10-year federal government rate ended the 1st quarter of 2023 at 1.22%, down nearly 40 basis points. Yield performance over the quarter was bumpy. The 10-year hit a low of 0.9% at the time of the Credit Suisse earthquake, as investors favoured risk-free assets. The yield curve briefly inverted. However, a closer analysis of these developments points more to investor nervousness than to concrete signs. Expectations between inflation risk, monetary change and growth are contradictory, making it difficult to identify a clear trend. By nature, non-fundamental pressures should die down. Real rates have recovered, making the bond class attractive again, but rates will rise moderately to take account of higher structural inflation.

As for corporate debt, risk premiums have been put under pressure by the risk aversion generated by banking difficulties. Nevertheless, corporate debt ended the quarter close to its beginning-of-the-year level. In the investment grade segment, it remains higher than before the Covid crisis.

The Swiss franc: directionless
Since the beginning of the year, the Swiss franc has struggled to find its way. Against a backdrop of sentiment prevailing over fundamentals, it showed marked swings during the quarter but ended March close to its 2022-year-end level. It fell by 0.5% against the euro and appreciated by more than 1% against the greenback.

The franc’s strong movements, observed in 2022 and driven by inflation differentials (especially producer prices), have abated since the beginning of the year; the franc is now reacting to sentiment. The difficulties of Credit Suisse, its takeover by UBS and the (abundant) liquidity made available by the SNB dominated March movements.

The systematic annual appreciation of the franc against the euro must be read in the light of its external accounts and its savings capacity in a particular industrial structure: European production (repatriation of income) and Swiss research and development. The changes underway, including the acceleration of trade with the United States, could alter the bilateral exchange rate structure between the franc, the euro and the dollar. Moreover, after decades of pension savings supporting the appreciation of the franc, the wave of baby-boomer retirements could structurally change the face of Swiss savings and affect the franc’s movements. Our prediction is that the Swiss franc will remain strong. Nevertheless, we will keep a lookout for possible structural changes that could affect it.
Switzerland
Stock market

Low visibility for 2023
The 4th quarter showed a slowdown in activity, both in consumption and in industry. New orders were particularly weak at the end of the year and volumes were often in negative territory. But an increase in prices nevertheless compensated for these setbacks, resulting in positive organic growth for 2022. As for 2023, the reopening of China will support growth, and inflationary pressures should be less strong in production costs. However, visibility remains low and growth seems to be oriented towards the 2nd half of the year. The semiconductor sector will have to cope with a slowdown in capital expenditure, planned for 2023. Activity in the 1st half of the year looks particularly weak. A return to growth is expected in 2024.

Ambitious earnings expectations
For 2023, the consensus expectation is for 17% earnings growth, an ambitious figure that relies mainly on earnings growth for financial companies. We believe that the consensus should lower its expectations for 2023.

Neutral valuations
After experiencing a significant correction in 2022, valuations have rebounded since September: 16.8x for the SMI and 20.7x for the S&M Caps. The S&M caps valuation premium is at 23.2%, slightly above its historical average (22.0%). Given the uncertainty, an increase in exposure to more defensive companies is still warranted.

THE ESSENTIALS

- In the face of the 2023-24 slowdown, the Swiss economy will be penalised as a result of tighter financing conditions, but the predominance of pharma, resilient productive investment and robust employment will offer means of support.
- Inflation, now more widespread, has accelerated again. The SNB is working to anchor inflationary expectations and will therefore maintain its restrictive bias on rates.
- Asset allocation should continue to prioritise long-term themes and quality companies (as measured by their pricing power, innovation and low debt) that create added value.
- The earnings outlook for 2023-24 is coloured by the volatility of financial companies and the lack of visibility. Industrials and pharmaceuticals have a steadier progression due to their consistent turnout of innovative and productive investments.
- Bond portfolios are regaining their attractiveness and are once again protecting against risk.
- The franc is not expected to fluctuate much; sentiment prevails.
Structural changes to the rescue
At the end of 2022, economic activity in the eurozone stalled. Domestic demand (consumption and investment) declined. Investment (especially in residential construction) suffered from the tightening of financing conditions. In addition, the erosion of purchasing power affected consumption, now on the decline, despite the strength of the labour market. Nevertheless, thanks to the contribution of foreign trade and the increase in public spending, GDP stabilised over the quarter. For the year as a whole, the region’s growth rate was above 3% and that of most other Western regions.

The tightening of financing conditions and the slowdown in international trade will continue throughout 2023. The lifting of zero-covid measures in China will nevertheless create opportunities for European companies. Cyclical constraints will weigh on investment momentum. Demographic, energy and digital transitions are, however, already at work and providing a solid boost to activity. Indeed, the contraction of the working-age population is strengthening the labour market and forcing companies to increase investment. Public programmes are providing additional support. Digitalisation, robotics and increased productivity are the answer to major transitions. The labour market will remain robust despite the cyclical constraints faced by companies. The recruitment difficulties they have been experiencing since the Covid crisis should encourage them to retain their workforce despite the expected slowdown in activity. Additionally, household consumption growth, although below potential, will persist. In 2024, cyclical impediments will ease, and activity should pick up moderately. In the absence of a break, this increase will nevertheless remain slight.

Inflation under pressure from wages
While energy prices are showing signs of moderation, food prices, services and wages are still accelerating. Cyclical pressures are easing, helped by softening commodity prices, but the new demographic structure and low-carbon energy production may keep inflation above the 2% target. Rate hikes will still be on the ECB’s agenda in 2023, along with liquidity cuts. However, the path is perilous and the tightening of financing conditions could lead to a trade-off between inflation control and financial stability.

<table>
<thead>
<tr>
<th>MACROECONOMIC DATA: EUROZONE</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>% GDP</td>
<td>0.7</td>
<td>1.5</td>
</tr>
<tr>
<td>% INFLATION</td>
<td>5.4</td>
<td>2.8</td>
</tr>
<tr>
<td>% UNEMPLOYMENT RATE</td>
<td>6.9</td>
<td>7.0</td>
</tr>
<tr>
<td>% KEY INTEREST RATE</td>
<td>4.25</td>
<td>3.50</td>
</tr>
<tr>
<td>% 10-YEAR INTEREST RATE</td>
<td>3.10</td>
<td>3.30</td>
</tr>
<tr>
<td>EUR/USD</td>
<td>1.10</td>
<td>1.15</td>
</tr>
<tr>
<td>STOXX 600 INDEX</td>
<td>450</td>
<td>500</td>
</tr>
<tr>
<td>EPS</td>
<td>1%</td>
<td>7%</td>
</tr>
<tr>
<td>PER</td>
<td>12.5</td>
<td>13.0</td>
</tr>
</tbody>
</table>
**Eurozone**

**Interest rates and exchange rates**

**EUROZONE: INTEREST RATES**

**EUROZONE: EXCHANGE RATES**

**Short rates: heightened expectations**

Against a backdrop of heightened and volatile monetary policy expectations, short rates swung wildly during the 1st quarter, driven by inflation figures, ECB rhetoric and banking jitters. The failure of several medium-sized US banks and the crisis of confidence in Credit Suisse led to unprecedented volatility, risk aversion and investors’ expectations of a less restrictive monetary policy. Nevertheless, the ECB continued its monetary tightening and raised its key interest rate by 50 basis points, as it had announced at the beginning of February. It also affirmed that it was in a position to inject liquidity if need be. Against this backdrop, the 3-month interbank rate rose by 90 points and the yield on 2-year German bonds – the benchmark in the eurozone – ended the quarter close to its end-of-2022 level. Short-term rates, which traditionally reflect monetary policy expectations, do not yet illustrate the full extent of the ECB’s expected tightening (refi rate expected at 4.25%).

**Long-term interest rates: sudden decline**

Given the extreme volatility in the bond market, the interest rate on 10-year German government bonds (the Bund) underwent significant movements. It dropped nearly 20 points over the quarter, hiding strong intermediate swings. The inversion of the curve has reached historic levels; Europe is seeing the value of time dwindle further. Despite banking turmoil, corporate and sovereign risk premia have fallen, limiting spreads between the rates of the most fragile countries in the eurozone and Germany.

Investors are confident in the ECB’s ability to provide liquidity where necessary and to bring inflation close to its target. Inflation expectations, anchored at a level close to the target, testify to this credibility and keep the 10-year rate close to its current level.

**Euro: moderate appreciation**

During the 1st quarter, the euro continued to rise against both the greenback and the Swiss franc. The single currency appreciated by almost 2% against the dollar and by 0.5% against the Swiss currency.

It was a turbulent quarter and the euro appreciated sharply in January amid a rebound in investor sentiment. It then fell back in February and early March, before rebounding strongly from mid-March onward. The banking turmoil, first in the United States and then in Switzerland, reinforced the attractiveness of the euro.

During the 1st quarter, currency movements were dominated by monetary policy sentiment and expectations. The fundamental determinants of bilateral rates were affected by the war in Ukraine, which deteriorated Europe’s external position (mainly via energy prices). The (economic and financial) attractiveness of the respective economies now argues for a EUR/USD closer to 1.10. The moderation of commodity prices (oil and gas in particular) and the cyclicality of the dollar are helping the gradual reconciliation with fundamentals.
**Eurozone Stock market**

---

**The end of 2022 and the return to reality**

In contrast to the first nine months of 2022, in which the majority of companies exceeded expectations in both sales and margins, the last quarter of 2022 saw a halt to large-scale overruns.

The earnings outlook for 2023 is down sharply from 2022 and stable from last quarter at 2%. Only the financial and IT sectors (driven by semiconductors) expect earnings to rise faster than in 2022.

**Heterogeneous expectations by sector**

Defensive sectors (health, consumer durables) are showing positive expectations while cyclical sectors (manufacturing, materials and energy) are falling into negative territory. Expectations for the consumer discretionary and industrial sectors seem a bit low; the former may be supported by the reopening of China and the latter by a capex cycle linked to the energy transition and a strong order book.

---

**A 2023 rebound fraught with uncertainty**

The inflection point set out in the 3rd quarter of 2022 has been passed, with the MSCI Europe ex UK ex CH Index valuation level now at 13.5x. Although the current 2% earnings expectation for 2023 allows for upside potential relative to the long-term average, caution is warranted in a context where the 2023 rally is less an earnings contribution than a technical rebound in the least valued (and cyclical) sectors.

---

**THE ESSENTIALS**

- European growth will slow further in 2023, affected by cyclical constraints, most notably the tightening of financing conditions. Structural transitions will support activity, helping to avoid a break-up, and allow 2024 to see moderate growth.
- Energy inflation will give way to food, service and wage inflation. Peak wage inflation will be delayed and monetary tightening will continue, even if that means the ECB has to juggle a trade-off between inflation and financial stability.
- The normalisation of interest rates is well underway and confirms the return of bonds to portfolios. Uncertainties push to limit both duration risk and credit risk through quality.
- The moderate allocation in favour of the creation of added value by companies based on innovation and pricing power is maintained. Earnings revisions are driving risk selectivity and diversification, with financials remaining underweight more than ever.
- The euro has benefited from a renewed appetite for risk and recent banking turmoil. Its fundamental value, based on the zone’s commercial and financial attractiveness, argues for a very moderate appreciation.
United States

Macroeconomic trend

Investments under pressure
In the 4th quarter of 2022, the US economy continued to grow. Household demand showed its resilience, helped by the strength of the labour market. In addition, wildly fluctuating stock levels contributed strongly to growth, while investment stalled, with the exception of technology equipment and intellectual property. Construction (residential and structural) declined under the pressure of tighter financial conditions. Overall, activity remained on a moderate growth path in 2022.

In 2023, growth has slowed. Tighter financing conditions, reinforced by the banking turmoil in March, are weighing on business spending. In a context of wage growth and a robust labour market, disposable income and household consumption will be resilient, despite still-high inflation. Cyclical constraints (inflation, tighter financing conditions, a slowdown in international trade) will be counterbalanced by the initial effects of major structural transitions. The ageing of the population and recruitment difficulties ensure the solidity of employment and, like the energy transition, oblige companies to invest in new technologies to ensure tomorrow’s productivity. They are helped and encouraged by the ambitious programmes (0.8% of GDP for 10 years) set up by the Biden administration. Without a break in the inflection point, the rebound will not be very dynamic in 2024 and growth will be below its potential before structural forces take over.

Fighting inflation and finding financial stability
Goods inflation is decelerating sharply in the US, but the prices of services, excluding real estate, continue to rise at a rapid pace. Second-order effects are at work but delayed. Wages seem to have peaked and are showing signs of moderation. Thus, the deceleration in wages should help the moderation in services in the coming months. In addition, the turmoil in the US banking sector (failure of medium-sized regional banks) should intensify the tightening of already restrictive financing conditions. The Fed raised rates by 475 points in one year, bringing the Fed rate to 5%; the FED will remain vigilant and make its next decisions according to the data, balancing its objectives of low inflation, full employment and financial stability.

United States: GDP Growth

United States: Financing Conditions

United States: Macroeconomic Trend

Investments under pressure
In the 4th quarter of 2022, the US economy continued to grow. Household demand showed its resilience, helped by the strength of the labour market. In addition, wildly fluctuating stock levels contributed strongly to growth, while investment stalled, with the exception of technology equipment and intellectual property. Construction (residential and structural) declined under the pressure of tighter financial conditions. Overall, activity remained on a moderate growth path in 2022.

In 2023, growth has slowed. Tighter financing conditions, reinforced by the banking turmoil in March, are weighing on business spending. In a context of wage growth and a robust labour market, disposable income and household consumption will be resilient, despite still-high inflation. Cyclical constraints (inflation, tighter financing conditions, a slowdown in international trade) will be counterbalanced by the initial effects of major structural transitions. The ageing of the population and recruitment difficulties ensure the solidity of employment and, like the energy transition, oblige companies to invest in new technologies to ensure tomorrow’s productivity. They are helped and encouraged by the ambitious programmes (0.8% of GDP for 10 years) set up by the Biden administration. Without a break in the inflection point, the rebound will not be very dynamic in 2024 and growth will be below its potential before structural forces take over.

Fighting inflation and finding financial stability
Goods inflation is decelerating sharply in the US, but the prices of services, excluding real estate, continue to rise at a rapid pace. Second-order effects are at work but delayed. Wages seem to have peaked and are showing signs of moderation. Thus, the deceleration in wages should help the moderation in services in the coming months. In addition, the turmoil in the US banking sector (failure of medium-sized regional banks) should intensify the tightening of already restrictive financing conditions. The Fed raised rates by 475 points in one year, bringing the Fed rate to 5%; the FED will remain vigilant and make its next decisions according to the data, balancing its objectives of low inflation, full employment and financial stability.

United States: Macroeconomic Trend

MACROECONOMIC DATA: UNITED STATES 2023 2024

<table>
<thead>
<tr>
<th>Metric</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>% GDP</td>
<td>1.0</td>
<td>2.0</td>
</tr>
<tr>
<td>% INFLATION</td>
<td>4.1</td>
<td>3.0</td>
</tr>
<tr>
<td>% UNEMPLOYMENT RATE</td>
<td>4.1</td>
<td>4.3</td>
</tr>
<tr>
<td>% KEY INTEREST RATE</td>
<td>4.50</td>
<td>3.50</td>
</tr>
<tr>
<td>% 10 YEAR INTEREST RATE</td>
<td>4.20</td>
<td>4.50</td>
</tr>
<tr>
<td>EUR/USD</td>
<td>1.10</td>
<td>1.15</td>
</tr>
<tr>
<td>S&amp;P 500 INDEX</td>
<td>3900</td>
<td>4500</td>
</tr>
<tr>
<td>EPS</td>
<td>0%</td>
<td>12%</td>
</tr>
<tr>
<td>PER</td>
<td>17.6</td>
<td>18.5</td>
</tr>
</tbody>
</table>
**United States**  
**Interest rates and exchange rates**

### Short-term interest rates: extreme expectations
The US 2-year government rate, which reflects monetary policy expectations, fluctuated widely during the quarter. After rising in February, it then fell very quickly at the start of the banking turmoil, in a movement of risk aversion and less restrictive monetary policy expectations. It ended the quarter down 39 points. The 3-month Libor was also hit and its movement was erased at the end of the quarter. It thus ended at 5.2%, up 43 points. The Fed continued to raise its key rate (+50 points) and to reduce its balance sheet. At 5%, and in a context of financial stress, rates are testing the resilience of activity. In 2024, a return to below 4% could be necessary depending on the more moderate growth and inflation environment.

### Long-term interest rates (slightly) calmer
The 10-year Treasury rate, which is driven more by inflation expectations, also fluctuated (due to risk aversion), but to a lesser extent. It ended the 1st quarter at 3.5%, down 35 points (almost 1% from the February peak). The inversion of the curve (difference in yields between the 2- and 10-year maturities) has continued, albeit more moderately, and since the summer has reflected the prevailing and persistent uncertainties concerning economic growth. Moreover, volatility remains significantly elevated. The risk of precipitating growth by trying to cope with inflation through the tightening of financing conditions (interest rates and liquidity) is real, especially in a period of banking stress. On the corporate debt side, risk premiums remain moderate for the best quality segments with a more fragile situation for the most risky companies, the High Yields, which could still suffer a rise in default rates.

### The dollar: a troubled safe haven
In the 1st quarter of 2023, the strength of the dollar and its role as a safe haven were called into question against a backdrop of continuing high volatility and uncertainty. In January, renewed risk appetite weighed on the greenback; the situation was reversed in February as investors anticipated further tightening of US monetary policy. Banking turmoil reignited volatility. With the epicentre of the turmoil in the US, the dollar was buffeted. It ended up down by almost 1.8% against the euro and 1.4% against the Swiss currency.

At the beginning of 2023, the dollar’s movements remained dominated by sentiment. In addition to geopolitical tensions and numerous uncertainties (particularly regarding monetary policy expectations), there are fears about the banking system. Despite the liquidity injected by central banks and the takeover of Credit Suisse, the risk of contagion continues to agitate the markets, including foreign exchange.

Beyond these short-term movements are massive twin deficits (fiscal and external) and an energy crisis that has only made matters worse. The depreciation of the dollar can only be prevented by enormous capital inflows. Keeping US assets financially attractive is essential to maintaining the strength of the dollar. The return of the fundamental cyclicality of the dollar will rekindle movements towards a certain depreciation that could bring it to 1.10 EUR/USD and beyond by 2023.
United States
Stock market

Mixed results
The results for the final quarter of 2022 were marked by declining profits. As a whole, sales were up by 5.6%, supported by price increases. But excluding the price effect, for some industries, sales volumes were stable or even contracting.

Weakening pricing power
In order to protect their margins, which remain at a high level (a sign of the good financial health of US firms), companies continue to increase prices, but more moderately. The restoration of the supply chain, the normalisation of inventories, and the pressure on the margins of the end-of-chain players (resellers) will limit pricing power.

Robust companies
Profitability will certainly be under pressure in 2023, with expectations of virtually no profit growth. However, companies remain robust. High profitability, strong order books and productive investments ensure a potential recovery, especially in the 2nd half of the year and in 2024; a context that maintains the need for caution, favouring investments in companies with strong balance sheets. Innovation in healthcare, resource management and digital transitions (semiconductors, robotics, etc.) is fuelling long-term trends in which US companies are involved and supported by large-scale government programmes.

THE ESSENTIALS

- Tighter financing conditions, reinforced by banking turmoil, are weighing on the US economy while strong employment is supporting consumption, and investment in intellectual property and equipment is being encouraged by government programmes and structural transitions.
- Although the peak has been reached, the persistence of high and sticky services inflation fuels the risk that the Fed will want to remain restrictive for too long at the risk of stalling the economic and financial machine.
- As the end of monetary tightening approaches, bond assets have begun regaining their virtue of capital protection and normalised return. They are also providing protection against a possible recession.
- The revised earnings outlook will cause volatility, but portfolios with a stake in healthcare and quality technologies affecting structural change are sure winners in the long term.
- After being driven by sentiment and risk aversion, the greenback is depreciating. The respective fundamentals of the dollar, including cyclicality, justify a weaker greenback.
**Dynamic growth regions**

**Macroeconomic trend**

China: end of the zero-Covid policy

China started off 2023 free of any zero-covid rules. After three years of successive lock-ups, the reopening of the Chinese economy has revived retail sales and boosted industrial production. However, despite the rebound, consumer sentiment remains low, youth unemployment high, and activity constrained by the property crisis. Developer defaults, construction delays (at times even abandonment) and falling prices have shaken the sector and residential construction for several quarters.

Outlook

Given these circumstances, Chinese growth will rebound but remain below trend. Though constraints will persist, real estate is showing early signs of improvement. The infrastructure programmes supported by the Chinese government and the monetary policy (in expansionary territory) will support investment as will the manufacturing sector, helped by the desire for autonomy in strategic sectors such as semiconductors. Finally, despite tension between the US and China, trade between the two countries remains strong. The cyclical slowdown in foreign trade, particularly in the chip trade, will not call into question China’s dominant position in international trade.

Other dynamic growth countries will see their economic growth slow, affected both by the deterioration of financing conditions and the weakening of global trade. These countries tightened monetary policy early on and some, such as India, are still doing so. South Africa, on the other hand, is suffering from infrastructure failures, including recurrent power outages. The energy-intensive mining sector is paying the highest price. In addition, the still-strong dollar is driving the (cyclical) slowdown in trade, especially in electronic goods. Finally, the moderation of commodity prices will limit the dynamism of the region. Nevertheless, China’s partners and neighbours will benefit from the reopening of the country and in particular from the recovery in tourism. In 2024, the region’s economic growth will benefit from the recovery of trade, which will be stronger than in advanced economies.

<table>
<thead>
<tr>
<th>MACROECONOMIC DATA</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>% GDP</td>
<td>4.0</td>
<td>4.2</td>
</tr>
<tr>
<td>% GLOBAL TRADE</td>
<td>2.4</td>
<td>3.4</td>
</tr>
<tr>
<td>% INFLATION</td>
<td>8.1</td>
<td>5.5</td>
</tr>
</tbody>
</table>

**MONETARY POLICY**

<table>
<thead>
<tr>
<th>MSCI EM</th>
<th>INDEX</th>
<th>970</th>
<th>1150</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS</td>
<td>-2%</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>PER</td>
<td>11.7</td>
<td>12.5</td>
<td></td>
</tr>
</tbody>
</table>
Dynamic growth regions
Bond debt

Monetary policies
Inflation in dynamic growth regions is sensitive to fluctuations in the dollar exchange rate and commodity prices. Food and energy are important items in emerging household baskets. Many regions are also vulnerable to US rate tightening, as they have significant dollar debt. Although the Reserve Bank of India is powerless against rising global prices, it further tightened its key rate in February, bringing it to 6.5%. At the other end of the spectrum, the Chinese central bank is boosting credit and injecting liquidity. Since the beginning of the year, Asian currencies have been in demand and have appreciated against the dollar.

At the beginning of 2023, in a context of rebounding risk appetite, the risk premiums offered to investors favouring emerging country (or corporate) debt have declined, confirming the easing initiated in Q4 of 2022. Nevertheless, the cost of risk rose again from February onwards, as risk aversion increased. Bond volatility is high, even in emerging markets, because it is fuelled by uncertainties about the evolution of monetary policies. By comparison, premiums for investments in higher local currencies are at levels seen during the bond turmoil of 2013 (triggered by expectations of monetary tightening in the US). Today, the tensions surrounding the monetary tightening process in the US and elsewhere are compounded by banking sector turmoil and geopolitical shocks. However, this does not apply to the Chinese market; The People’s Bank of China is pursuing an accommodative monetary policy. The Chinese government’s 10-year bonds ended the 1st quarter with yields close to their end-of-2022 level.

Since overall sensitivity is intense, particularly relating to debt and the financial system, exposure to these markets continues to be a high-risk investment.
Dynamic growth regions

Equity market

The MSCI Emerging Market Index ended the 1st quarter with a negative performance. Emerging Europe and Latin America suffered the most, followed by Asia. January was marked by strong gains in China, helped by the lifting of zero-covid restrictions, while ASEAN, more defensive in nature, was neglected by investors. The end of the quarter, marked by the failure of several banks, rekindled investors' fears about the financial sector and the Fed's rate hike. Equity markets suffered from this new phase of volatility but still ended higher.

Earnings growth

Earnings should grow by an estimated 15% in 2024. On a year-over-year basis, utilities, consumer cyclicals, technology and financials reveal solid earnings growth. A look at the margins shows telecom services, technology and consumer cyclicals appear to be little affected by cost pressures.

As far as the BRICs, profits were up in the 1st quarter. India and China are the two engines of the group, with earnings growth estimated at over 14% in 2024. In terms of valuation (Price Earning Ratio), China remains the most attractive market.

THE ESSENTIALS

- In China, activity is rebounding, stimulated by the end of anti-Covid measures. The real estate crisis is holding back the recovery, but the first signs of easing are emerging. The rest of Asia will benefit from the reopening of the Chinese economy; other emerging countries will be more affected by the slowdown in international trade.

- Geopolitical risk is of particular concern in the dynamic growth regions. Exposure to riskier regions should be limited due to the associated volatility.

- The currencies of the dynamic growth regions are particularly sensitive to geopolitical problems, especially where the respective country has high dollar-denominated external debt, exacerbated by the current crisis.

- The diversification offered by these markets through exposure to commodities, particularly metals needed for transitions, and technological developments is justified with quality selection.
Moderation
Commodities have experienced two years of successive record highs but have met with moderation in 2023. Despite the reopening of China (whose recovery appears to be mainly domestic and fuelled by the long-restrained personal services sector), commodity prices are crumbling, weakened by the slowdown in international trade, construction investment and, more generally, the cyclical pressures weighing on global growth.

The geopolitical constraints that fuelled the 2022 upward spiral are still present, but they have been relegated to second place for the time being. The expected slowdown in activity is weighing on prices; the first sign of this movement is the continuing decline in sea freight prices, which began over the summer.

As for energy prices, European gas, which had reached historic levels (over EUR 315/MWh) in the summer of 2022, fell sharply and ended the quarter at EUR 48.4. Energy savings and warmer-than-normal temperatures have kept European stocks steady. The reopening of the Chinese economy raised fears of competition from China for LNG supplies, but the country is increasingly sourcing from Russia.

Against the backdrop of an economic slowdown, oil prices are starting the year on a downward note. The difficulties in the banking sector (and the potential impact on financing conditions) have exacerbated the discount in WTI, which ended the quarter at USD 75/barrel after a low of USD 66.

In agricultural commodities, the pressure remains. As Russia and Ukraine are considered the breadbaskets of Europe, the conflict is affecting prices. Russia’s threats to not renew the agreement on the grain corridor, which allows exports of Ukrainian products, has pushed prices up. Indeed, half of Ukrainian grain exports are currently transited through this sea route. The agreement was finally renewed on 19 March for 120 days, giving a little respite to grain prices.

Prices of industrial metals have been down in 2023, despite the fact they are essential to the energy transition, which continues to expand and benefits from the large-scale programmes set up, in particular, by the United States and the European Union. The current downturn in growth, the rather gloomy outlook and the limited prospects for residential construction in China are weighing on prices. Once cyclical constraints are lifted, these metals should see their prices rise. Structural needs are immense and resources are limited.

Gold regained its role as a safe haven at the start of the year, one that has so far proved rocky in terms of financial stability. It rose by nearly 9% and ended the quarter at USD 1,976 per ounce, the high end of its fluctuations over the last three years. The depreciation of the dollar, financial uncertainties and persistent inflation are supporting the yellow metal, a leading indicator of other commodities.
URS ZIEGLER
Head of the Asset Management division

VALÉRIE LEMAIGRE
Chief Economist

CHARLIE CARRÉ
Economist

The following also contributed to this publication:

BRUCE CROCHAT
Head of Institutional Portfolio Management

SOCRATE FERRO
Financial analyst

OLIVIER ROBERT
Institutional Portfolio Manager

RAPHAEL MEMBREZ
Institutional Portfolio Manager

Strategy Committee

Urs Ziegler, Head of the Asset Management division, Chairman of the Strategy Committee

David Abal, Investment Support Analyst, Secretary of the Strategy Committee

Valérie Lemaigre, Head of Investment Office, Member of the Strategy Committee

Bruce Crochat, Head of Institutional Portfolio Management, Member of the Strategy Committee

Axel Moser, Head of Private Portfolio Management, Member of the Strategy Committee

Richard Christinat, Head of the Trading Room, Member of the Strategy Committee

Olivier Ernoult, Head of Team 2 International Private Banking Geneva, Member of the Strategy Committee

Sébastien Collado, Chief Executive Officer of BCGE France, Member of the Strategy Committee

Nicolas Demierre, Head of Global Commodity Finance, Member of the Strategy Committee

Andrea Marzi, Senior Client Adviser, Member of the Strategy Committee

Impressum

Publisher: Banque Cantonale de Genève, Communications department,

Quai de l’Ile 17, 1204 Geneva
Tel + 41 58 211 21 00
Coordination: Grégory Jaquet (gregory.jaquet@bcge.ch)
Graphic design: Level Studio Sàrl
Printer: NBmedia
Copies: 500 copies
Copyright: any full or partial reproduction of this document is subject to the publisher’s authorisation
Photography, illustrations and graphics: Greg Dufeil, Refinitiv Datastream, BCGE Asset Management

Disclaimer

The investment strategy of the BCGE Group is established by the Strategy Committee of the Banque Cantonale de Genève to meet the needs of the Group’s member companies. The investment strategy, as set out in this document, applies to the management of all the portfolios entrusted by our clients to the portfolio managers of BCGE Group’s member companies. The BCGE Asset Management team supports the Strategy Committee through its economic and financial analyses. They are the authors of this document. The information contained in this document is based on reliable statistics and information. It cannot, however, engage the responsibility of BCGE Asset Management, the Strategy Committee, the Banque Cantonale de Genève or the BCGE Group’s member companies.