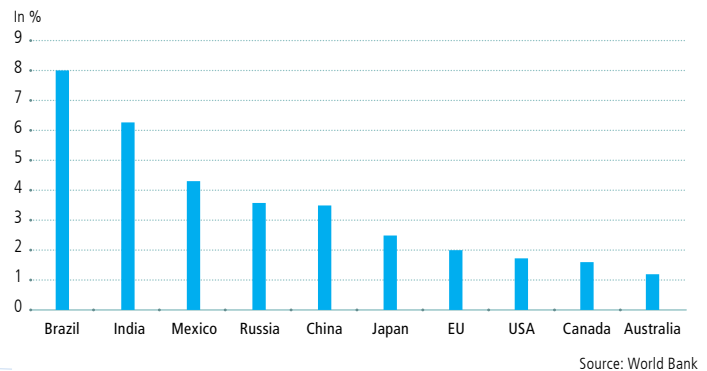
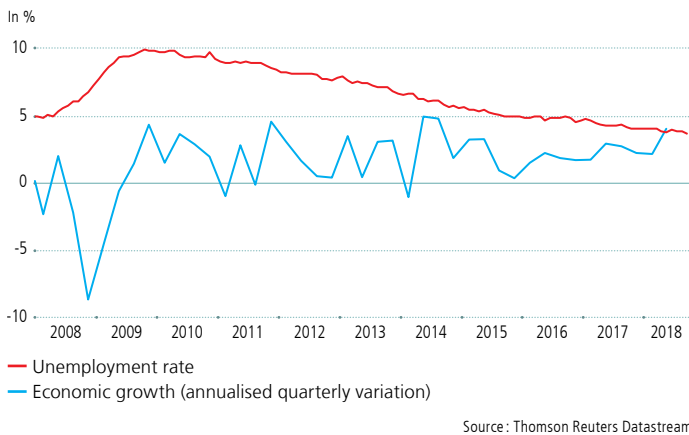


As investors examine the sources of potential weaknesses in the economic cycle, growth continues to move forward. The economy remains stable despite a politically volatile environment, as the effects of this volatility is not sufficient to reverse the situation. In the United States, confidence indicators remain at particularly high levels in a period of full employment. In fact, the U.S. stock market welcomed this fact with the average value of the 500 largest companies reaching new highs over the past month. Although more modest, the results of economic surveys in Europe, as well as in Switzerland, indicate that activity will continue to be in good shape.

Average import tariffs on products



Unemployment and economic growth rates in the United States



However, in this environment, customs tariffs continue to generate tensions. A comparison of the barriers identified within G20 countries shows that disparities are sometimes significant. According to World Bank data, the average tariff on overall products in China is about 3.5%, while in the United States it was only about 1.7% before the implementation of the measures taken in 2018. In this context, the tariffs imposed by the new US administration only represent an adjustment by reducing the gap between the two countries. On 24 September, new customs tariffs were implemented in the United States. These affect \$200 billion of Chinese exports to the US. China has retaliated but the goods targeted from the United States represent only \$60 billion. At this stage, the tariff barriers imposed by both sides do not constitute a threat to price stability. But they will now affect sectors such as IT and semiconductors, which tends to increase the risks to growth...

other potential incentives, tax policy is very definitely being used in this direction: tax rebates amounting to more than \$6 billion have been introduced, including tax breaks for companies undergoing restructuring and value added tax reductions for institutions providing credit to small businesses. These measures have been well received by investors, as reflected by the Shanghai Stock Exchange's leading indicator, which rose by more than 3% over the past month.

Although the end of highly expansionary monetary policies is the other element closely monitored by the market during September, it continues to be gradual and not excessive. In the United States, interest rate hikes are gradually continuing: all key US interest rates were raised by 25 basis points on 26 September. At these levels, interest rates remain below the threshold of a restrictive monetary policy that could hamper growth. In Europe, the reduction in purchases by the European Central Bank since September, by €15 billion per month, may result in an increase in yields. Nevertheless, interest rate levels remain low. Lastly, as a sign of the beginning of normalisation, the ECB's repo lending operations with commercial banks are increasing and are supporting economic activity.

Thanks to productivity gains, tighter financing conditions in the US and higher wage costs are not significantly affecting corporate margins. Despite full employment, wage growth remained moderate. As the cornerstone of our asset allocation, the sustained profitability of companies argues in favour of maintaining an equity bias.

In this context, the yuan continued to slide against the greenback. However, the weapon of exchange rate devaluation is not being considered by the government, as has been made clear by Premier Li Keqiang. On the other hand, China is multiplying its actions to support its activity. In addition to possible infrastructure projects or