

# WEEKLY ANALYSIS

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## WINDOW OF OPPORTUNITY FOR SWISS EQUITIES ?

Domestic demand is supporting growth. Strong franc dampens inflationary momentum. Unexpected change in monetary policy by the SNB. Extreme volatility in the capital market. A window of opportunity opens for Swiss stocks.

### Key points



- Swiss economy resists headwinds
- Public and private consumption remain the main drivers of the Swiss economy
- Leading indicators continue to plummet
- Swiss inflation at 30-year high
- Surprise and radical change in SNB policy
- The franc benefits from the Swiss central bank's monetary tightening
- Extreme volatility in the Swiss capital market
- A window of opportunity opens for Swiss equities

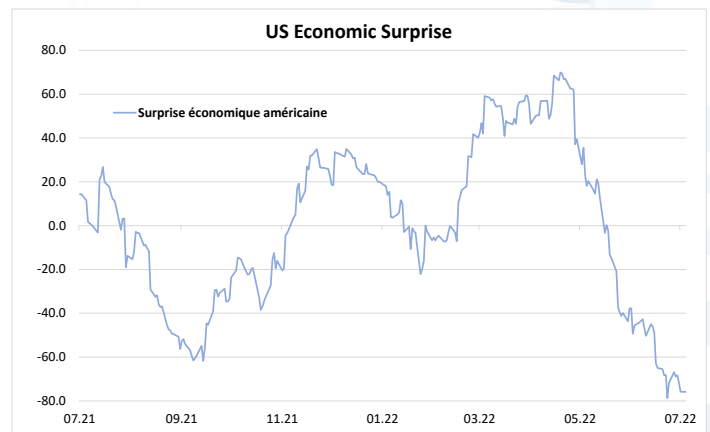
The Swiss economy is also facing undeniable contradictory forces. In particular, the crisis in Ukraine and the difficulties in obtaining raw materials and other products essential to Swiss industrial production are still having an impact on prices and supply levels. The end of the restrictions linked to Covid constitutes a more positive environment supporting the economic dynamic and the evolution of services in particular, but its positive effects come up against the increase in uncertainties directly linked to the war in Ukraine and which do not show any signs of easing to date.

The geopolitical context is likely to persist and remain tense for probably longer than most observers initially expected. The rise in energy and commodity prices in general is also affecting household purchasing power in Switzerland and potentially the level of consumption. However, we believe that Swiss consumers will be able to get through this period of inflationary pressure with only marginal changes in their consumption. We believe that for the year as a whole, Swiss GDP should not undergo a major revision and should grow by 2.5%.

### Swiss economy resists headwinds

The Swiss economy had already shown a rather solid resistance in the first quarter by recording a GDP growth of +0.5% in real terms, significantly higher than expected (+0.3%) and than the result of the previous quarter (+0.2%). This dynamic should continue in the quarter ending June 30. It brought its performance to +4.4% in year-on-year comparison. Swiss GDP was in line with the European trend of a rather strong first quarter after a revised +0.5% growth for the euro zone. In our country, this result was also particularly favorable in the difficult context of the first quarter marked by the outbreak of war in Ukraine and the strong increase in uncertainties resulting from this conflict in Europe. We will see below what were the main components that supported this growth and what the detailed outlook is for the coming quarters. With only a few weeks to go before the publication of the second quarter's performance, growth expectations seem to indicate a likely continuation of the resilience already observed at the beginning of the year in Switzerland. The Swiss economy is expected to have added +0.4% in real terms, in an increasingly difficult environment, characterized by a weakening international economy, rising inflation, a stronger Swiss franc and higher interest rates.

### Performance of the Swiss economy (GDP) in million CHF



Source: Bloomberg, BBGI Group SA