

# WEEKLY ANALYSIS

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## POSITIVE OUTLOOK FOR SWISS FINANCIAL ASSETS

The Swiss economy is resisting the risks of recession. The SNB takes a harder line. Inflation likely to stabilise. Yield spreads favorable to the euro. Attractive yields on bonds. Likely easing of interest rates positive for equities.

### Key points



- The Swiss economy continues to show its resilience
- Private consumption and investment in capital goods support GDP
- Leading indicators still not stabilising
- Inflation expected to stabilise soon
- The SNB is tightening its monetary policy drastically
- Spreads unfavourable to the franc
- Swiss franc bonds regain interest
- An easing of yields will be favourable to equities

### The Swiss economy is still showing its resilience

Swiss GDP continues its steady recovery trend despite the war in Ukraine, inflation, the rise of the Swiss franc and the strong increase in economic and political uncertainties. Indeed, the GDP for the second quarter was still positive (+0.3%) and therefore quite different from the situation observed in the United States, which recorded a second quarter of decline and an official entry into recession. In our country, the economy thus seems to be much more resistant to the turbulence of all kinds that appears and threatens growth. By recording a new increase in its GDP of +0.3% in the 2nd quarter, the fifth consecutive increase after an progression of +0.2% and +0.3% during the two previous quarters, Switzerland seems to be ignoring the particularly worrying difficulties that are presented, notably in relation to the strength of the franc and the limited energy resources available to the country. This positive development in quarterly growth brings the year-on-year performance to +2.8%, although this is down from +4.4% in the previous quarter. We will see below what the main components were 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 third quarter performance, growth expectations seem to indicate a likely continuation of the resilience already observed in the first half of the year in Switzerland. The Swiss economy is expected to

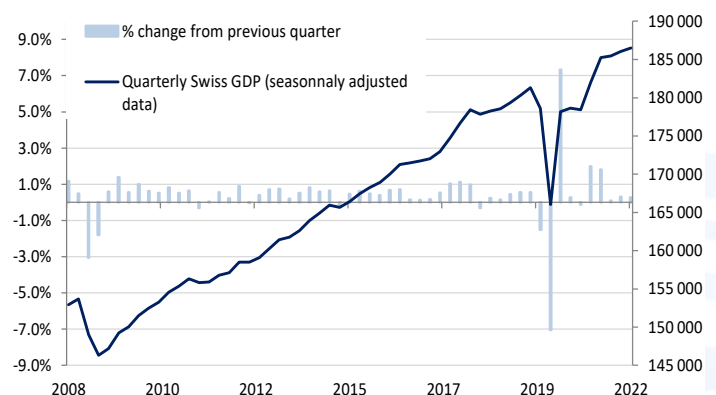
Sources: Bloomberg, BBGI Group SA

have added +0.3% in real terms, in an environment that is still more difficult, characterised by a weakening of the international economy, a clear increase in inflation, a rise in the value of the Swiss franc, a net adjustment in interest rates and a tightening of monetary conditions implemented rapidly by the SNB.

However, the Swiss economy is still facing undeniable 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 Covid restrictions provided a more positive environment for the economy and the development of services in particular, but its positive effects are being offset by increased uncertainties directly related to the war in Ukraine and the rise in energy prices.

However, the Swiss economy is still expected to grow by +0.3% in the third quarter. We believe that for the year as a whole, Swiss GDP should not undergo any major revision and should grow by +2.4%.

Performance of the Swiss economy (GDP) in million CHF



Source: Bloomberg, BBGI Group SA

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