

Investments - Flash

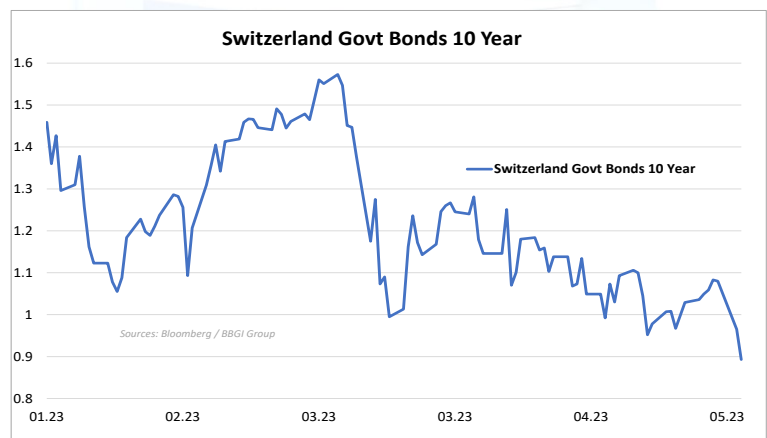
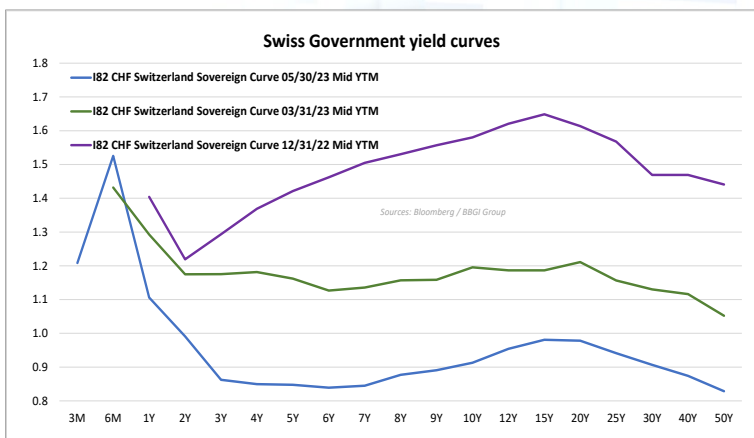
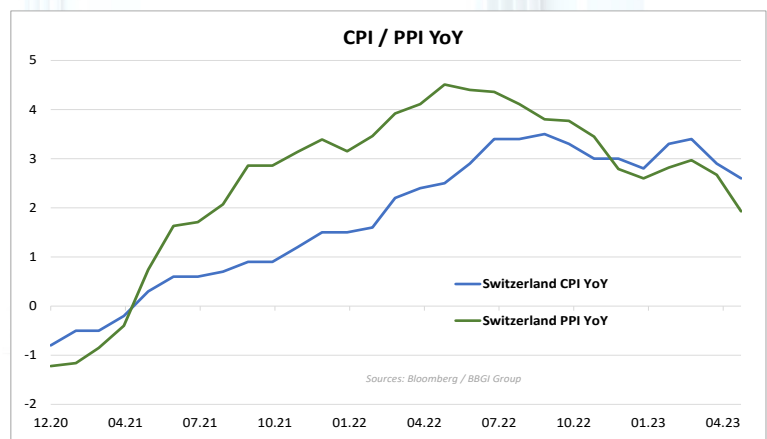
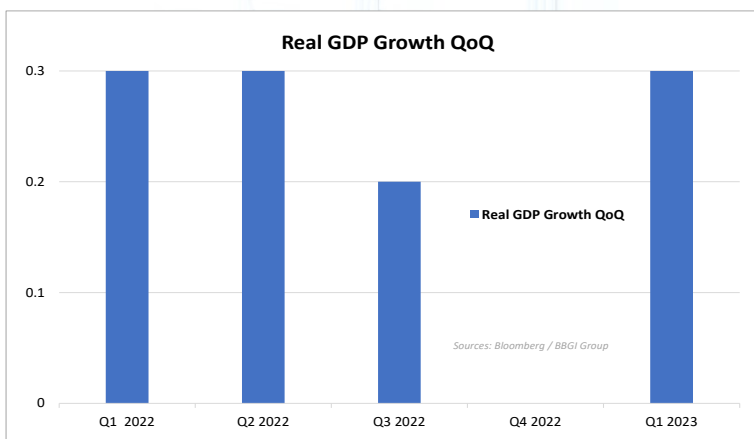
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NO SURPRISES ON THE CHF YIELD CURVE GDP growth and inflation will not upset the balance

Swiss GDP growth of +0.3% in Q1 2023 and +0.6% year-on-year (+0.5% after adjusting for the effects of sporting events) surprised observers, who were only expecting a +0.1% rise. Slightly better momentum at the start of the year was underpinned by higher final domestic demand (+0.9%), reinforced by a marked upturn in capital goods investment (+2.6%). A rise in private consumption (+0.6%), stagnation in the construction sector (-0.1%) and the absence of growth in public spending (0%) do not, however, seem to us likely to affect the downward trend in inflation (2.6% in April 2023) already well established since its peak of +3.5% in August 2022. The reported 0% inflation for April could even be followed by encouraging statistics in May, while import and producer prices have already fallen back to just +1% year-on-year in April, after peaking at +6.9% in June 2022.

The Swiss economy is not ready to collapse, despite the risks posed by Germany's difficulties. The SNB is unlikely to see any worrying signs that would justify a major change in its monetary policy, which we believe is now close to its tipping point. Nevertheless, a final rate hike on June 22 is not out of the question, even if current inflation levels already seem close to the SNB's annual target of 2.4% for 2023, which would already justify a pause. Current GDP growth and the level of Swiss inflation should therefore have no impact on the Confederation's yield curve, which will remain relatively flat between 0.95% and 1.1% on maturities over 1 year, and the risk of upward adjustments still seems very limited.



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