

Investments - Flash



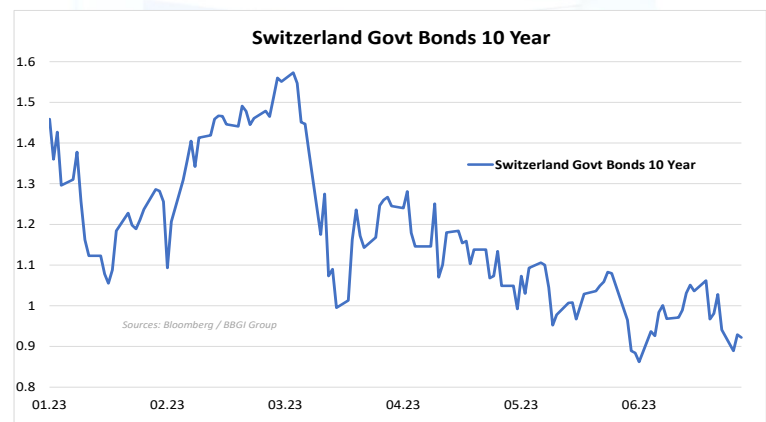
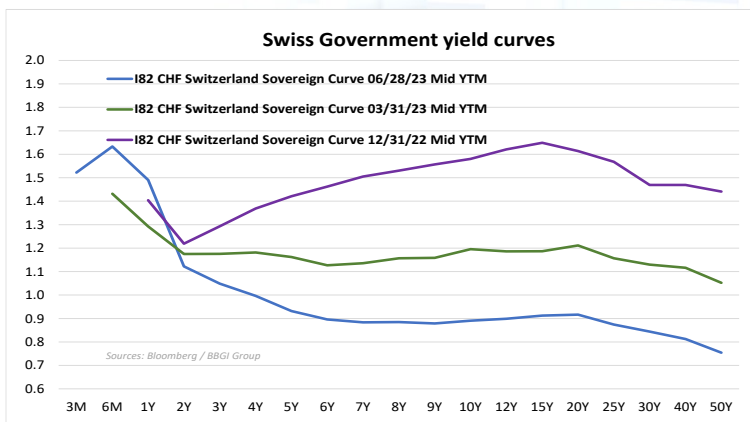
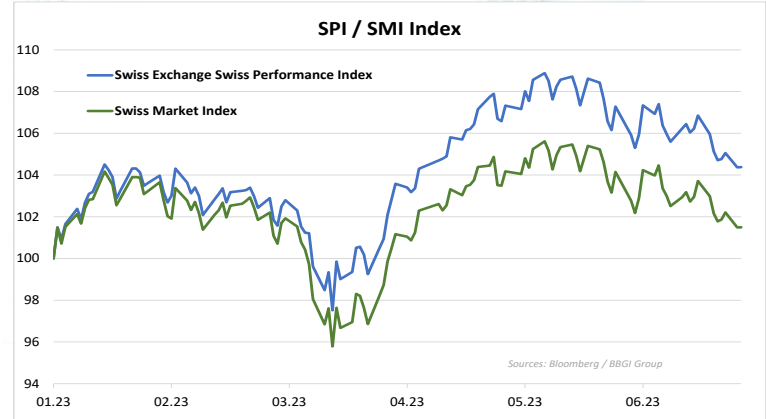
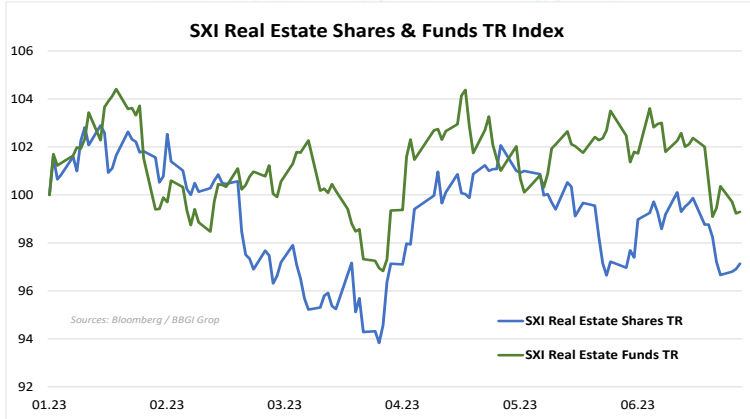
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YIELD CURVE REVERSAL IN FAVOR OF SWISS ASSETS

Positive outlook for bonds, real estate and equities

On June 22nd, the SNB raised its key interest rates by 0.25%, a lower increment than previously, indicating in our view that it now considers Swiss inflation to be close to its target. Although Chairman Jordan stressed that further hikes would probably be needed to bring inflation completely back below +2%, we believe that this change of pace is already positive news for all Swiss asset classes. The discount rate now stands at 1.75%, very close to the core annual inflation rate of +1.9% published for May, and the SNB's forecast for inflation in 2023 of +2.2%. It is still likely that the SNB will once again raise its intervention rate by 0.25% in the coming months, but recent price trends may well already justify a pause. The reduced risk of future rate hikes should encourage a further inversion of the yield curve, with lower yields on the long end.

Indeed, ten-year Swiss government yields have already reacted by falling back below 1%, and could slide further towards 0.7% in the coming weeks, offering a positive outlook for the Swiss franc bond markets. Such a less negative interest-rate environment should also support a return of investors to listed real estate investments, investment funds and real estate companies, whose performance is still negatively affected in 2023 by the SNB's restrictive monetary policy and rising financing costs. In the case of Swiss equities, the imminent prospect of the end of the monetary tightening cycle should sustain investor interest.



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