

Investments - Flash



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BULLISH RECOVERY LIKELY FOR SWISS EQUITIES

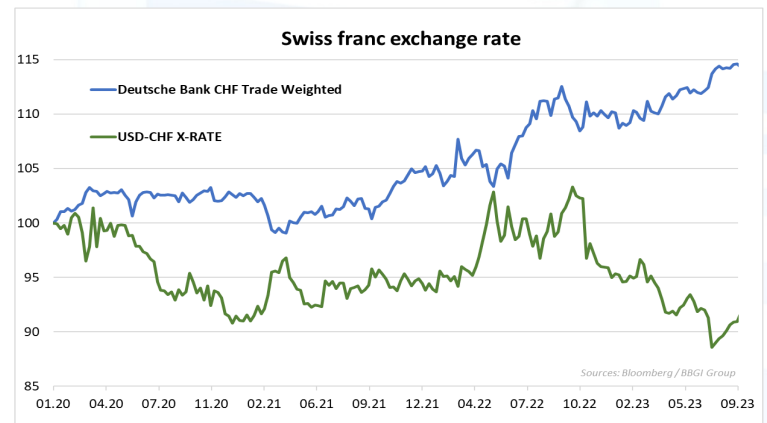
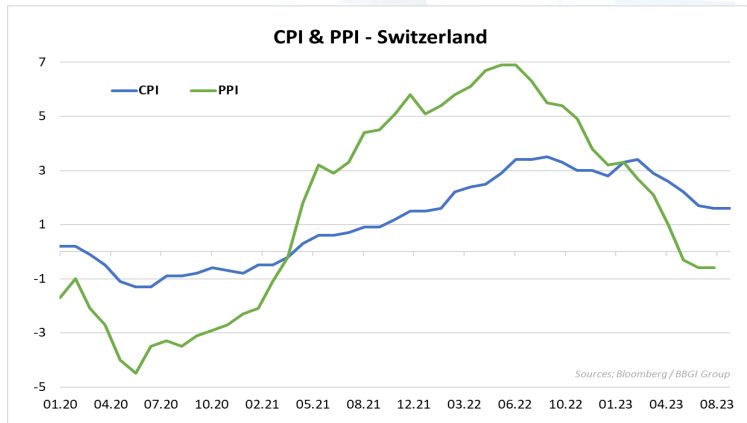
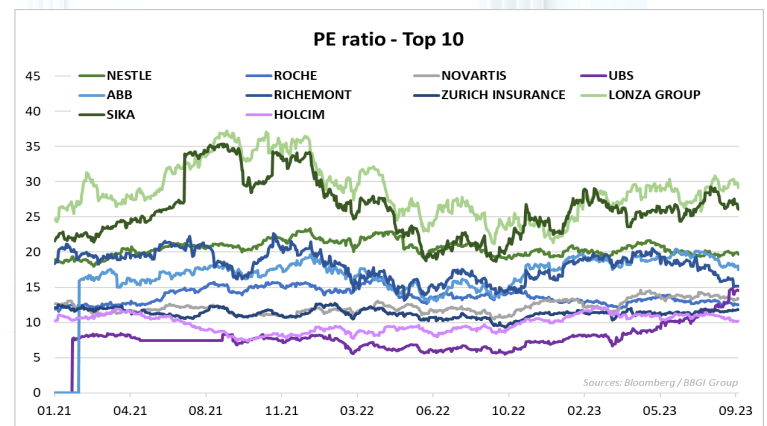
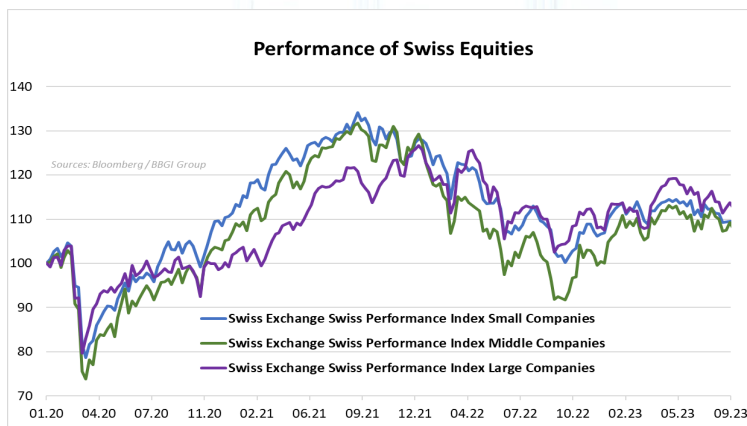
Outlook supported by lower inflation, franc and interest rates

The Swiss equity market remained highly indecisive over the summer, penalized in particular by the strength of the Swiss franc against the dollar and the euro in July, and a still restrictive monetary policy. The macroeconomic data and statistics published, although very favorable on the inflation front (1.6%/year) and below the SNB's target, failed to generate enthusiasm for Swiss equities, which were also affected by the economic slowdown in our country (zero growth in Q2) and in other European economic partner countries.

Following a rise of almost +10% in stock market indices between mid-March and mid-May, a consolidation has materialized on both the small & mid cap indices and the indices representing the largest market capitalizations (SMI), against a backdrop of growing uncertainty for the manufacturing sector and Swiss exports.

The rise in the value of the Swiss franc has logically affected the competitiveness of certain exported products and services, but it has also contributed to a reduction in estimates of profits made abroad and expressed in Swiss francs. We believe that the prospect of declining inflation, an end to the cycle of key rate hikes and a falling franc should be factors supporting a renewed uptrend in Swiss equities over the coming months.

With overall earnings expectations for 2024 of +13% for the SMI and +12.8% for the SPI, we believe that companies will be able to maintain their margins and deliver better-than-expected results. In terms of valuation, price/earnings ratios for 2024 are 15.3x for the SMI and 15.9x for the SPI. In our view, the outlook for the Swiss market is currently positive for 2024. Secondary stocks (mid caps and smaller) could well outperform the blue chips.



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