

Investments - Flash



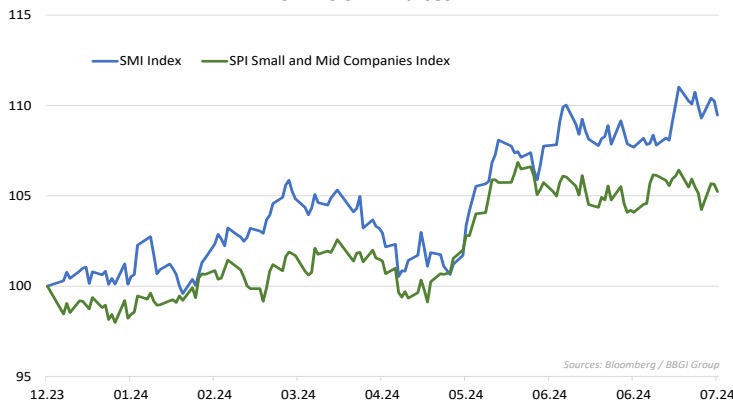
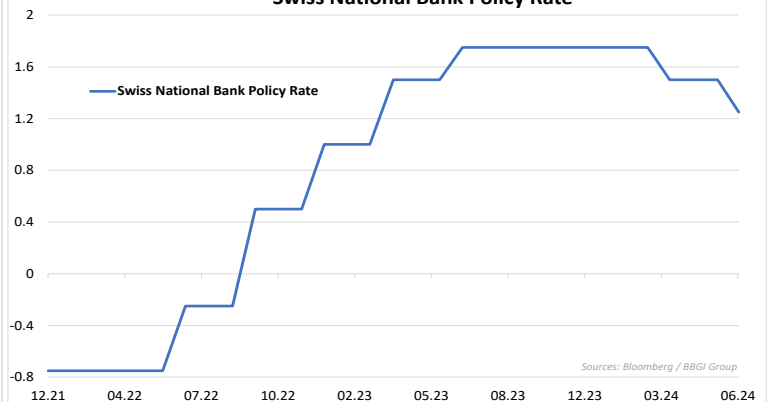
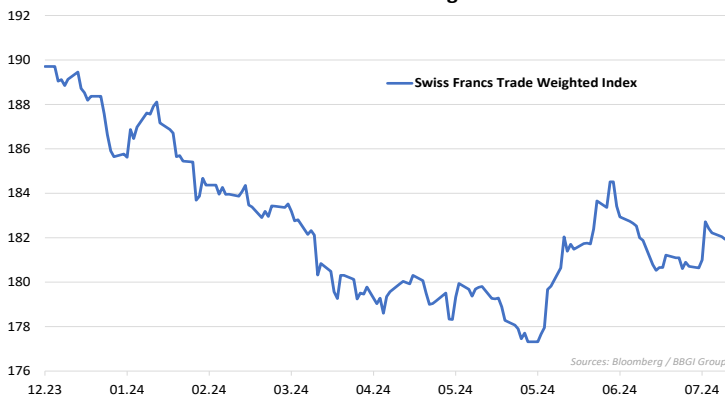
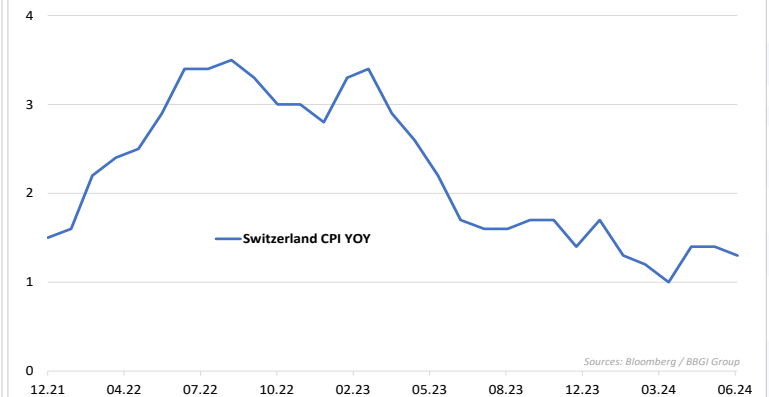
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IT'S TIME TO FAVOR SWISS SMALL & MID CAPS

Weak Swiss franc and low interest rates will benefit this market segment

Following the SNB's second rate cut, and in view of the fact that inflation is well below its 2% target, we expect the SNB to cut rates by a further 0.25% in September, reducing the key rate from 1.25% to 1%. In our view, the SNB wants a neutral, non-expansionary monetary policy, which should be characterized by real interest rates of 0%. It no longer wants the franc to be strong, and will implement a policy of gradual and limited weakening. As far as Swiss equities are concerned, lower interest rates and a new phase of franc weakness should be positive elements enabling them to emerge from their period of underperformance in local currency against the main developed markets. The Swiss market has some interesting relative qualities, although its exposure to current growth themes such as AI is limited.

But the majority of Swiss companies' revenues are generated abroad, and in the absence of hedging, a fall in the franc will enable them to record higher profits in Swiss francs in 2024. In the equity market, the small & mid cap segment had clearly underperformed the blue chips during the period of franc strength and uncertainty about global economic dynamics. The SPI Small & Mid cap was barely up by +4% on June 30, and was significantly underperforming the SMI index, which had risen by +11% since the start of the year. A second half-year characterized by a potential upturn in global growth, a weak franc and lower financing rates should therefore be favorable for Swiss stocks in general, and more cyclical stocks in particular. In our view, now is the time to favor small and mid-cap Swiss stocks.


SPI VS SMI Indices

Swiss National Bank Policy Rate

Swiss Francs Trade Weighted Index

CPI YoY - Switzerland


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