ECONOMIC RESEARCH | November 27th, 2024

Investments - Flash

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MORE ATTRACTIVE VALUATIONS FOR SWISS EQUITIES

Favourable outlook again amid potential weakening of the Swiss franc

Swiss equities have been under similar influences to those driving European stocks down over the past few months, sliding by almost -7% since their year-to-date peak in early September, and finally gaining just +5.85% (SPI) since the start of the year. They still lag far behind the performance of US stocks (S&P500 +24% in dollars), but are on a par with the overall European indices (+5.1% in euros). The weakness of the Swiss franc in the 1st half of the year supported the Swiss stock market, but the Swiss franc earnings of other stock markets benefited from the currency effect, boosting their Swiss franc earnings. Since the end of June, an uncertain international context and a massive rebound of the franc have impacted Swiss equities, which are once again at the bottom of the recent trading range between 15,400 and 16,500 points for the Swiss performance index.

The main Swiss "blue chips" slightly outperformed the broad index (SPI) and small and mid caps against the backdrop of a rising franc. The recent correction in Swiss stocks to the low end of the range mentioned above helped to significantly reduce PEs for 2024 to 18.5x and average PEs for 2025 to 16.9x. The Swiss stock market has suffered greatly from the strong franc and its impact on exports and corporate margins. Against the backdrop of an expected potential weakening of the franc, the current valuation levels of Swiss stocks seem attractive to us. After suggesting a degree of caution over the past few months, we now see a renewed positive outlook for Swiss equities, and recommend an overweight position in diversified portfolios. Capital preservation strategies can now be adjusted to this more positive outlook.