

Economy

Last week's US statistics were a mixed bag. Housing numbers proved disappointing, with confidence among homebuilders (NAHB index) down from 55 to 49 in August, July housing starts down a sharper than expected 9.6% MoM and home sales down 5.9% MoM. July retail sales were disappointing, unchanged from June. In August, the Empire Manufacturing leading indicator slumped from 11.1 to -31.3, while the Philadelphia Fed's indicator surprised to the upside, bouncing back from -12.3 to +6.2, as did July industrial production, up 0.6% MoM. In the eurozone, the ZEW confidence indicator continued to deteriorate in August (down from -51.1 to 54.9), while Q2 GDP growth was marginally downgraded (from 0.7% QoQ to 0.6% QoQ). This morning, China's central bank lowered its one- to five-year mortgage rates by between 5 and 15 bps.

Climate

Chinese giant CATL has announced plans to build a gigafactory in Debrecen, Hungary, to make electric vehicle batteries. Backed by \$7bn of investment, the facility will have production capacity of 100 GWh, compared with total European production of 35 GWh in 2020, expected to rise to 600-870 GWh by 2030. Europe is set to be home to 35 gigafactories by 2035.

Bonds

The Fed minutes confirmed the Governors' desire to continue tightening monetary policy. US yields thus resumed their upward trajectory, with 10-year yields ending the week 16 bps higher at 2.97%. European yields followed the same trend, exacerbated by the sharp monthly rise in German PPI (5.3%). Ten-year Bund yields ended the week 25 bps higher at 1.23%, while Italian 10-year yields climbed 43 bps to 3.14%. Against this backdrop, credit spreads widened and indices lost ground against the board in both Europe (IG: -1.4%; HY: -0.9%) and the US (IG: -1%; HY: -1%).

Sentiment of traders

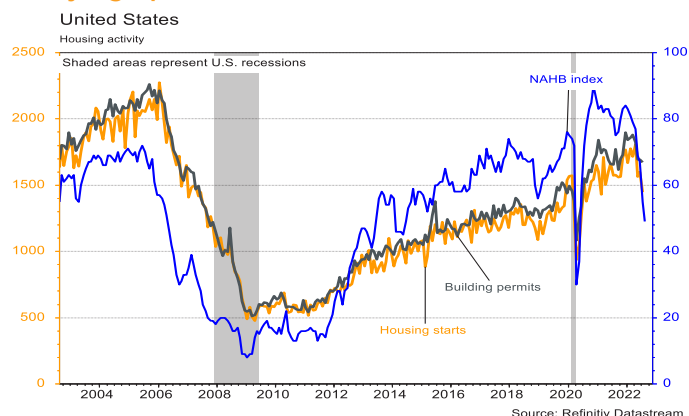
Stock market

After butting up against its 200-day average, is the S&P 500 about to signal the end of the summer recovery? In any event, it seems the bears are back in town and can be heard growling in the corridors of Wall Street 48 hours before PMI numbers for the Western world are due out. The prospect of hawkish rhetoric from Jackson Hole at the end of this week is also unlikely to spur markets.

Currencies

On the back of strong US indicators at the end of last week, USD has once again risen against EUR and GBP: EUR/USD 1.0018; GBP/USD 1.1808. Breaking through support at EUR/USD 0.9950 and GBP/USD 1.1760 would pave the way towards 0.9613 and 1.1411 respectively; resistance levels at EUR/USD 1.0370 and GBP/USD 1.2295 remain valid. FX dealers will be focused on Jackson Hole. CHF has confirmed its bullish trend at EUR/CHF 0.9603; supp. 0.95; res. 0.9960. Gold is trading at \$1,738/oz; supp. \$1,712; res. \$1,807.

Today's graph



Markets

The FOMC minutes confirmed the Fed's intent to take a firm stance against inflation – which, moreover, reached record levels in July in the UK (with consumer prices up 10.1% YoY) and Germany (with producer prices up 37.2% YoY). Against this backdrop, 10-year sovereign yields surged by between 15 and 40 bps in developed countries and more in emerging countries, resulting in negative performance across all segments of the bond and equity markets (except in Japan) in a rerun of the early part of this year. To be monitored this week: manufacturing and services PMIs, Chicago, Richmond and Kansas City Fed leading indicators, second read of Q2 GDP, durable goods orders and inflation (PCE) in the US; and manufacturing and services PMIs, consumer confidence and M3 growth in the eurozone.

Swiss Market

To be monitored this week: FSO Q2 supplementary accommodation statistics and FSO Q2 employment barometer.

The following are due to report results: Vetropack, Arbonia, Feintool, Flughafen Zürich, Intershop, Aluflexpack, Allreal, Daetwyler, Sensirion, Bachem, Alpiq, Baloise, Evolva, Kudelski, SoftwareONE, SPS, Molecular Partners, SFS and HIAG.

Equities

APPLE (Core Holdings) is drawing up plans with its suppliers (Foxconn and Luxshare) to make Apple Watches and some MacBooks in Vietnam for the first time. While pandemic-related disruption has meant progress on mass production has been slow, Apple is set to press ahead with its strategy of relocating production of some of its end products.

SALESFORCE (Satellites) is set to report its Q2 results on Wednesday evening. After a "reassuring and resilient" Q1, the market fears that the company may not have escaped the macroeconomic slowdown this time around. Despite short-term fears, we remain confident on future margin expansion and Salesforce's growth positioning.

STRAUMANN (Core Holdings): according to Bloomberg, Straumann has filed a bid for South Korean firm Medit (put up for sale by its majority shareholder Unison Capital), which specialises in intraoral scanners. The two operators know each other well after Straumann struck a partnership deal to distribute Medit's products worldwide. Investment funds also feature among the potential buyers. The Dental Tribune puts the potential price tag as high as €3bn.

Performances

	Since		
	As at 19.08.2022	12.08.2022	31.12.2021
SMI	11 156.72	0.26%	-13.35%
Stoxx Europe 600	437.36	-0.80%	-10.34%
MSCI USA	4 025.36	-1.42%	-12.37%
MSCI Emerging	1 001.46	-1.51%	-18.71%
Nikkei 225	28 930.33	1.34%	0.48%
As at 19.08.2022			
CHF vs. USD	0.9593	-1.56%	-5.01%
EUR vs. USD	1.0042	-1.98%	-11.70%
10-year yield CHF (level)	0.69%	0.50%	-0.14%
10-year yield EUR (level)	1.18%	0.93%	-0.18%
10-year yield USD (level)	3.00%	2.85%	1.50%
Gold (USD/per ounce)	1 749.55	-2.50%	-4.00%
Brent (USD/bl)	96.84	-1.49%	23.52%

Source: Datastream

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