

Financial Market Survey Switzerland

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Swiss Economics

Expectations for the economy remain cautious

- At -16.6, economic expectations were up compared to January, but remained cautious. In spite of the stock market rally in January, around half of those surveyed expect further gains on the equity markets.
- The majority of participants believe the CHF/EUR exchange rate is fairly valued at between 1.10 and 1.20. With respect to the relative attractiveness of asset classes, the analysts perceive gold to be rather undervalued. In contrast, Swiss sovereign bonds are regarded as very expensively valued.

Claudio Nicolai Wewel
Economist – Swiss Macro & Strategy

Our Partner



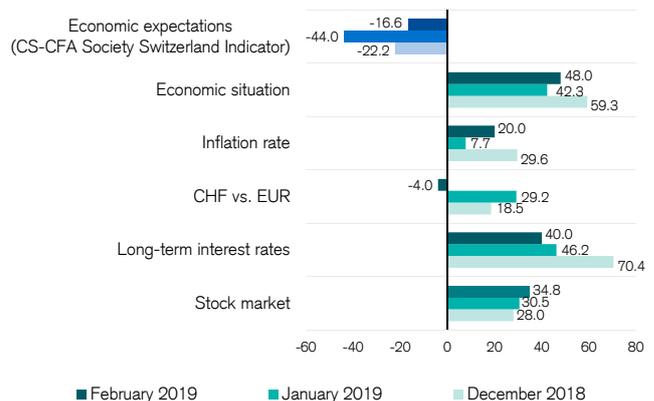
CFA Society Switzerland

Contact:
Christian Dreyer, CFA
CEO CFA Society Switzerland
Chamerstrasse 79
6303 Zug
+41 76 334 0800
christian.dreyer@swiss.cfa

Sentiment index more positive; economic expectations still fairly subdued

After the CS CFA Society Switzerland Indicator fell to its lowest level last month since the abandonment of the Swiss franc peg in February 2015, the economic expectations of the financial analysts taking part in our survey were a little brighter in February at -16.6, but remain on the cautious side. While half of respondents expect the economic situation to remain unchanged in Switzerland, a third expect it to deteriorate.

Figure 1
Indicators for Switzerland (balances)



Forecasts of participants in the Financial Market Survey Switzerland. The balances represent the difference between the percentage of positive and negative assessments. Further information on page 3. Source: CFA Society Switzerland, Credit Suisse

Only one respondent in six sees potential for the Swiss economy to strengthen from here. The fairly volatile state of sentiment among analysts therefore reflects the uncertainty on the financial markets over the past six months. While analysts' expectations for the Eurozone and China are not much different from those

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for Switzerland, they are much more negative on the economic outlook in the US: Half of respondents expect the economy to deteriorate here and only 4% expect it to improve.

Brighter outlook reflected in more positive expectations for the Swiss labor market

The improvement in analysts' sentiment in the latest survey is also reflected in the forecasts for some of the other economic indicators. While expectations for Swiss export growth have not changed much – a large majority see an unchanged rate of growth both currently and in future – participants' expectations for the Swiss labor market have become more positive again: Only one in six of the analysts surveyed now expect a rise in unemployment, while three quarters expect no change. Views on the outlook for short-term interest rates are also virtually unchanged: 96% of respondents indicated that they expect short-term interest rates to remain at current levels in Switzerland and the Eurozone in the coming months. One in five now expect short-term interest rates to rise further in the US, down sharply from half of all respondents in January.

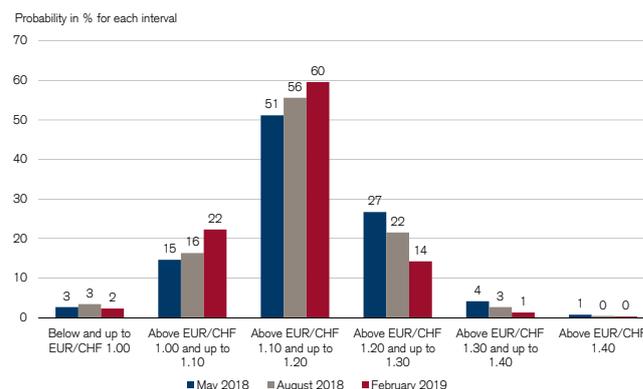
Analysts see further upside potential on the equity markets

As in our January survey, around half of the financial analysts see further upside potential on the stock markets. There is little difference in the medium-term views of the prospects of the SMI, EuroStoxx 50 and S&P 500. Analysts' expectations in January that the CHF would rise against the EUR and USD were revised again this month – the majority of respondents now expect a sideways trend in both currencies. The gradual return of confidence in the markets is also reflected in analysts' expectations for the gold price, where there was a significant increase in the proportion expecting the price to fall.

Majority currently see the CHF as fairly valued

In a regular supplementary question we ask analysts about their views on the fair value CHF/EUR exchange rate. In the latest survey 60% of respondents see the CHF/EUR exchange rate as fairly valued at around the current level of between 1.10 and 1.20. Compared to analysts' expectations last year, this consensus therefore seems to have strengthened further. However, the proportion of participants who believe the exchange rate is fairly valued at below 1.10, implying a stronger CHF against the euro, also seems to be rising slowly but steadily.

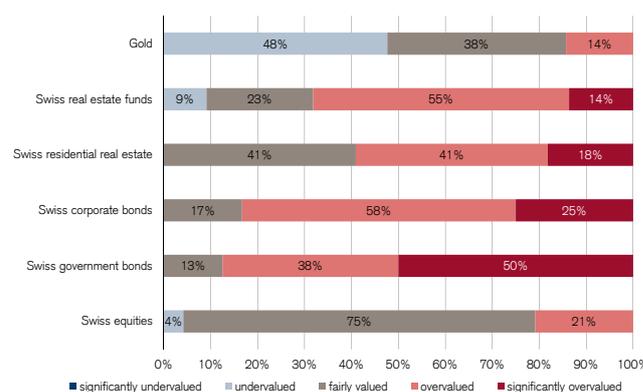
Figure 2
At what level do you see EUR/CHF as fairly valued?



Swiss Confederation bonds regarded as substantially overvalued

In a further supplementary question we asked participants for their views on the valuation of selected financial assets. After the stock market rally in January, three quarters of respondents believe that Swiss stocks are currently fairly valued. However, almost half of the respondents regard gold as undervalued. A large majority sees Swiss real estate funds and Swiss residential property as overvalued and an even higher proportion believe this is true of Swiss corporate bonds. Analysts see Swiss government bonds as particularly expensive: as many as half of respondents classified them as substantially overvalued.

Figure 3
How do you rate the valuation level of the following asset classes?



The CFA Society Switzerland and Credit Suisse have been conducting the Switzerland Financial Market Survey (a monthly survey of financial analysts) since January 2017. The detailed results of the survey conducted between February 11 and February 20, 2019 are published here.

Financial Market Survey Switzerland of Credit Suisse and CFA Society Switzerland: February 2019 results

Current economic situation	good	+/-	normal	+/-	poor	+/-	balance	+/-
Switzerland	48.0	5.7	52.0	-5.7	0.0	0.0	48.0	5.7
Eurozone	16.0	-7.1	68.0	-1.2	16.0	8.3	0.0	-15.4
USA	64.0	-9.1	36.0	9.1	0.0	0.0	64.0	-9.1
China	4.2	-7.3	87.5	18.3	8.3	-10.9	-4.1	3.6
Economic expectations	improve		no change		worsen		balance	
Switzerland (CS CFA Society Switzerland Indicator)	16.7	12.7	50.0	2.0	33.3	-14.7	-16.6	27.4
Eurozone	20.8	16.8	50.0	-2.0	29.2	-14.8	-8.4	31.6
USA	4.2	-3.8	45.8	17.8	50.0	-14.0	-45.8	10.2
China	17.4	1.4	47.8	11.8	34.8	-13.2	-17.4	14.6
Inflation rate	increase		no change		decrease		balance	
Switzerland	24.0	4.8	72.0	2.8	4.0	-7.5	20.0	12.3
Eurozone	24.0	12.5	68.0	-8.9	8.0	-3.5	16.0	16.0
USA	40.0	16.0	60.0	0.0	0.0	-16.0	40.0	32.0
Other economic indicators for Switzerland	increase		no change		decrease		balance	
Export momentum (current situation)	20.8	7.8	79.2	-7.8	0.0	0.0	20.8	7.8
Export momentum (expectations)	4.2	4.2	58.3	0.0	37.5	-4.2	-33.3	8.4
Unemployment rate	16.0	-10.9	76.0	6.8	8.0	4.2	8.0	-15.1
Short-term interest rates	increase		no change		decrease		balance	
Switzerland	4.0	-3.7	96.0	3.7	0.0	0.0	4.0	-3.7
Eurozone	4.0	-4.0	96.0	4.0	0.0	0.0	4.0	-4.0
USA	20.0	-32.0	76.0	28.0	4.0	4.0	16.0	-36.0
Short-term interest rate spread	increase		no change		decrease		balance	
Eurozone – Switzerland	4.3	-8.2	95.7	12.4	0.0	-4.2	4.3	-4.0
Long-term interest rates	increase		no change		decrease		balance	
Switzerland	44.0	-6.0	52.0	5.8	4.0	0.2	40.0	-6.2
Germany	52.0	4.0	44.0	-4.0	4.0	0.0	48.0	4.0
USA	48.0	-8.0	48.0	12.0	4.0	-4.0	44.0	-4.0
Long-term interest rate spread	increase		no change		decrease		balance	
Germany – Switzerland	26.1	3.4	73.9	5.7	0.0	-9.1	26.1	12.5
Stock market indices	increase		no change		decrease		balance	
SMI (Switzerland)	47.8	4.3	39.1	-4.4	13.0	0.0	34.8	4.3
EuroStoxx 50 (Eurozone)	47.8	8.7	26.1	-17.4	26.1	8.7	21.7	0.0
S&P (USA)	43.5	-8.7	39.1	8.7	17.4	0.0	26.1	-8.7
Exchange rates (Swiss franc versus)	appreciate		no change		depreciate		balance	
Euro	20.0	-21.7	56.0	10.2	24.0	11.5	-4.0	-33.2
USD	16.0	-9.0	68.0	9.7	16.0	-0.7	0.0	-8.3
Commodities	increase		no change		decrease		balance	
Oil (North Sea Brent)	16.7	-15.3	70.8	22.8	12.5	-7.5	4.2	-7.8
Gold (per ounce)	45.5	-11.0	27.3	1.2	27.3	9.9	18.2	-20.9

Note: 25 analysts participated in the February Switzerland Financial Market Survey conducted from February 11 to February 20, 2019. Analysts were asked about their expectations for the next six months. The numbers displayed are percentages. The balances result from the difference between the positive and negative assessments.

Source: CFA Society Switzerland, Credit Suisse

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Chief Investment Officer – Swiss Universal Bank
+41 44 333 67 63
burkhard.varnholt@credit-suisse.com

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Authors

Claudio Nicolai Wewel
Economist – Swiss Macro & Strategy
+41 44 334 85 68
claudio.wewel@credit-suisse.com

Our partner

Christian Dreyer, CFA
CFA Society Switzerland
Chamerstrasse 79, Postfach 437, CH-6303 Zug
Tel. + 41 76 334 0800
christian.dreyer@swiss.cfa