

Financial Market Survey Switzerland

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Swiss Economics

Clouds gathering over robust global economy

- With a score of -44.0 points in January, the CS CFA Society Switzerland Indicator fell to its lowest level in seven years with survey respondents indicating that they expect an economic slowdown soon.
- Following the rejection of the proposed Brexit agreement by the House of Commons on January 15, half of the survey respondents now view a delayed Brexit or no Brexit as the most likely scenarios.

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Gloomy outlook despite robust global economy

After a short-lived upturn in sentiment in December, financial analysts participating in the Financial Market Survey Switzerland have turned more pessimistic, in particular in terms of their expectations for the Swiss economy. The CS CFA Society Switzerland Indicator fell to -44.0 points in January – the lowest level in seven years. Nearly half of the analysts surveyed expect Switzerland’s economy to deteriorate, which similarly applies to the economies of the Eurozone and China. Expectations for the US economy are even gloomier: just a third of respondents expect it will remain the same or improve.

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. Additional information can be found in the table on page 3. Source: CFA Society Switzerland, Credit Suisse

Survey respondents are also more pessimistic regarding the current state of the global economy, albeit to a lesser extent and with views differing considerably from region to region. The US economy fared best, with seven out of ten respondents describing the current state of that economy as positive, while four out of

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ten respondents said the Swiss economy is in good shape. The situation in both the Eurozone and China is viewed less enthusiastically, although most respondents characterized the state of those economies as "normal".

ECB and SNB expected to keep interest rates low

The financial analysts' increasingly negative expectations are also reflected in the forecasts for other economic indicators: For example, expectations for exports as well as unemployment rates have turned more pessimistic. With regard to short-term interest rates, nine out of ten respondents do not expect an increase in Switzerland and the Eurozone's historically low interest rates. Accordingly, the analysts expect the European Central Bank (ECB) and the Swiss National Bank (SNB) to continue their low interest rate policies, while around half of those surveyed expect interest rates will rise in the USA. Notably, respondents have modified their view on long-term interest rates quite substantially: the proportion of respondents expecting no change is almost identical to the number forecasting an increase.

More attractive equity valuations boost stock markets

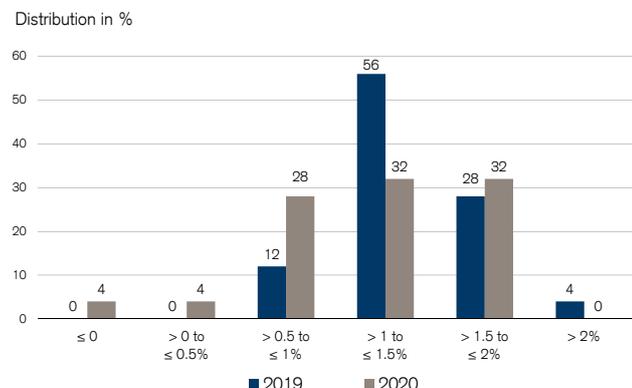
Following the dramatic sell-off at the end of December, a majority of survey respondents now consider equities to be more attractively valued compared with the preceding months. Expectations are most positive for US stocks, with half of the respondents expecting an increase. Four out of ten respondents also expect Swiss and European equities to rise in value. However, the ongoing geopolitical uncertainties are reflected in forecasts for the CHF exchange rate: four out of ten respondents expect an increase in the CHF against the EUR, while just under a quarter forecast a rise against the USD.

Growth forecast

Each quarter, we ask analysts about their forecasts for Swiss economic growth. The majority of respondents expect real GDP growth of between 1% and 1.5% for 2019, and, on average, expectations for 2020 are around the same (see Figure 2).

Figure 2

What are your forecasts for real Swiss economic growth in 2019 and 2020?



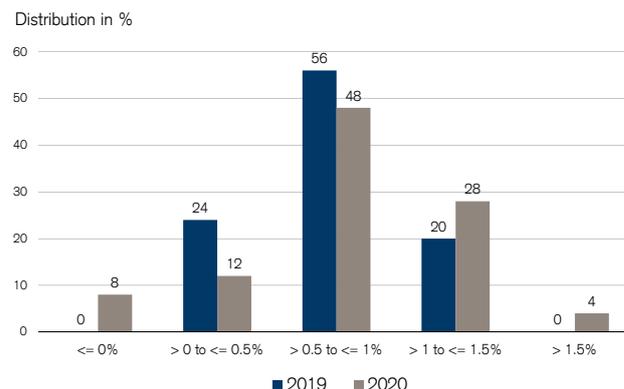
Source: CFA Society Switzerland, Credit Suisse

Inflation forecast

More than half of the analysts surveyed expect an inflation rate of 0.5% to 1% for the current year in Switzerland (see Figure 3). Only around a quarter of all respondents now expect the annual rate of inflation to rise to more than 1% for the current and next year, which is a significantly smaller share compared to last October's survey. The gloomier economic outlook is therefore weighing on respondents' inflation forecasts. In terms of the USA and the Eurozone, the number of respondents who expect a rise in inflation has also clearly declined: most expect inflation rates in these regions to remain fairly stable.

Figure 3

What is your forecast for Switzerland's annual inflation rate in 2019 and 2020?



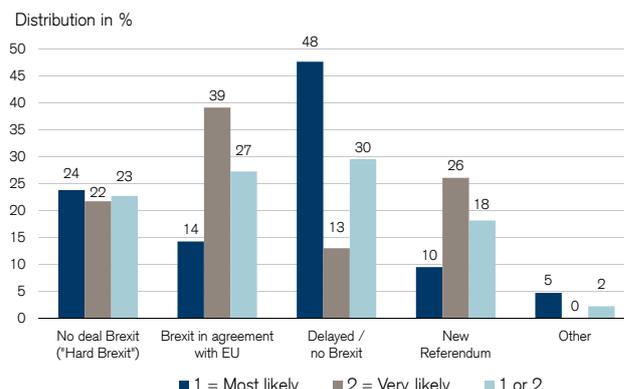
Source: CFA Society Switzerland, Credit Suisse

Delayed or no Brexit the most likely scenarios

In a further supplementary question, we asked survey respondents for their view on the likelihood of several possible Brexit scenarios. Following the defeat of UK Prime Minister Theresa May's proposed Brexit withdrawal agreement in the House of Commons on January 15, half of the analysts surveyed now consider a delayed Brexit or no Brexit to be the most likely scenarios. They also rate a hard Brexit as a likely outcome while still considering the possibility that the UK and EU reach an agreement on Brexit.

Figure 4

Please rank the following Brexit scenarios in order, with "1" being the most likely scenario and "5" being the least likely scenario.



Source: CFA Society Switzerland, Credit Suisse

The CFA Society Switzerland and Credit Suisse have conducted the Financial Market Survey Switzerland (a monthly survey of financial analysts) since January 2017. Detailed results of the survey conducted between January 14 and 23, 2019 are published here.

(28/01/2019)

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

Current economic situation	good	+/-	normal	+/-	poor	+/-	balance	+/-
Switzerland	42.3	-17.0	57.7	17.0	0.0	0.0	42.3	-17.0
Eurozone	23.1	0.9	69.2	-8.6	7.7	7.7	15.4	-6.8
USA	73.1	-15.8	26.9	15.8	0.0	0.0	73.1	-15.8
China	11.5	-3.3	69.2	-4.9	19.2	8.1	-7.7	-11.4
Economic expectations	improve		no change		worsen		balance	
Switzerland (CS CFA Society Switzerland Indicator)	4.0	0.3	48.0	-22.4	48.0	22.1	-44.0	-21.8
Eurozone	4.0	-3.4	52.0	-7.3	44.0	10.7	-40.0	-14.1
USA	8.0	-3.1	28.0	-1.6	64.0	4.7	-56.0	-7.8
China	16.0	12.3	36.0	-30.7	48.0	18.4	-32.0	-6.1
Inflation rate	increase		no change		decrease		balance	
Switzerland	19.2	-17.8	69.2	13.6	11.5	4.1	7.7	-21.9
Eurozone	11.5	-18.1	76.9	13.9	11.5	4.1	0.0	-22.2
USA	24.0	-24.1	60.0	19.3	16.0	4.9	8.0	-29.0
Other economic indicators for Switzerland	increase		no change		decrease		balance	
Export momentum (situation)	13.0	-17.8	87.0	17.8	0.0	0.0	13.0	-17.8
Export momentum (expectations)	0.0	0.0	58.3	-7.1	41.7	7.1	-41.7	-7.1
Unemployment rate	26.9	12.1	69.2	-12.3	3.8	0.1	23.1	12.0
Short-term interest rates	increase		no change		decrease		balance	
Switzerland	7.7	-10.8	92.3	10.8	0.0	0.0	7.7	-10.8
Eurozone	8.0	-10.5	92.0	10.5	0.0	0.0	8.0	-10.5
USA	52.0	-36.9	48.0	36.9	0.0	0.0	52.0	-36.9
Short-term interest rate spread	increase		no change		decrease		balance	
Eurozone – Switzerland	12.5	8.5	83.3	-4.7	4.2	-3.8	8.3	12.3
Long-term interest rates	increase		no change		decrease		balance	
Switzerland	50.0	-20.4	46.2	16.6	3.8	3.8	46.2	-24.2
Germany	48.0	-18.7	48.0	14.7	4.0	4.0	44.0	-22.7
USA	56.0	-18.1	36.0	10.1	8.0	8.0	48.0	-26.1
Long-term interest rate spread	increase		no change		decrease		balance	
Germany – Switzerland	22.7	6.7	68.2	-7.8	9.1	1.1	13.6	5.6
Equity prices	increase		no change		decrease		balance	
SMI (Switzerland)	43.5	-4.5	43.5	11.5	13.0	-7.0	30.5	2.5
EuroStoxx 50 (Eurozone)	39.1	-8.9	43.5	11.5	17.4	-2.6	21.7	-6.3
S&P (USA)	52.2	8.2	30.4	-1.6	17.4	-6.6	34.8	14.8
Exchange rate CHF vs.	appreciate		no change		depreciate		balance	
EUR	41.7	1.0	45.8	8.8	12.5	-9.7	29.2	10.7
USD	25.0	-15.7	58.3	10.2	16.7	5.6	8.3	-21.3
Commodities	increase		no change		decrease		balance	
Oil (North Sea Brent)	32.0	-18.0	48.0	1.8	20.0	16.2	12.0	-34.2
Gold (per ounce)	56.5	6.5	26.1	-7.2	17.4	0.7	39.1	5.8

Note: 26 analysts participated in the Financial Market Survey Switzerland for January, which was conducted between January 14 and 23, 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 percentage shares.

Source: CFA Society Switzerland, Credit Suisse

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