

#### IMPRINT

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# perspectives

03/2012 QUARTERLY MARKET OUTLOOK



BANQUE CIC | SUISSE |



#### DEAR READER

##### Euro debt crisis reloaded

With the escalation of the situation in Spain, the euro debt crisis has reached another shameful (interim?) peak of intensity. The Spanish government has waited far too long before deciding to tackle the aftermath of the real estate bubble head-on. The restructuring of the country's banks poses the main challenge. Unable to raise the requisite sum on its own due to strict, self-imposed austerity measures, the Spanish government was forced to go cap in hand to Brussels in June for a bailout. As the fourth largest national economy in the currency union, the latter has an existential interest in preventing the situation from getting completely out of control. Otherwise the euro critics might see this as further vindication of their predictions that, sooner or later, the euro will collapse. The time has now come for the European heads of state and the European Central Bank to finally put a joint plan on the table in order to prevent the die-hard merchants of doom from ultimately being proven right.

Mario Geniale  
Chief Investment Officer

## Economic perspectives

**At 0.7%, Switzerland's gross domestic product (GDP) has risen surprisingly sharply in the first quarter. Special effects in GDP growth, such as major government spending projects, and the poor economic performance in the neighbouring eurozone suggest that economic growth in Switzerland will cool down in the coming quarters. We expect GDP growth of just 0.5% in 2012.**

In Europe, the downward spiral affecting the PIIGS countries has intensified again, this time dragging Spain into the spotlight: with unemployment above 24% and house prices continuing their four-year decline, domestic consumption is being reduced to a minimum. Since over half of Spain's exports go to other eurozone countries, there is no likelihood of increased demand or exchange rate benefits.

### Dark clouds over Europe

The economic environment in the USA appears relatively stable. We expect to see GDP growth of 2.5% this year. Thanks also to the monetary policy stimuli of the Federal Reserve (Fed), the momentum should continue to hold up for some quarters until the side effects of quantitative easing reveal themselves in higher inflation. In the run-up to the presidential elections in the fourth quarter the economy could benefit from political incentives, as has often been the case in the past. The electoral chances of the Republicans are good: economic discontent has already brought about several changes of government. The question being asked in many emerging markets is to what extent growing domestic consumption can offset weaker import demand from the industrialised nations. It will be interesting to observe this development in the national economies of Brazil, India, China, South Korea, Mexico, Indonesia and Egypt. (fur)

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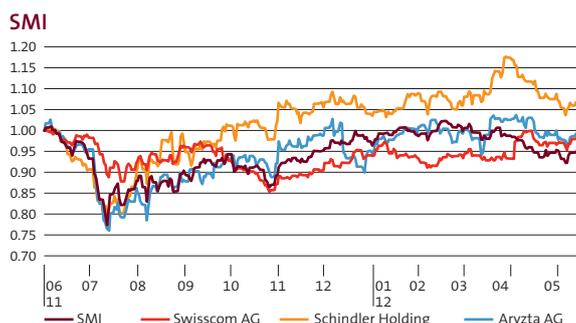
# The Markets

“... investors should remain cautious ...”

Favouring defensive investments in the past few months was clearly not the wrong strategy. Although most stocks experienced large price jumps at the start of the year, this initial euphoria rapidly died down. As before, the euro debt crisis is dampening investor sentiment across the globe. The eurozone problems, above all with Greece and Spain, will remain firmly in the media spotlight this quarter, and will thus have a decisive impact on stock market events. Politicians, economists and analysts fear a continued weak economic environment. With this in mind, investors should remain cautious and give priority to defensive investments over more aggressive ones. (mch)

## SWISS EQUITIES

Given the difficult environment in the rest of Europe, Switzerland's economy is doing very well. However, the country is not immune to the global downward trend and cannot evade the pull of more bad news and poorer economic data. With the global economy in its current fragile state, defensive stocks with a low beta are to be preferred. In Switzerland the shares of **Swisscom AG** (beta versus SMI of 0.66), **Schindler Holding AG** (beta versus SMI of 0.85) and **Aryzta AG** (beta versus SMI of 0.88) are sound stocks that can contribute to portfolio stabilisation. (mch)



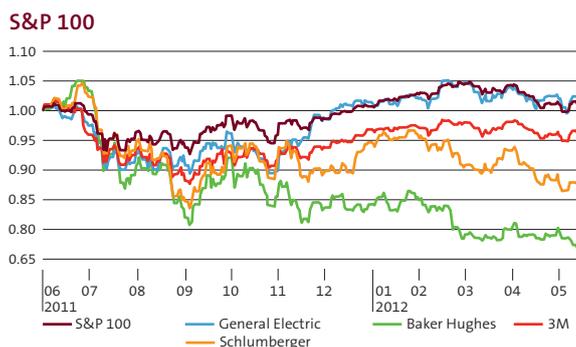
## EUROPEAN EQUITIES

The European equity market remains pressured by macroeconomic developments; we thus prefer other regions for investment. We expect the downward spiral triggered by the PIIGS problem to continue in the third quarter and therefore prefer shares of companies whose revenues are less directly tied to economic performance. We favour defensive sectors such as health-care or food. We are particularly positive about the **Danone** share: Thanks to the attractive focus on emerging markets (51% of revenues) and on the dairy product sector (58% of revenues), the chances of the company further boosting its profits in the coming six months are good. (fur)



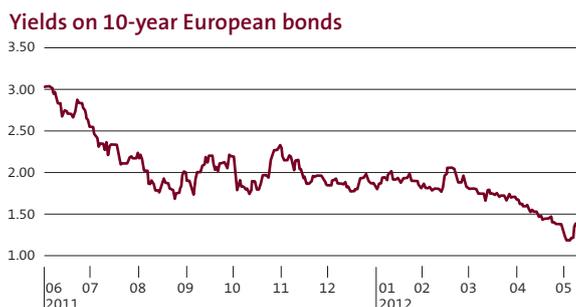
## US EQUITIES

The current unemployment figures from the US show a flattening trend, and a slowdown effect is starting to be felt in economic growth. Nevertheless, the outlook for US companies remains good, not least thanks to the relatively advantageous production costs, factoring in the very cheap gas prices and the prevailing low dollar. The equity markets had a downward correction of almost over 5%. From a valuation perspective, equities on the whole still appear attractive. The economy could gain renewed momentum from the Fed's expansive monetary policy and the presidential elections scheduled for November. Broadly diversified and globally networked enterprises such as **General Electric** and **3M**, as well as oilfield services companies such as **Baker Hughes** and **Schlumberger**, stand to benefit the most. (jb)



## BONDS

Following a positive first quarter, risk aversion started to rise again in the second. Spain's bank bailout deal with Europe and the generally gloomy outlook for the Spanish economy gave rise to negative headlines. The risk premium on German government bonds subsequently rose to a new all-time high. The pro-euro Greek government parties have been able to achieve a parliamentary majority. In any case, the government, which was newly elected in June, has only a secondary role to play in whether – and how – a solution can be found for the Greek tragedy. As long as the EU fails to present specific growth plans that are considered credible by the markets, we expect the environment to remain volatile. Under these conditions, we also anticipate low interest rates in the future. (cal)



# The Column

with Nicolas Humair, Head of Neuchâtel branch



## And what if bankers became entrepreneurs?

### DEAR READER

We are living in a world where information is accessible to all. You no longer need to go in search of it, it comes to you of its own accord. And if you should miss the scoop of the century, there will always be someone able to tell you about it.

For a few years now, bankers have been increasingly assuming the role of psychologist, and to be considered on the ball they have to be proactive – visiting clients, understanding their situation and identifying tailor-made solutions.

It is no longer a case of selling products or concepts, but far more of developing your vision and your expectations. Taking their cue from SMEs, bankers can no longer be merely proactive – they have to be visionary. In other words, they have to be able to



A few decades ago, a banker had to be responsive to information to be considered “on the ball”. When he called you, he had something to tell you; he was going to impart an item of information that you did not yet know. The eagerly awaited results of SMI-listed companies were the subject of commentaries, analyses and endless discussions. A decision to buy or sell securities was made immediately after receiving such news and on the basis of the relevant commentaries. Moreover, you would have considered yourself privileged to have received this news ahead of everyone else.

**“For a few years now, bankers have been increasingly assuming the role of psychologist”**

All this may seem a long time ago, but the truth is that you took such decisions in the belief that you held all the cards – even if certain financial crises have now confirmed that it was all actually rather random.

Within the sales process this is known as having empathy. That takes some doing in this jungle-like environment of ours, in which extended face-to-face meetings are made redundant because products, analyses and best prices are available on the internet or in the media. You are bombarded with finance-related offers and proposals from all sides, and – despite the many opportunities to compare products – these offers increasingly appear very much alike. It has now become apparent: in terms of information, it takes very little effort on your part to know at least as much as your banker.

**“It is no longer a case of selling products or concepts, but far more of developing your vision and your expectations”**

Within this particular context, you more than ever expect to receive specific added value in the area of advice. You want your banker to act like a company CEO: he should do more than just provide you with an opportunity-risk assessment, he should also give you effective advice while remaining objective in his deliberations.

make good business decisions. Just like a company’s balance sheet, the fundamentals have to be solid and excellence has to be the hallmark.

Have you really changed? Absolutely. You no longer wish to be courted, let alone seduced: your ideal is a partnership of equals. Let there be no doubt about it: the banker of tomorrow will be an entrepreneur – in spirit at least!

This column reflects the personal views of the author.

Nicolas Humair manages the Neuchâtel branch, which opened in June 2007. A graduate business administrator, he has worked in banking for more than 20 years in the private and business client segments. Nicolas Humair is a member of the Executive Board.

# In Brief

Overview of topical investment themes

## Attractive structured products with a low barrier

Are you looking for the opportunity to enhance your returns while at the same time being prepared to take on a certain degree of risk in the present volatile market? A barrier reverse convertible in Swiss francs on the Euro Stoxx50 and S&P500 indices with a very defensive barrier of between 48% and 52% currently offers an attractive coupon of 4.5% per annum, making this both a suitably defensive instrument at present and more attractive than a direct investment. Provided the underlying does not touch or fall below the set barrier over the term of one year, you will receive 100 percent of the nominal amount invested including the fixed coupon back again in cash. The issuer risk – the default of the issuer – can be greatly minimised with the help of COSI (Collateral Secured Instruments). (ost)

## Developing countries as portfolio diversification

The financial markets are currently dominated by major uncertainties, with inevitable political differences also not helping to calm the situation. In these times of great uncertainty, well-considered portfolio diversification becomes all the more important. Along with a good diversification of asset classes, the diversification of risk within the individual classes also needs to be right. Equities from the developing countries, also known as the “emerging markets”, have an obvious role to play here. Although in the short term these countries are exposed to greater fluctuations in value than the developed countries, they also offer additional opportunities in terms of attractive returns and are a means of expanding portfolio diversification.

In order to be able to withstand price fluctuations, the term for investments in these regions should be at least five years. Suitable investments are those in carefully selected, actively managed investment funds or in the Emerging Markets Fund Basket of Banque CIC (Suisse). Please contact your client advisor if you have any further questions. (ost)

## Money market investments with attractive interest rates

### How to get more out of your liquid assets

Are you looking to increase the return on your cash positions without sacrificing security or liquidity? In Switzerland, Banque CIC (Suisse) has a tradition as a convincing provider of above-average conditions, service and security and offers a broad range of attractive solutions for your liquidity management.

For example, time deposits. Time deposits are a form of short-term investment, which earn interest at money-market conditions. The term can be freely chosen from periods ranging from one month upward. The interest rate remains fixed throughout the entire term, thus providing you with a secure calculation base. Time deposits are available in Swiss francs and various foreign currencies (starting at CHF 50,000 or equivalent).

Compare the options and ask us for a concrete offer. We look forward to hearing from you.

### Current interest rates

(as at 01.07.2012)

#### For savings and pensions

Anniversary savings account	1.000 %
Junior savings account	1.000 %
Investment account	0.625 %
Savings account	0.500 %
Savings 3 account	2.150 %

#### For day-to-day use

Senior citizen account	0.750 %
Private account	0.250 %
Current account	0.125 %

Current conditions and rates of interest can also be found at [www.cic.ch](http://www.cic.ch).



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