

IMPRINT

Editor: Bank CIC (Switzerland) Ltd.,
Marketing and communication,
Marktplatz 11-13, P.O. Box 216
4001 Basel, Switzerland, T 0800 242 124
Authors: John James Bayer (jb), Jürg Bützer (jub),
Luca Carrozzo (cal), Sebastian Comment (cos),
Mario Geniale (mge), Christian Meier (mch),
Carl Münzer (muc), Robert Olloz (robo),
Seline Schwab (sil)
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perspectives

02/2016 QUARTERLY MARKET OUTLOOK



BANQUE CIC |SUISSE|



DEAR READER

"Liberty is better than silver and gold" has been written on one of the frescoes in the courtyard of Basel Town Hall for more than four hundred years. As equities have outperformed both silver and gold over the past few years, investors and speculators have been steering clear of these precious metals until as recently as the end of 2015. Since the beginning of the year, however, gold in particular but silver as well have been experiencing a renaissance among investors. Against the backdrop of growing unrest on the international financial markets and concerns that the financial system might possibly see increased turmoil and tension, investors are increasingly turning to tangible assets again. The demand for physical gold improved strongly in the past three months, pushing up the gold price. The holdings of SPDR Gold Trust, the best-known fund investing in physical gold, have already increased by 20% to around 25 million ounces. In spite of this enormous upturn, however, this is still well below the record high of more than 43 million ounces in 2012. Globally, only around 1% of investment assets are allocated to gold, which leaves ample potential for further price rises. Who knows, investors who opt for precious metals might one day be able to buy a further piece of freedom with their future gains.

Mario Geniale, Chief Investment Officer

Economic perspectives

In spite of upcoming fears of a recession in the US and persistent concerns about the slowdown in Chinese growth, most pundits are maintaining their forecasts for 2016 of slightly increased real global economic growth of 3.10%. Stable developments in the US and the eurozone are expected to compensate for weak growth in the emerging markets. Although the most recent US economic data seem to indicate a cooling of the industrial sector in particular, robust domestic consumption remains the most important pillar supporting the economy. Consumption growth is supported by increasing employment with unemployment rates of less than 5%, rising salaries and low energy prices.

Labour market recovery strengthens private consumption as the most important pillar of support for the economy

In the eurozone too, most national economies are gathering steam again thanks to solid private consumption. But Europe is battling with stubbornly low inflation, which makes further monetary easing measures more likely. The refugee crisis and declining solidarity (Brexit) also pose big political challenges.

The Swiss economy managed to escape a recession in spite of the dramatic strengthening of the Swiss franc. As most companies expect order books to grow in the next few months, moderate economic growth can be expected.

The picture looks different for the emerging markets, where a further slowdown in growth can be seen. Brazil and Russia in particular remain in deep recession because of a lack of investor confidence and low commodity and energy prices. (robo)

The Markets

“Tighten your seatbelts for the rest of the ride on the stock exchange rollercoaster!”

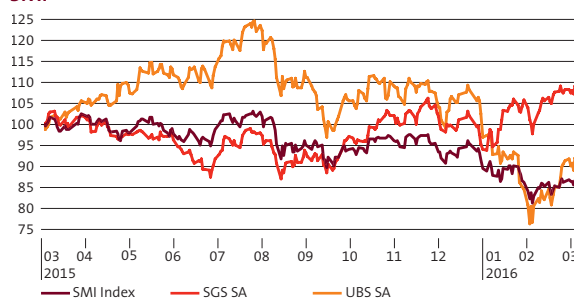


Following the distinctly unsuccessful start to the year on the equity markets, investors will have to expect the rollercoaster ride to continue over the coming months. The dangerous combination of an unabated currency war and a drastic collapse in commodity prices is unsettling investors and putting a brake on global economic growth. The leading central banks are continuing their efforts to calm the financial markets with their aggressive interest rate policies. The US Fed will also reconsider its previously announced decision to apply a tighter policy. The continued zero interest rate environment generally favours equity securities and supports merger and acquisition activities. So: tighten your seatbelts for the rest of the ride on the stock exchange rollercoaster! (jub)

SWISS EQUITIES

The Swiss stock exchange has also seen turbulence and great volatility since the beginning of the year. The SMI lost between 7,500 and 8,800 points in particular due to the continued contraction of the oil price and uncertainties about the development of the economy. On the other hand, expected dividend yields rose for the largest Swiss companies and currently stand at around 3.60%. In addition to the merchandise testing company **SGS SA**, which has proved to be a solid choice in hectic times, we also recommend the share of the financial institution **UBS SA**. We believe that the banking sector has been punished too hard in the past few weeks and therefore has some catch-up potential. (mch)

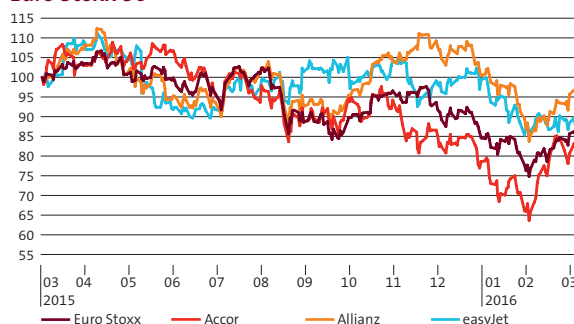
SMI



EUROPEAN EQUITIES

Europe has also been unable to escape the currency and commodity turbulence unscathed. Although the weak euro and low commodity and energy costs are strengthening the global competitive position of European companies, the inflation targets of the European Central Bank (ECB) are still a long way off. In addition, the economic recovery is losing momentum in the eurozone, which leaves the ECB under pressure to prop up the economy and financial markets with “cheap money”. However, upside potential is limited by a number of uncertainties (such as Brexit). When it comes to stockpicking, the focus falls on shares with an attractive dividend yield and companies from consumer-oriented sectors such as **Accor**, **Allianz** and **easyJet**. (jub)

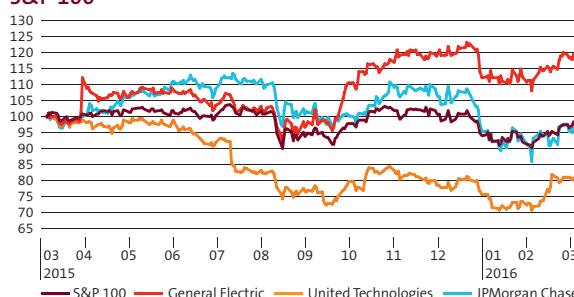
Euro Stoxx 50



US EQUITIES

For some months now, the US economy has been displaying divergent trends. While the unemployment rate continued to fall, industrial production weakened noticeably. The strong dollar, the falling oil price and weakening emerging markets contributed to this negative development. In spite of the correction on the US stock exchanges, prices are not cheap. However, as chances are good that the US markets may recover in the short term, we recommend quality stocks promising an above-average potential recovery, such as **General Electric**, **United Technologies** and **JPMorgan Chase**. (jb)

S&P 100



BONDS

Concerns about economic growth in China and Japan, the falling oil price and inflation that is still far too low led to a strong flattening of the interest rate curve in the first quarter and a sharp drop in interest rates at the long end of the yield curve. Against this backdrop, the broad-based Swiss bond market strengthened by more than 2.50%, while credit risk premiums expanded because of rising risk aversion. Bonds in the oil and commodities sectors and those of banks with considerable credit exposure to these sectors were particularly hard hit. In the current low interest rate environment we continue to prefer bonds with a higher credit risk and thus a better yield. (muc)

Yields on 10-year Swiss government bonds



The Column

with Sebastian Comment, Head of Marketing



Statistical sunshine

DEAR READER

It was great. The people were nice, the weather was good and we had such a lot of fun.

Does this sound familiar? This is the refrain nowadays when acquaintances report on

earn 100 francs. Only the boss earns 100 million francs. On paper, the average salary for an employee of this company would be more than one million francs, even though 99% of the employees earned much less.

healthy, for whatever reasons, particularly like drinking coffee.”

Nonsense can be spouted in any language. But it seems to me that never before has



their holidays. In these times of social media, the one-sided narrative form has grown exponentially and is celebrated with suitable photos on WhatsApp, Facebook and Instagram. This might be tiring when having to listen to private holiday stories (such as the slide shows of yesteryear), but selective portrayal is a problem when it comes to important issues. Politicians and other interest groups have always used language to paint a dramatically positive picture of their own viewpoint, often skirting the law in doing so. People know this, and they are increasingly attracted by things that seem to be more objective, allowing a neutral presentation of the facts: figures and collated statistics.

Statistics use a language of their own, presenting and linking figures in accordance with certain definitions. While it is easy in everyday life to quickly unmask someone who is presenting a one-sided report, this is more difficult to do when statistics are quoted. We are often not sufficiently versed in using this language of statistics and do not notice what is presented in a one-sided manner or even incorrectly. Let us look at some examples:

Average. Imagine that there are 100 people working for a company, all of whom

Relative and absolute terms. To prove the efficacy of a new drug, pharmaceutical companies often use the reduction in the mortality risk as an argument. For example, the mortality risk decreases by 33.3% with Drug A. Impressive! But let us take a look at what is behind this. With the old Drug B, six patients out of 1,000 died in spite of being treated (equals 0.6%). With Drug A, four patients died (0.4%). In absolute terms, the conclusion would be: the new drug can reduce the mortality risk by 0.2%. Same story, but less impressive.

Cause and effect. Do you drink coffee? Good. After we have been hearing for years that coffee is unhealthy, the story has now changed. “Coffee drinkers live longer,” reported the magazine Spiegel.de recently: “Researchers at Harvard University claim that the black bean can actually prolong your life.” To come to this conclusion, researchers have analysed more than 200,000 data sets. Does this mean that I can prolong my life by drinking more coffee? By no means. Just because two things (drinking coffee and health) were studied simultaneously does not mean by a long chalk that there is any causal relationship between them. The article also states that “this has not proven any real cause and effect relationship. It could also be that people who are generally more

there been such a glut of studies and statistics that are accepted by the media with open hands and published without being tested. While we were taught at school to critically analyse the writings of Goethe and Grass, we are often inexperienced and naïve when it comes to criticising statistics.

Statistics are important. Specifically when we look at financial issues, statistics help us to describe developments and explain complex matters. If we look at statistics critically, they give us value-adding information and help us to make better decisions. In private life, however, we prefer not to focus on statistics too much, otherwise we might think: “We had more than six hours of sunshine on 45% of our holidays, which is just slightly more than the mathematical average for the past few years. Of the 67 conversations we had with the 124 people with whom we were in contact, my family experienced two-thirds of these conversations as “pleasant” or “very pleasant”. At 11 °C, the glass of champagne was slightly warmer than ideal, but this was compensated by the lower price (8% less than the peer group restaurants)”.

Who wants to hear all this?

The column reflects the personal opinion of the author.

Sebastian Comment is responsible for marketing and communication at Banque CIC (Suisse). He studied business economics at a university of applied sciences and holds a master's degree in corporate communications.

In Brief

Overview of topical themes

Promising bank bonds

Bank stocks have been suffering substantial price losses since the beginning of the year. This weak performance is also affecting bonds in the banking sector. Investors have been selling their bank bonds, which led to higher interest rates. The mood changed at the end of February when Deutsche Bank announced that it would be buying back some of its debt. This trend could help to calm the situation. Given the ECB's relaxed monetary policy, financial institutions also have sufficient liquidity to pay back some of their debts ahead of maturity. Various bonds are trading well below 100% and are thus very attractive. When choosing bonds, important criteria include the bank's capital base for paying back any outstanding bonds and its capital buffer. Make use of this opportunity and discuss your options with your investment advisor. (cal)

Crédit Mutuel Group posts strong annual performance

The Crédit Mutuel Group successfully continued its positive development in 2015. With the fourth consecutive profit increase, a strengthened core capital ratio of 15.8% and a bigger business volume, Crédit Mutuel highlights its financial strength and once again proves its solidity. This is confirmed by the Group rating: with A (S&P), Aa3 (Moody's) and A+ (Fitch), the Crédit Mutuel Group is still one of the best French banks. This stable shareholder base guarantees security, continuity and reliability at all times. (sil)

Golden outlook



If we were to make a cube out of all the gold that has been dug to date, the edge length would be slightly more than 20 metres and the cube would weigh around 170,000 tonnes. With demand for gold having steadily dropped in the past five years, this rare precious metal has recently been experiencing a comeback as a crisis currency. Buyer interest is growing rapidly. From ingots and coins to a metal account and paper gold in the form of ETFs, you too can get hold of a part of this "cube" for yourself. We would be happy to show you how you can shine with the yellow metal. Please do not hesitate to contact us.

Current interest rates in CHF

(as at 01.04.2016)

For savings and pensions	Private clients	Business clients
Savings account	0.400%	no offer
Investment account	0.300%	0.150%
3a retirement account	0.650%	no offer
Vested benefits account	0.250%	no offer
For day-to-day use		
Private account	0.0625%	no offer
Current account	no offer	0.000%

Savings account offer for clients domiciled in Switzerland or the Principality of Liechtenstein.

3a retirement offer for clients domiciled in Switzerland or the Principality of Liechtenstein and Swiss domiciled abroad.

Current conditions and rates of interest can also be found at www.cic.ch.



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Basel, Fribourg, Geneva, Lausanne, Lugano, Neuchâtel, Sion, Zurich

T 0800 242 124
www.cic.ch

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