

Quarterly Economic Environment and Outlook

- Switzerland** Growth will start to slowdown in the second quarter of 2022. War in Ukraine will have a negative impact on the economy. Combination of conflict, supply shocks and rising inflation will have a negative effect across Europe and Switzerland. The strength of the Swiss Franc is still a concern. The central bank continues to be vigilant, also trying to mitigate the effects of a strong currency. The main issue, much tighter monetary policy in the near future across the world, is shattering confidence.
- USA** The US economy will remain steady. Consumption is strong, the labour market conditions are healthier and the service sector is accelerating. House prices are stable, residential investment is rebounding. But interest rates will continue to increase, inflation forecasts are not optimistic. The corporate sector is improving. Hesitant growth in Europe and the world could hurt export-oriented companies. The economic scenario is less encouraging now. The combined weight of emergency fiscal and monetary measures, the pandemic relief bill and government funding plan should alleviate some concerns about the costs of standing up to Russia making good on its threats against Ukraine.
- Europe** Industrial production is weakening. Growth rates are not improving, most countries are still challenged by public debt financing. In Germany, the industry is less robust, the service sector is resilient. Manufacturing companies are hesitant but optimistic. Exports and services rise in France, Italy, and Spain, this raises some questions about the opportunity to continue fiscal stimulus. The ECB has made clear its willingness to stop the quantitative easing. Interest rates will start to rise slowly. In the UK, the central bank embraces much tighter monetary policy. The Bank of England anticipates higher inflation and rising prices at least until end of June. The Chancellor continues to implement measures following the definitive break-up from Europe.
- Asia** The government in Japan is pushing for more growth and the central bank, with its negative interest rate policy, has pledged to expand asset purchases, buying bonds and treasury bills. The public debt is already very high. The economy is still improving, but it struggles with the pandemic's impact. Exports are strong but a less competitive yen increases corporate pessimism. In China, exports growth is better than expected. The economy and domestic demand remain under strong pressure. In India, the government continues to encourage policy changes designed to improve growth. Escalation of Covid-19 infections will have an impact on the road to recovery.

Currencies

- CHF** Stable, due to its role as a safe haven currency. The SNB will continue to sell Swiss francs to avoid a further appreciation.
- USD** Strong
- EUR** Weak
- GBP** Strong.
- JPY** To remain stable, likely to soften again if there is bank intervention.
- Gold** Firm, even with a rising dollar.
- Oil** Strong.

Financial Markets

	Switzerland	Europe	UK	USA	Japan
Interest Rates	low	low	rising	rising	low
Bonds	falling	falling	falling	falling	falling
Stock Markets	volatile	volatile	volatile	volatile	volatile

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