

Quarterly Economic Environment and Outlook

- Switzerland** Growth will continue to slowdown in the third quarter of 2022. War in Ukraine has 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 but the central bank started to reduce its negative interest rates, a further move is expected in September. Swiss inflation hit a 14-year high last month. The main issue, much tighter monetary policy in the near future across the world, is shattering confidence.
- USA** The US economy will decelerate this quarter. Interest rates will continue to increase, inflation forecasts are not optimistic. The Fed lifted its benchmark rate three-quarters of a percentage point, the largest rise since 1994. Consumption remains steady but consumer confidence is weakening. Labour market conditions are still healthy and the service sector is very firm. House prices are stable, residential investment is rebounding. The corporate sector is more hesitant. A weaker 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 are not enough to alleviate some concerns about the Fed monetary policy and 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. The ECB has signalled that it will raise interest rates again in September in addition to a planned quarter point rise in July. In the UK, the central bank embraces much tighter monetary policy. The Bank of England raised interest rates for the fifth consecutive time and anticipates higher inflation and much faster rising prices. 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, a weak yen helps corporate sentiment. In China, exports growth and imports are better than expected, seen recovering as supply chains restart. 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
- USD** Strong
- EUR** Weak
- GBP** Weak
- JPY** Weak
- 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

The aforementioned Economic Environment and Outlook shall not constitute a recommendation or an investment advice. It is not the result of any financial analysis and the "Directives on the Independence of Financial Research" issued by Swiss Bankers Association does therefore not apply.