

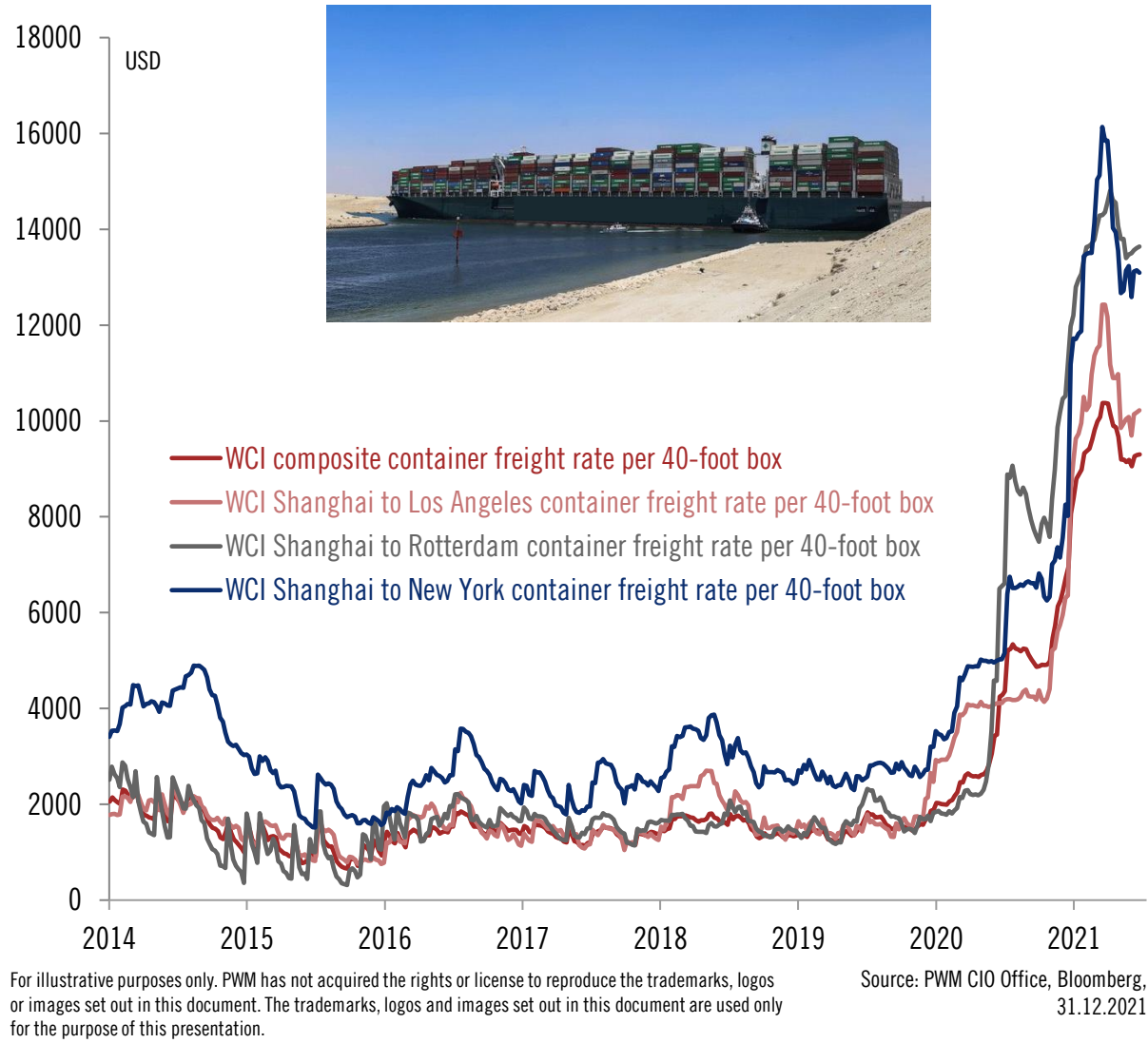


Macroeconomic background

2021 | The year of risk-on markets

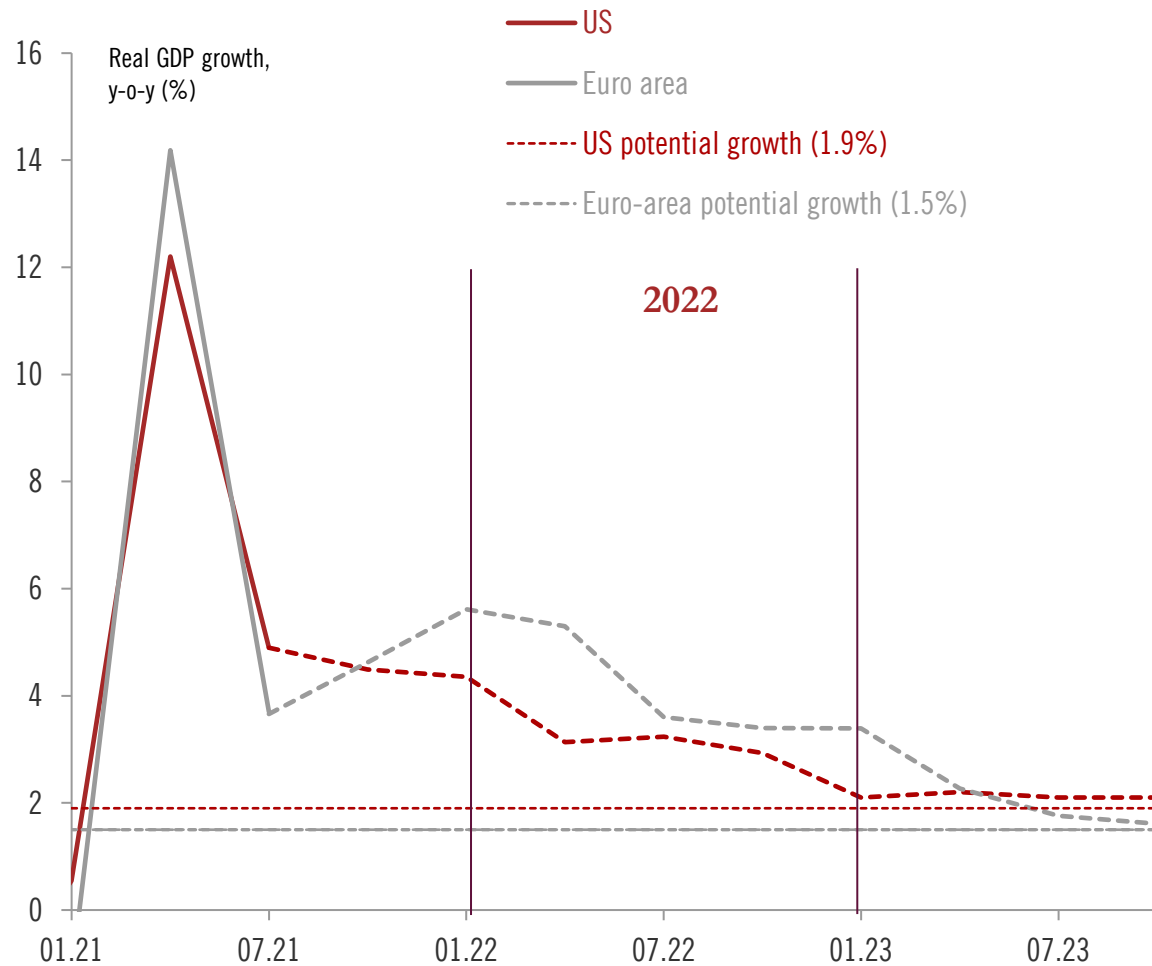


MSCI USA value vs. growth, S&P 500 index, CSI 300 index total return



Container shipping costs per 40-foot box

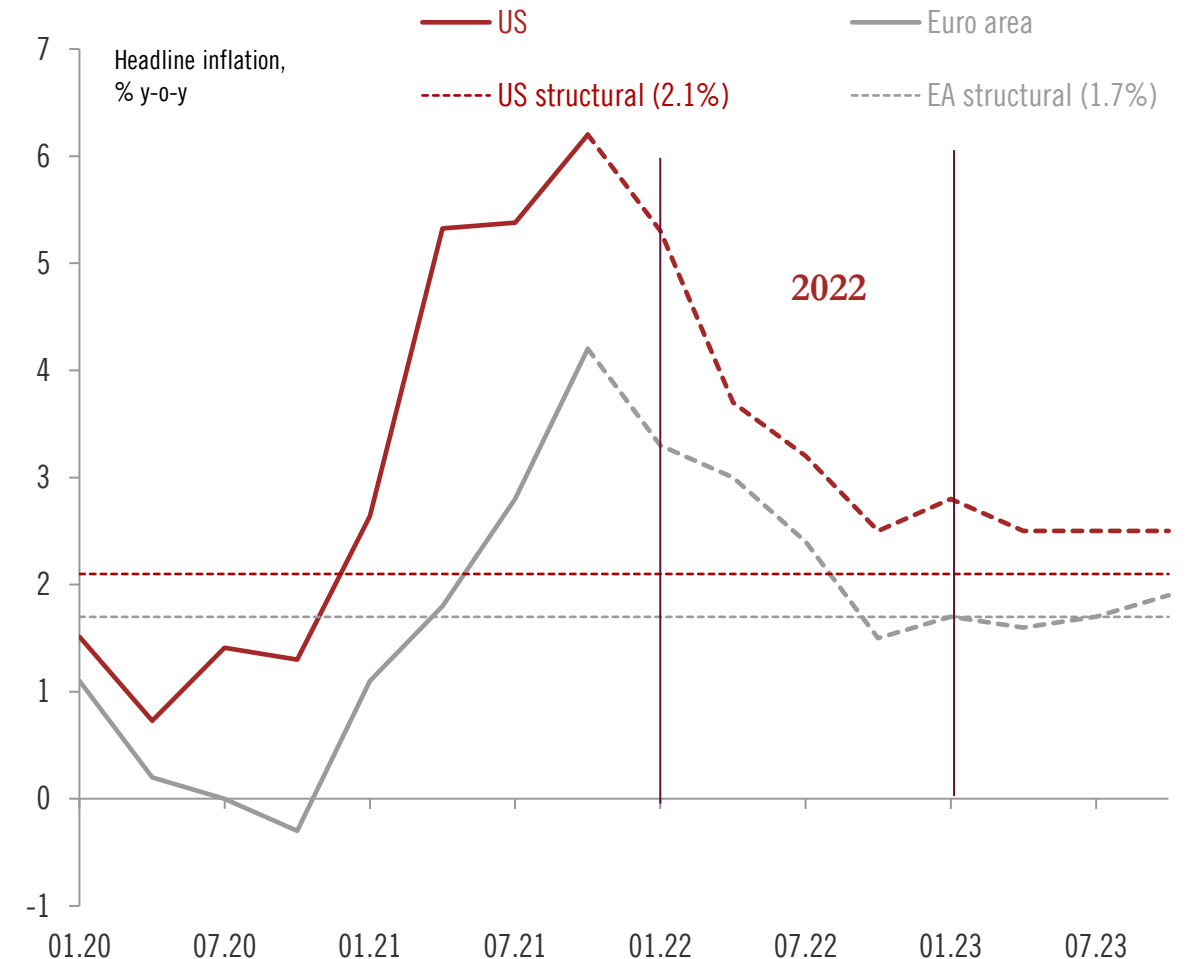
US / Euro area | The year of the soft landing for growth and inflation



For illustrative purposes only. There can be no assurance that these targets or forecasts will be achieved

Source: Pictet WM-AA&MR, Refinitiv
21.12.2021

GDP growth and our forecast: US and euro area



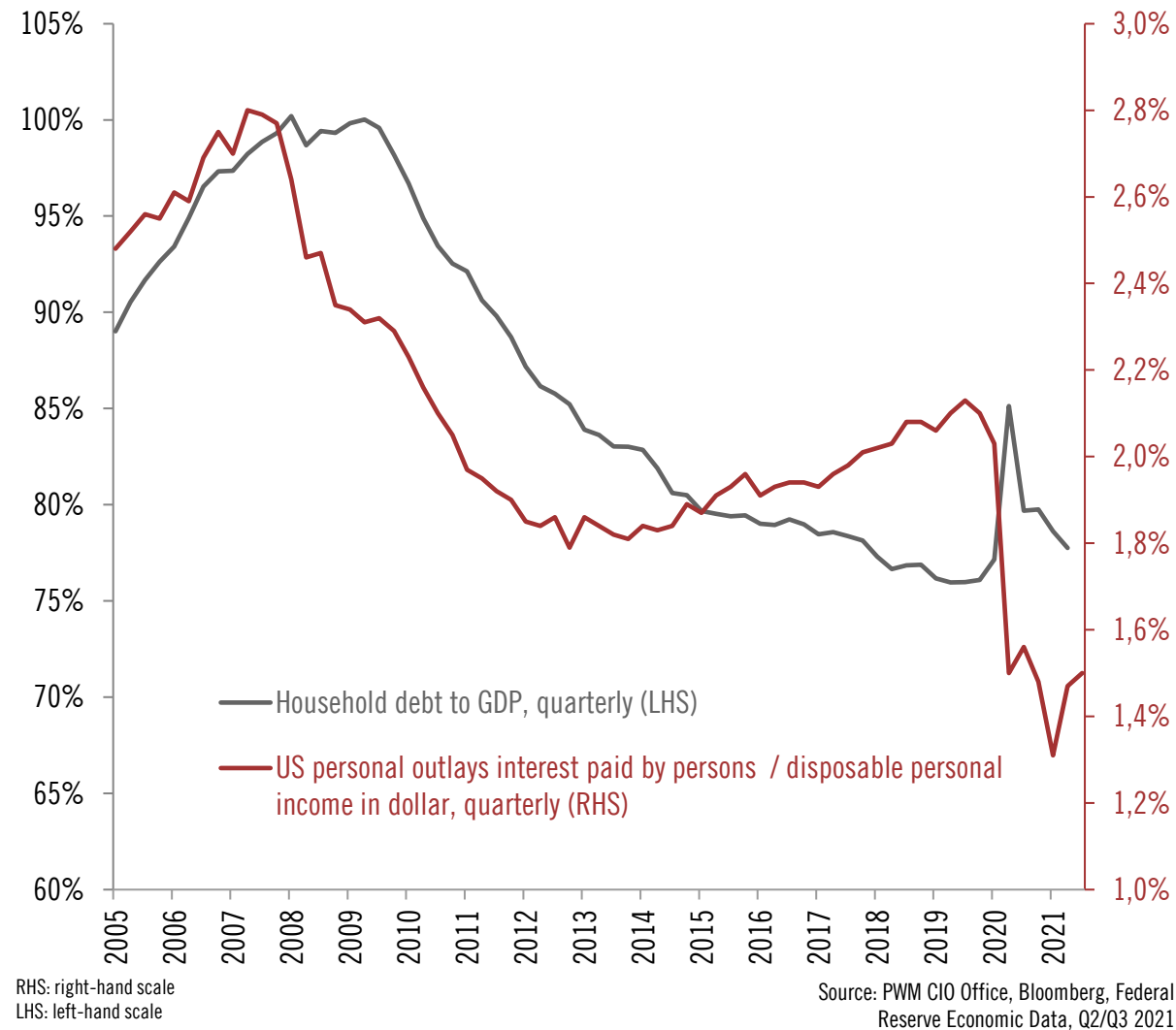
For illustrative purposes only. There can be no assurance that these targets or forecasts will be achieved

Source: Pictet WM-AA&MR, Refinitiv
21.12.2021

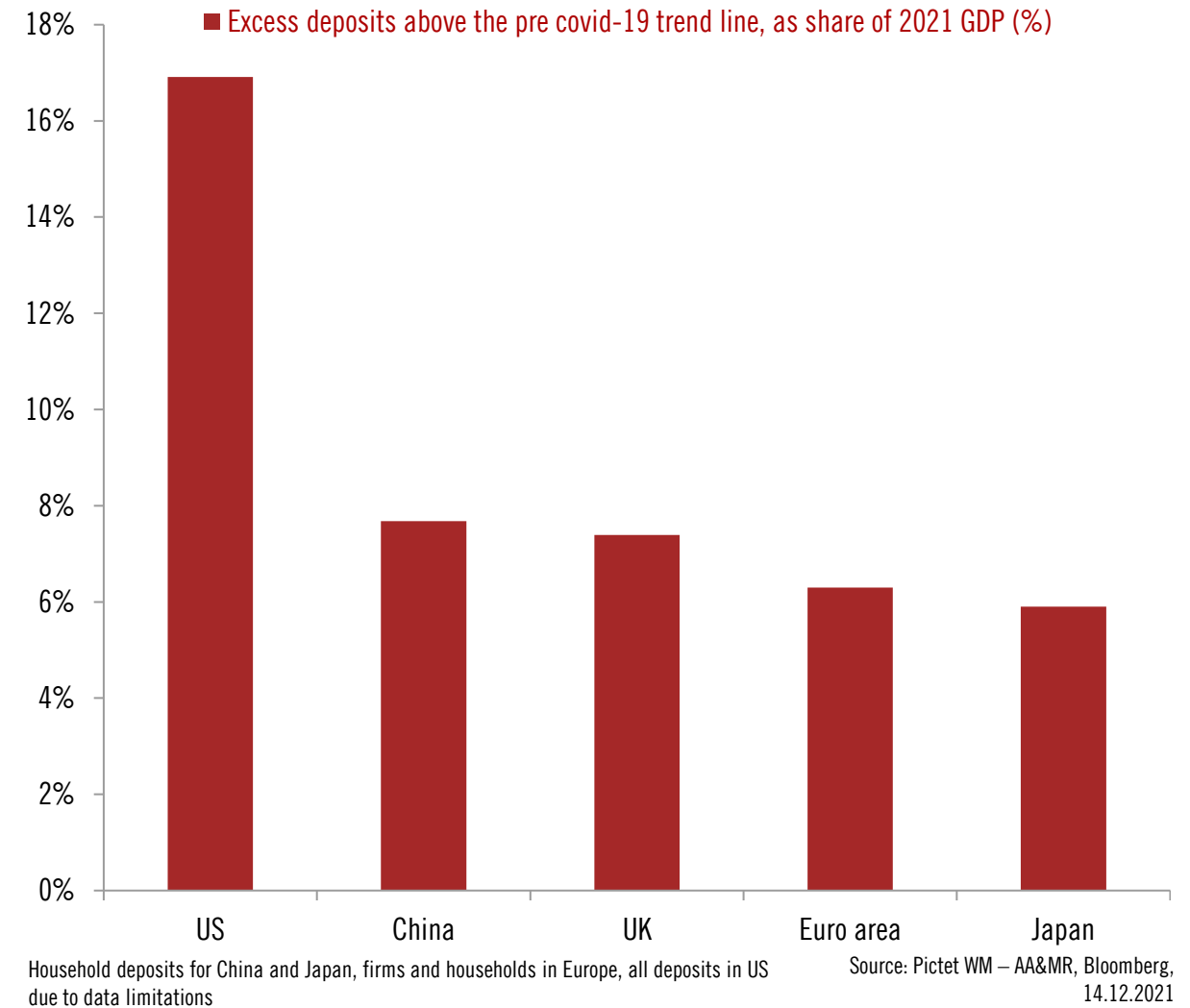
Inflation and our forecast: US and euro area



United States | Cash-rich consumers, boding well for future spending

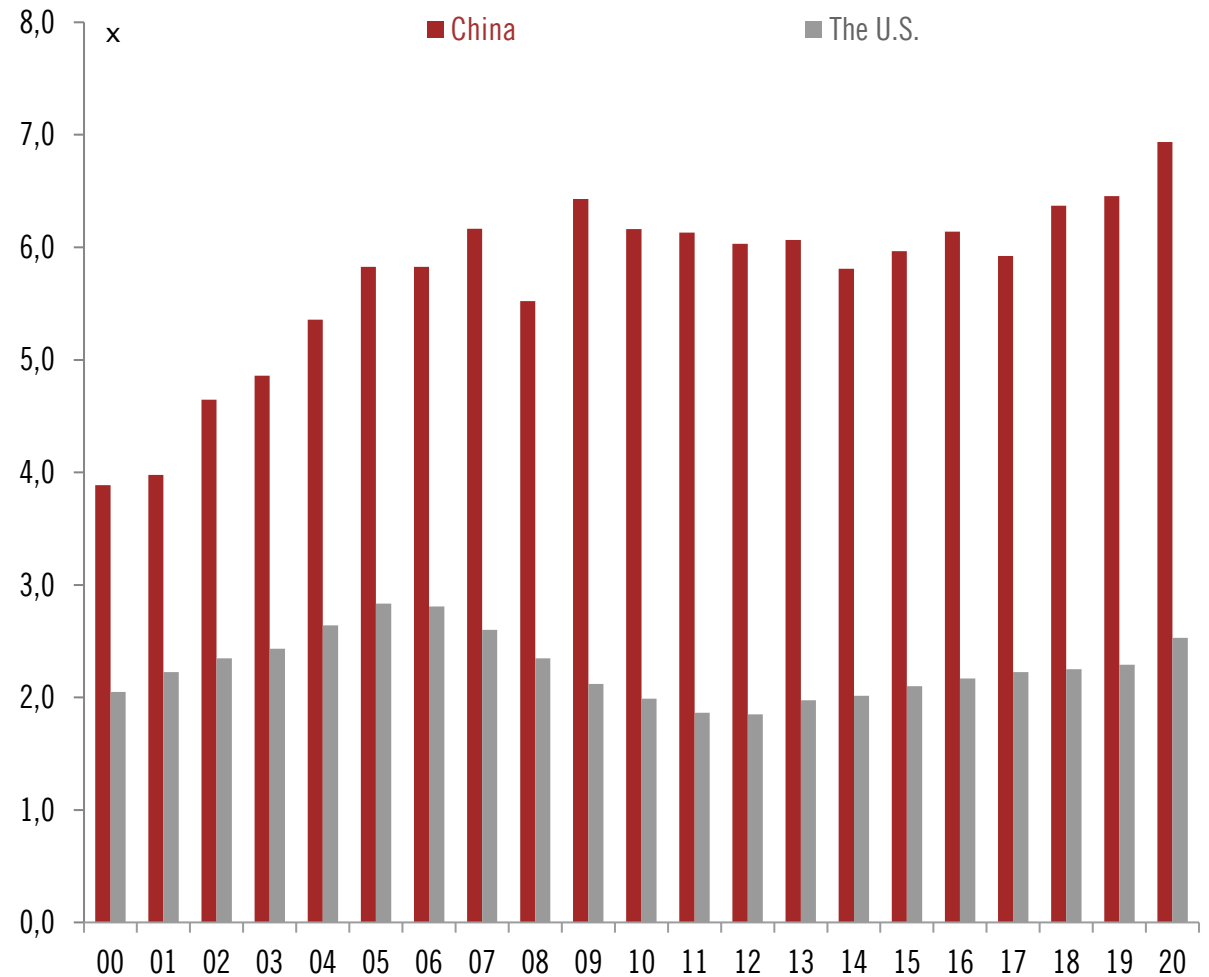


US household debt as % of GDP vs. interest paid/disposable income



Excess bank deposits, as % of 2021 GDP

China| Property deceleration remains the biggest headwind for 2022



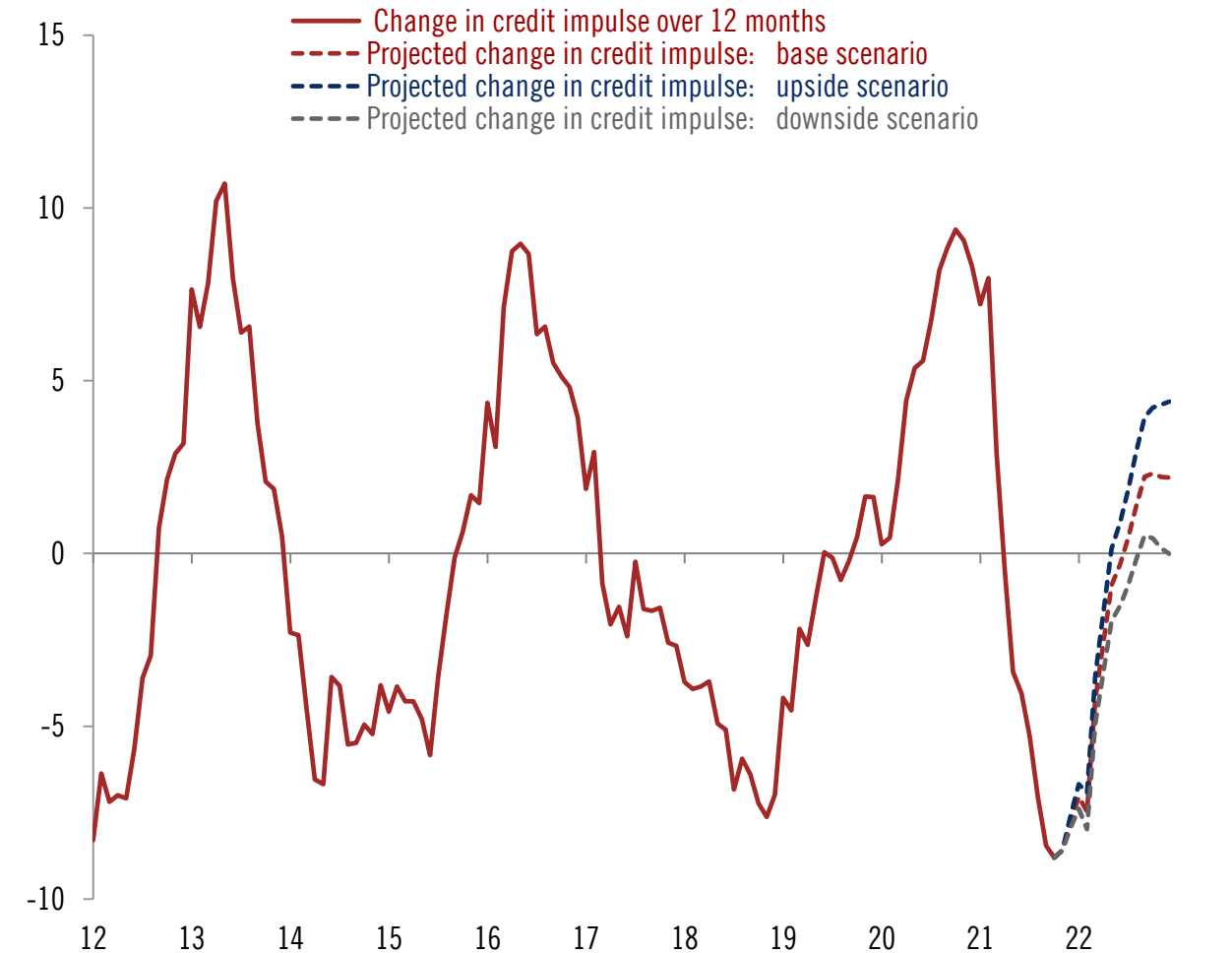
*China data includes land transactions

Source: CEIC, Federal Reserve Board, Empirical Research Partners Analysis, 23.11.2021

China and US: value of housing stock-to-personal consumption expenditures



Pictet Wealth Management

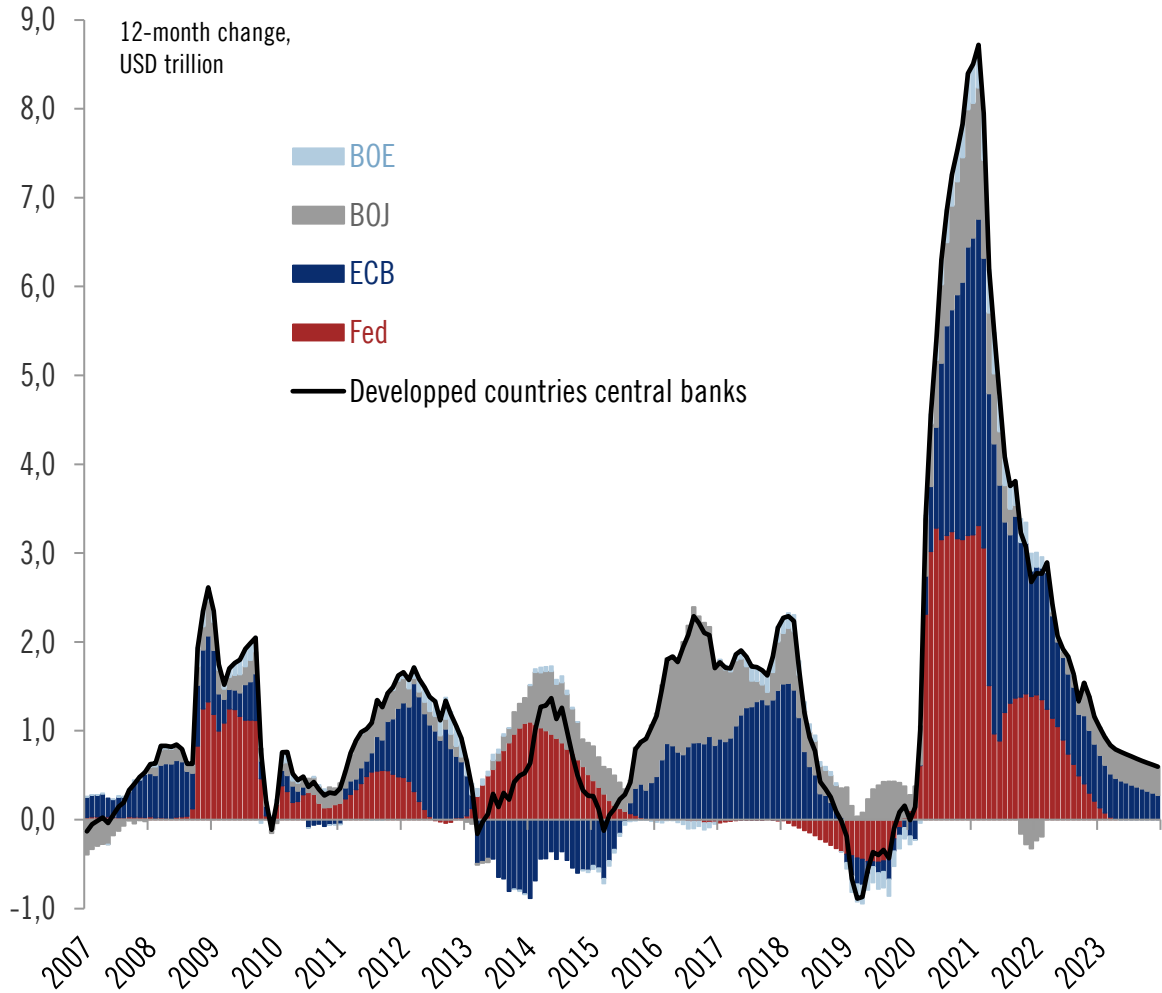


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Source: Pictet WM - AA&MR, Bloomberg, PBoC, 15.12.2021

China: credit impulse (with projection)

2022 | The unbundling begins as health concerns persist

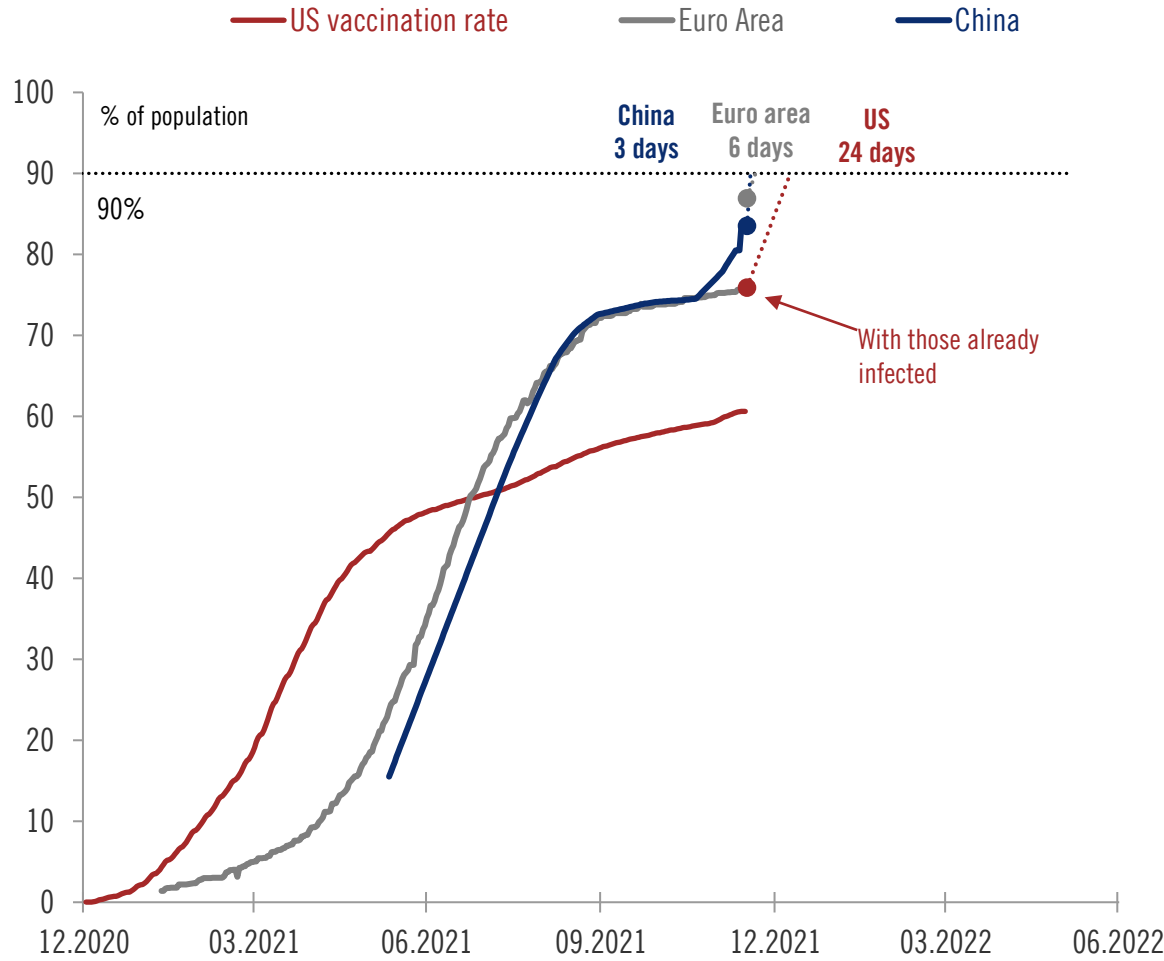


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BOJ: Bank of Japan ECB: European Central Bank
BOE: Bank of England Fed: Federal Reserve

Source: Pictet WM – AA&MR, Bloomberg, 14.12.2021

Central banks: balance sheet 12-month change



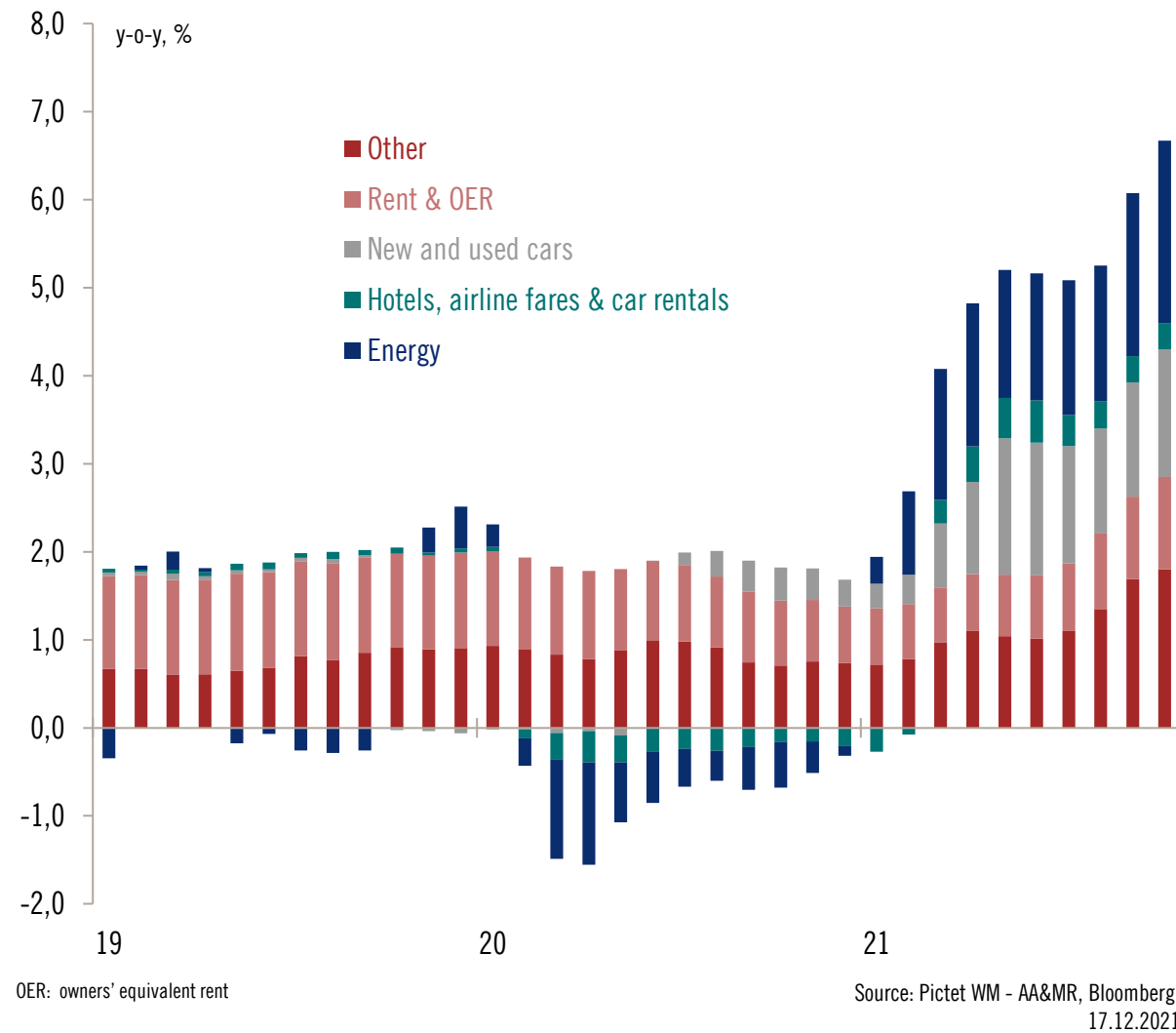
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Source: Pictet WM AA&MR, WHO, Johns Hopkins, National Health Administrations, Bloomberg, 16.12.2021

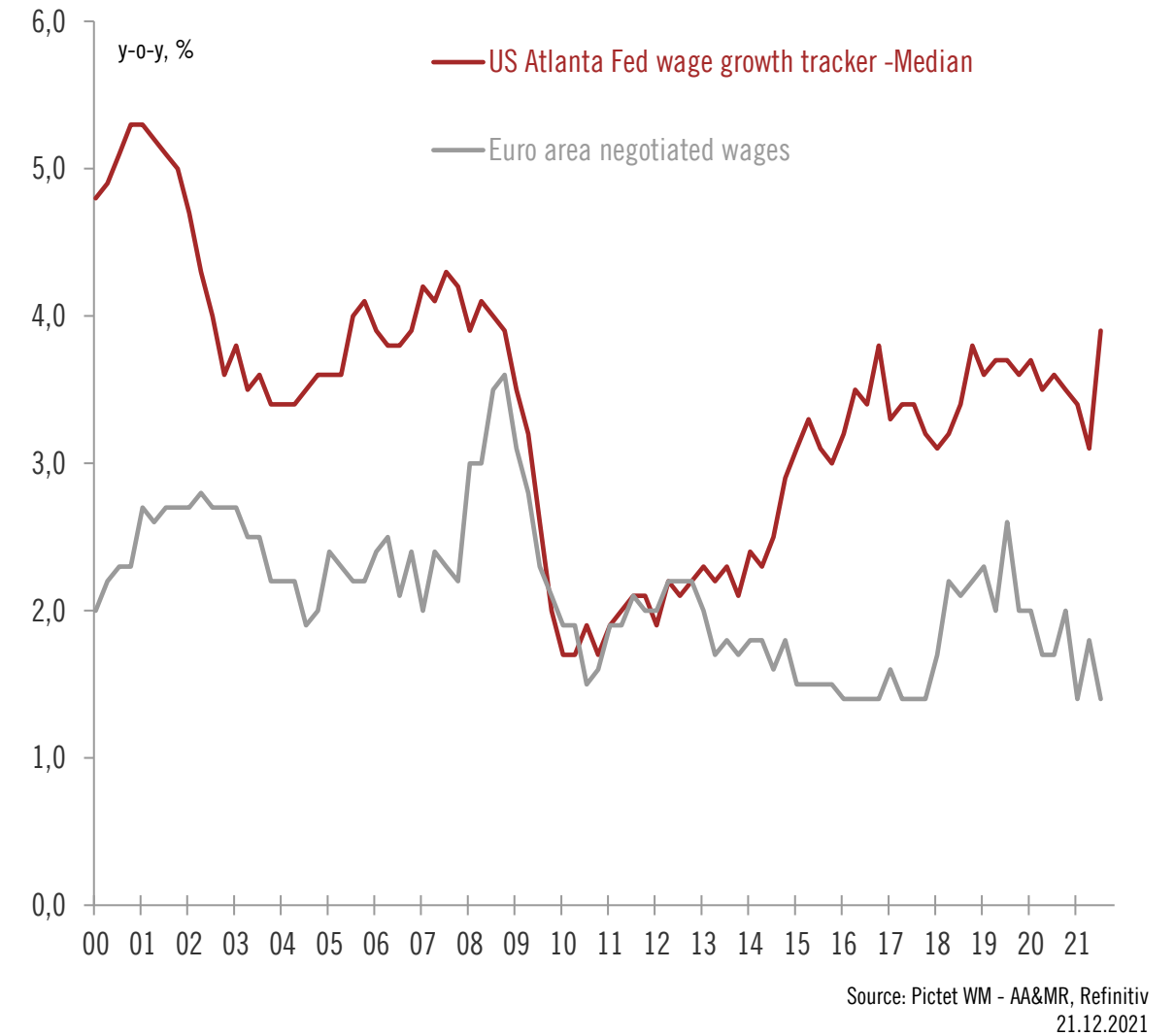
US: distance to 90% herd immunity with antibody



Inflation | More rapid wage growth is an upside risk, especially in the US



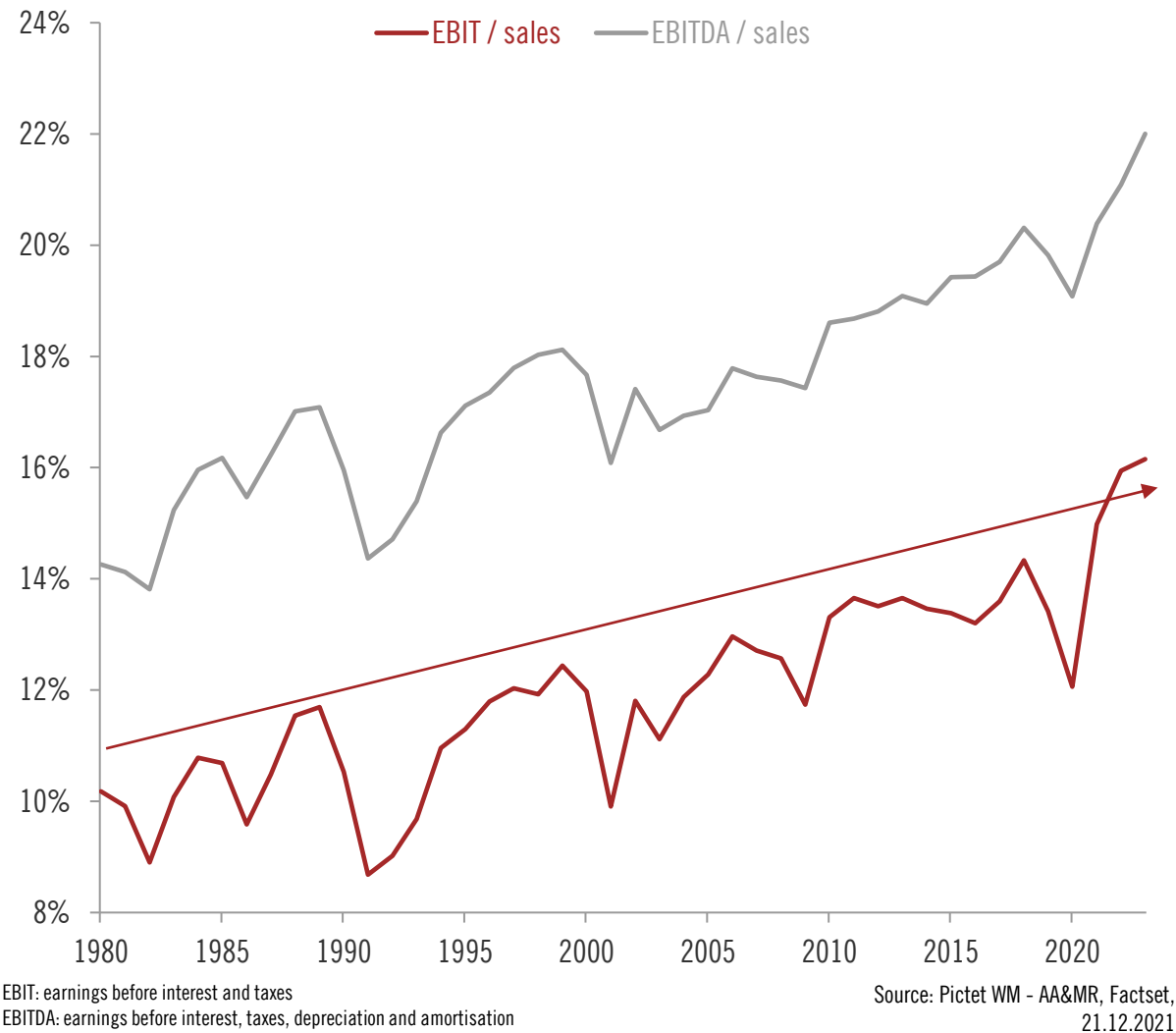
US CPI inflation by main category (y-o-y)



US and euro area: wage growth indicators

Asset Class Implications

2022 | Earnings growth to slow



S&P 500 index: operating margin

	S&P 500	STOXX 600	TOPIX
Earnings growth	10.0%	9.0%	6.5%
Buyback yield	2.5%	1.5%	0.5%
PE variation	-5.4%	2.7%	2.3%
Price return	7.1%	13.2%	9.3%
Dividend yield	1.5%	2.5%	2.0%
Total return	8.6%	15.7%	11.3%
Target price end-2022	5000	540	2200

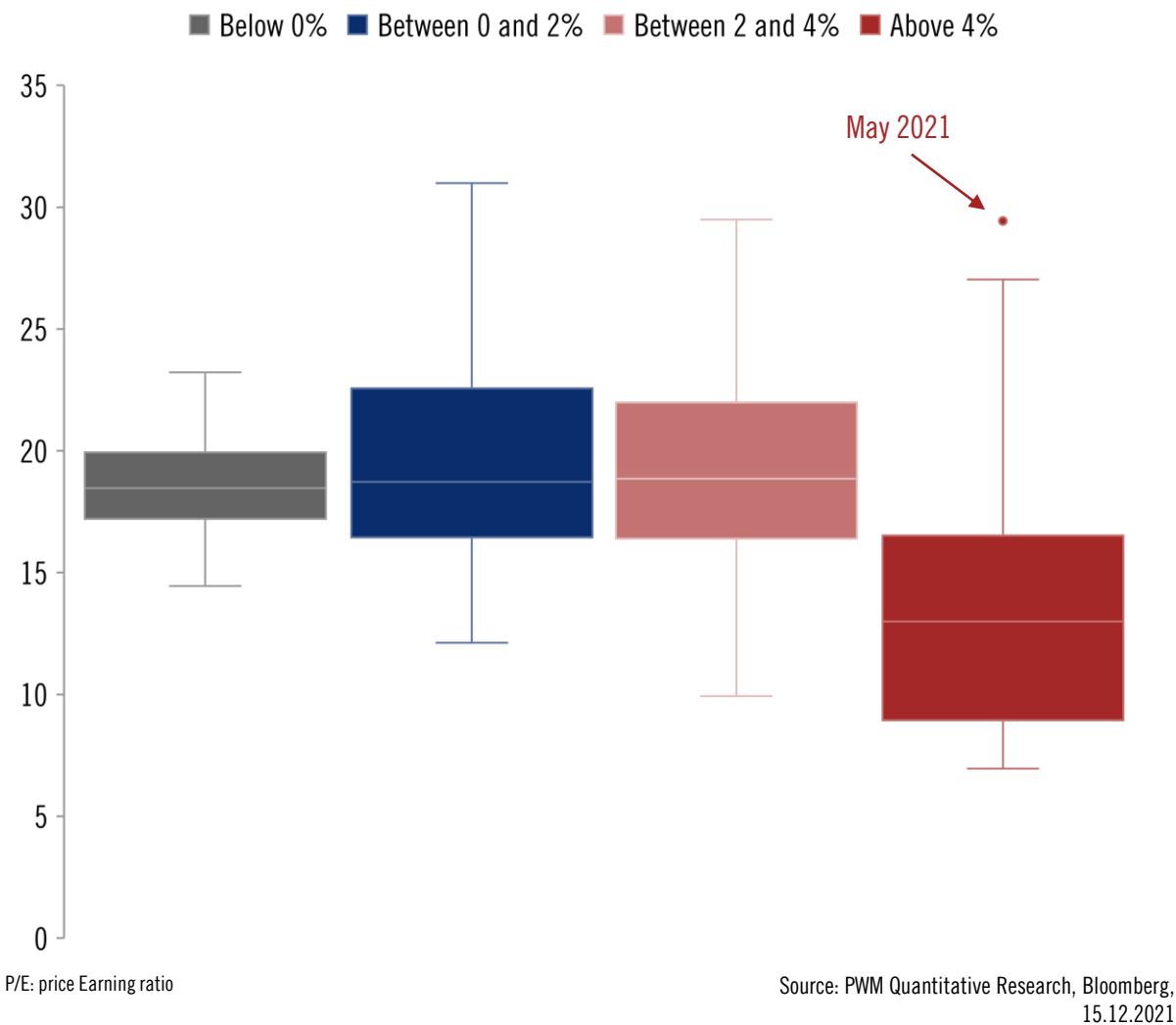
For illustrative purposes only. There can be no assurance that these targets or forecasts will be achieved. Past performance should not be taken as a guide to or guarantee of future performance

Source: Pictet WM - AA&MR, Factset, 16.12.2021

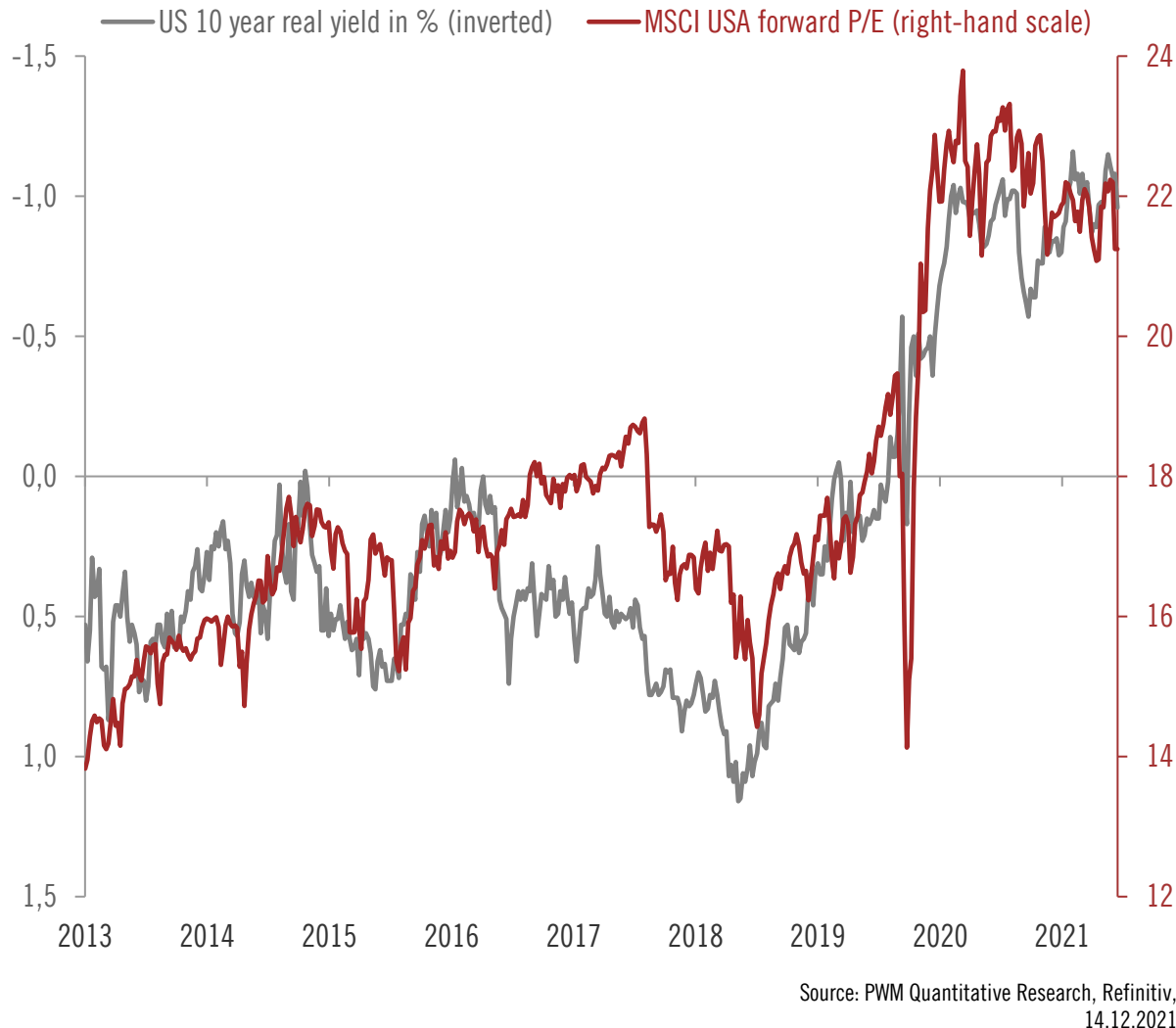
Expected equity return and price for 2022



Real yields drive market multiples



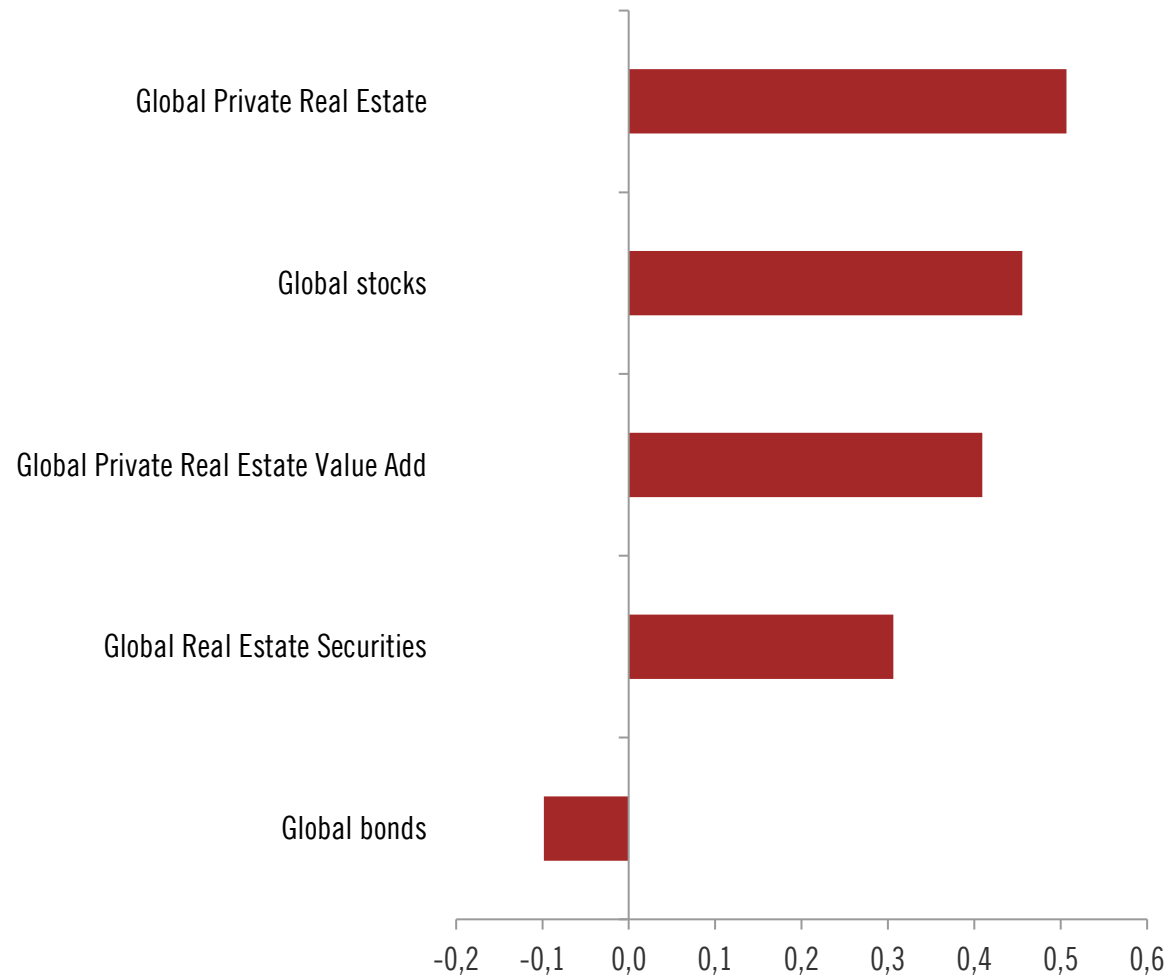
Distribution of the S&P 500 P/E ratio given various levels of inflation



US 10-year real yield and US forward P/E

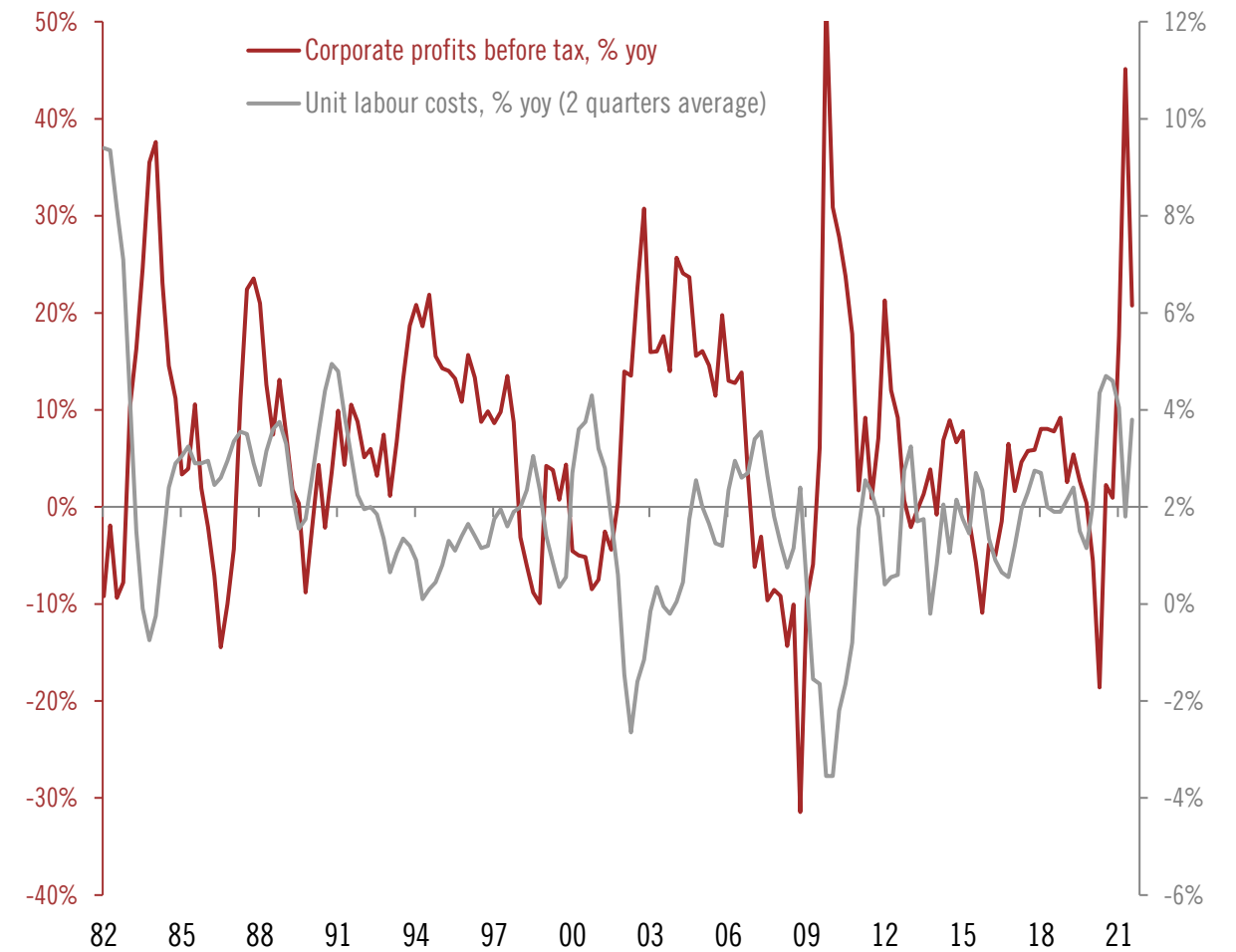
Real assets and pricing power companies as inflation hedges

INFLATION HEDGES



Source: Pictet WM - AA&MR, Factset,
21.12.2021

**Quarterly asset class correlations with the US
consumer price index, variation since 1990**

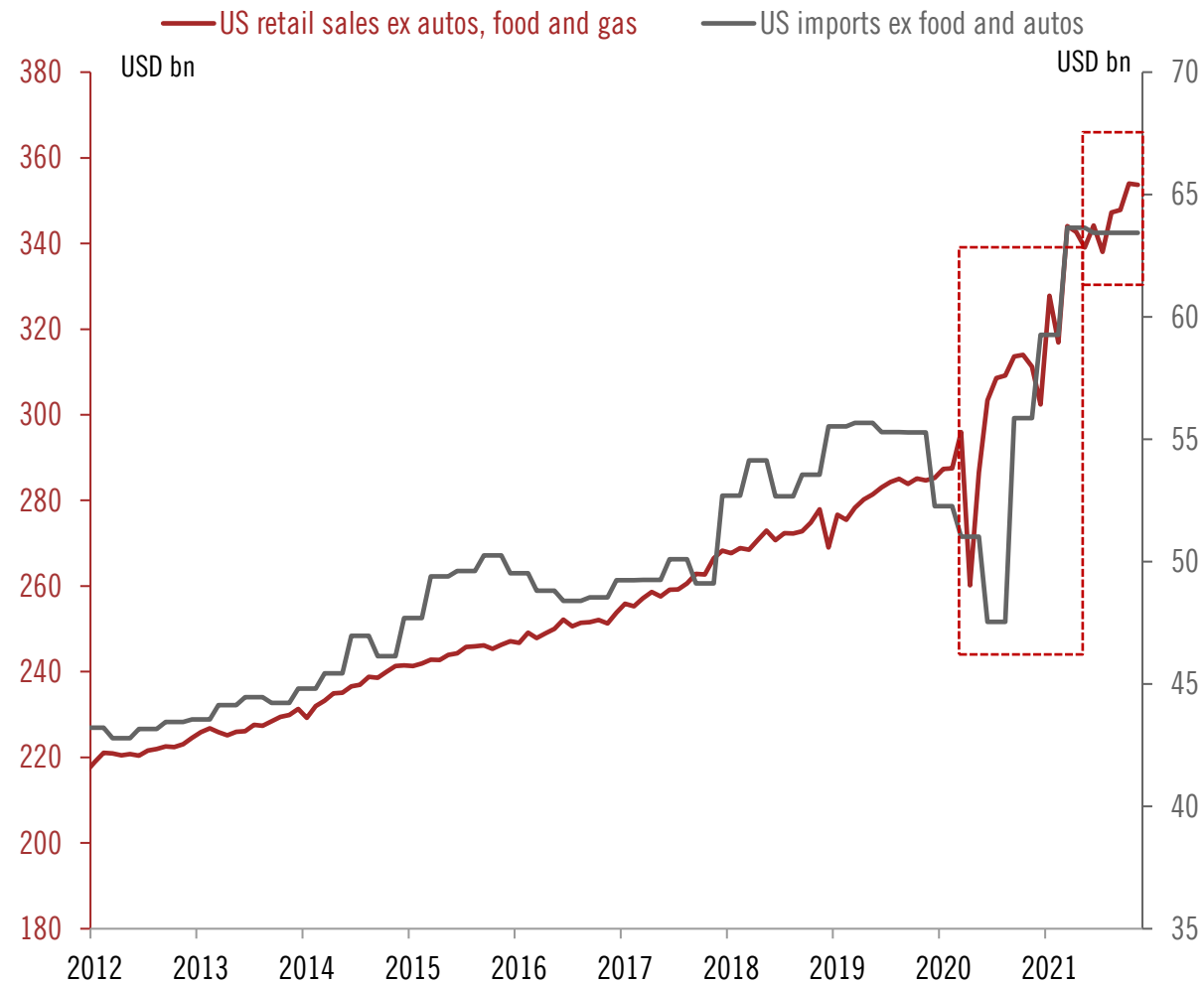


Source: PWM-AAMR, Factset,
14.12.2021

Corporate profits and unit labour cost, % year-on-year

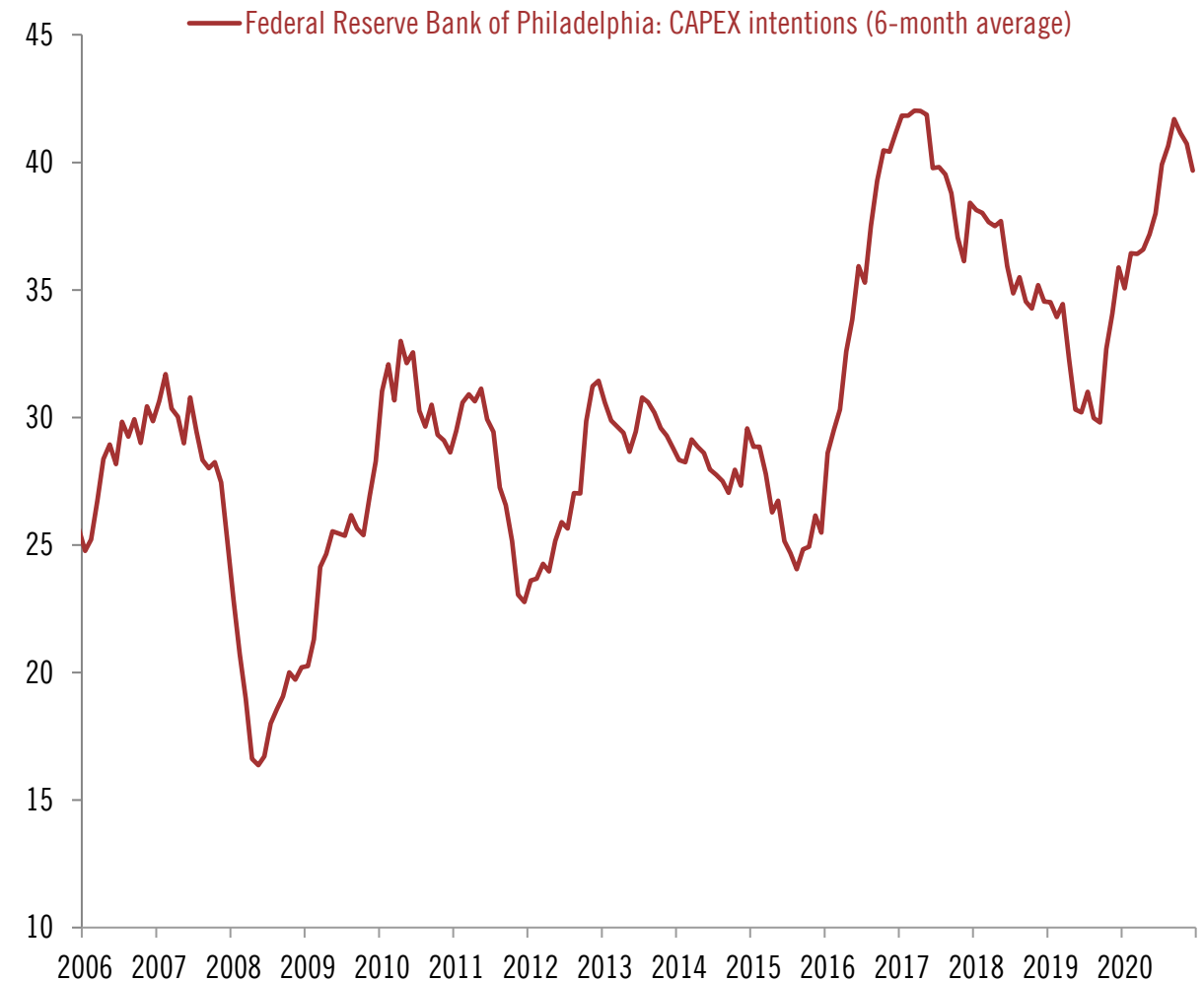
Mainly a demand shock combined with a lack of investments

CAPEX BENEFICIARIES
AND EVENT-DRIVEN



Source: Pictet WM-AA&MR, Bloomberg,
22.11.2021

**US imports excluding food and autos vs.
retail sales excluding auto, food and gas**



capex: capital expenditures

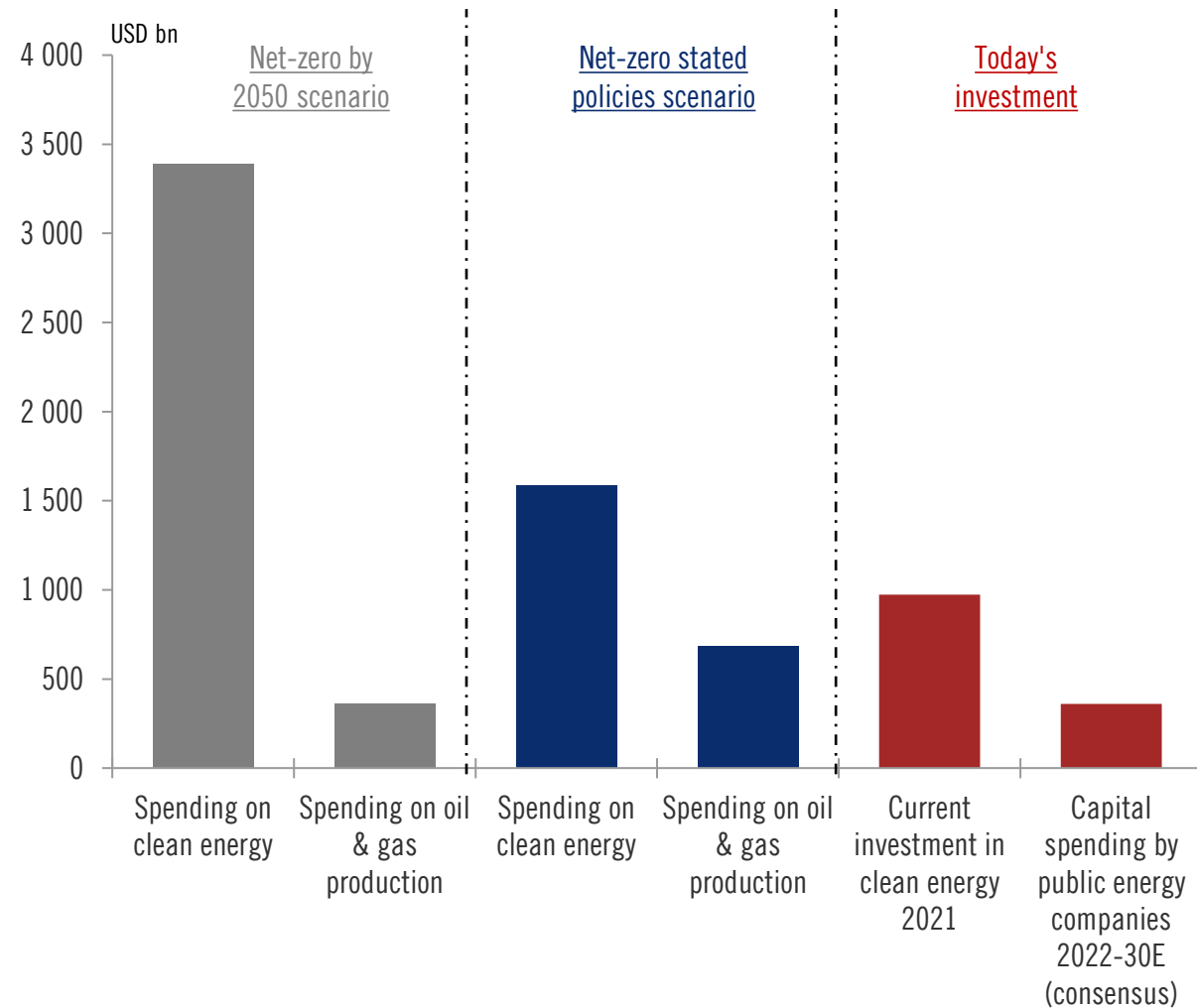
Source: Pictet WM - AA&MR, Factset,
14.12.2021

**Federal Reserve Bank of Philadelphia: capex
intentions (6-month average)**



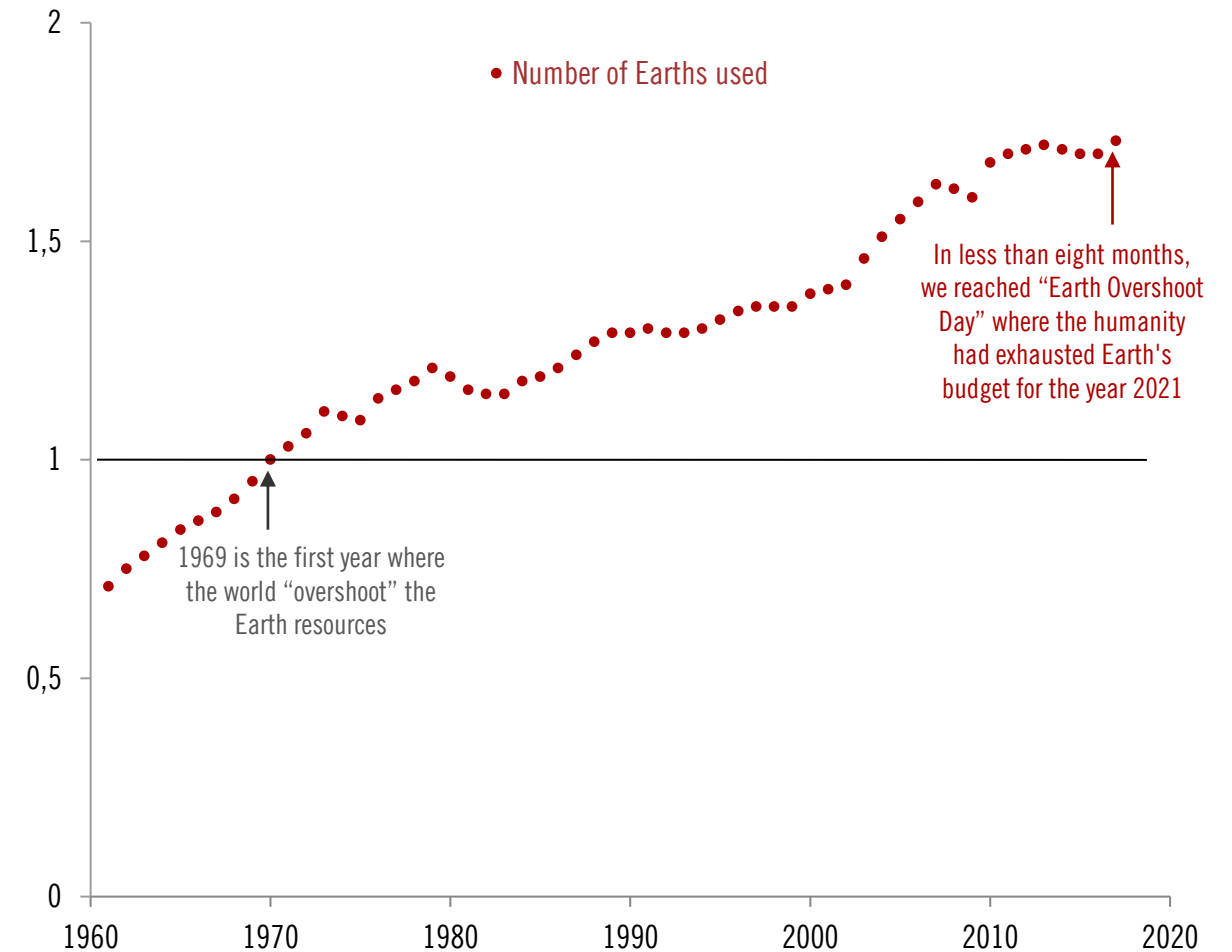
Post-pandemic green spending plans favour ESG investments

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Required annual investments in oil & gas and clean energy



ESG: environmental, social and governance

Source: Global Footprint Network, 29.11.2021

Number of Earths' resources consumed in the world each year

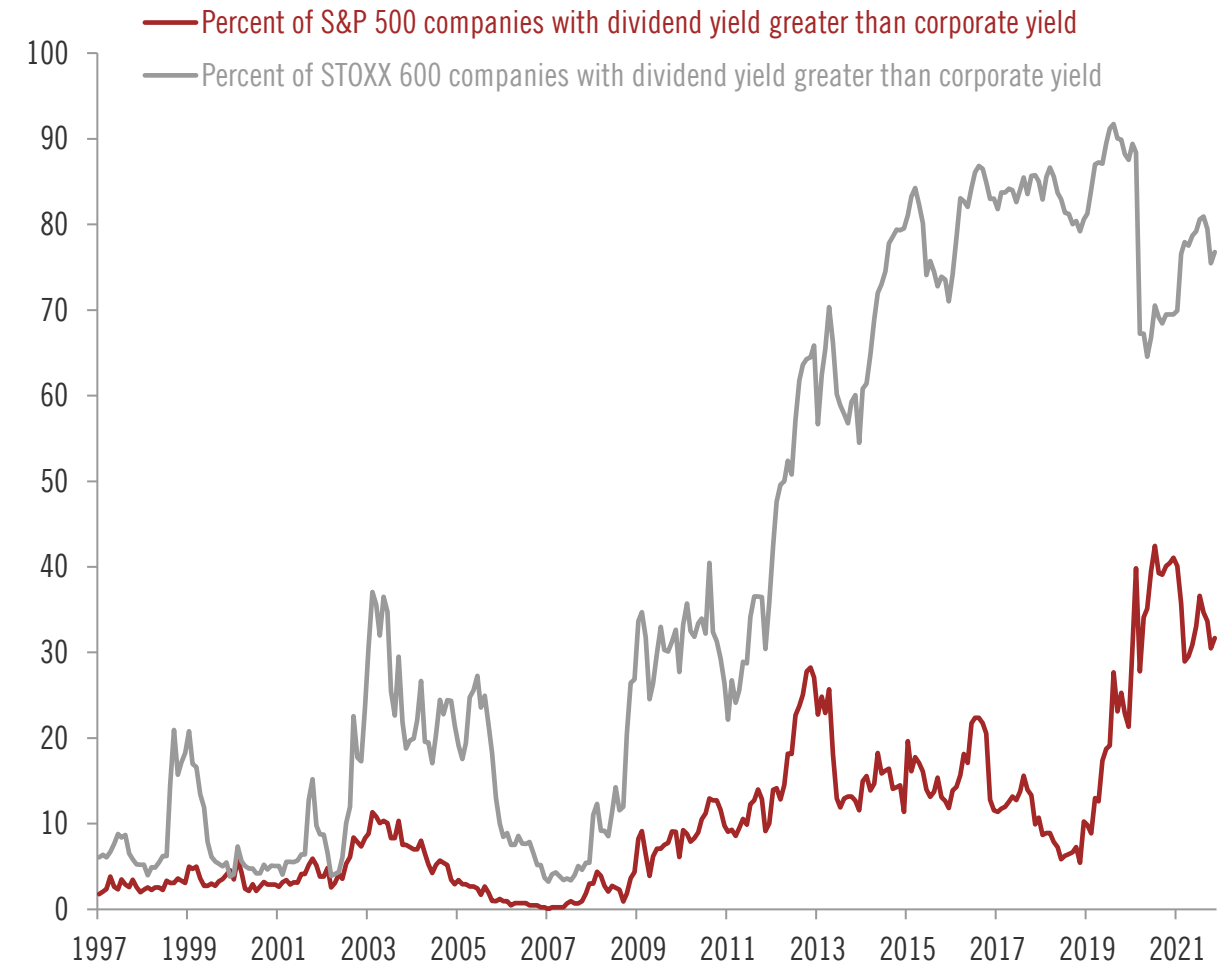


Finding returns in an environment of income repression



Source: Pictet WM - AA&MR, Factset, GFD,
31.12.2021

**US 10-year Treasury yield and US 5-year
annualised nominal GDP growth**

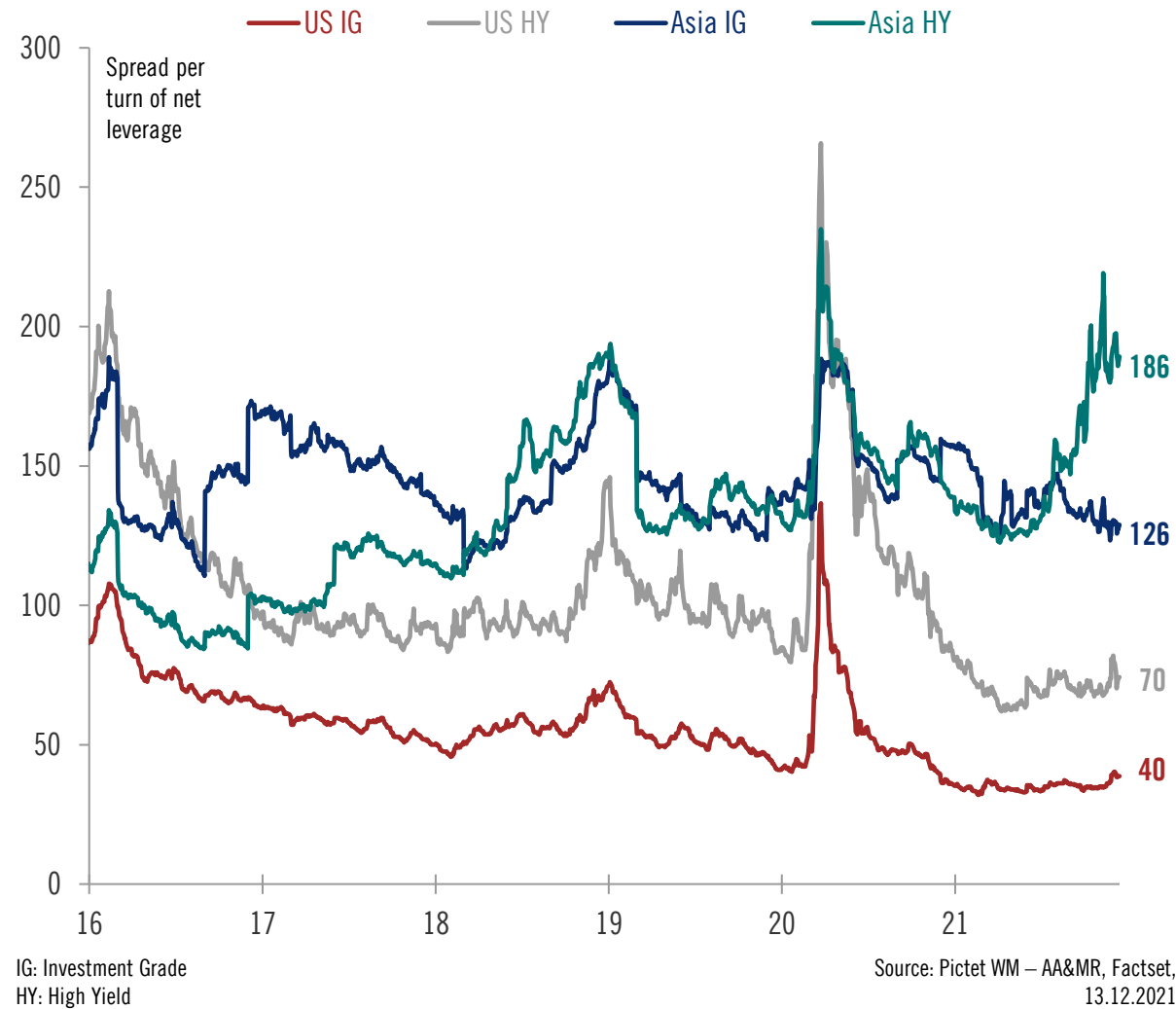


Source: PWM Quantitative Research, Refinitiv,
14.12.2021

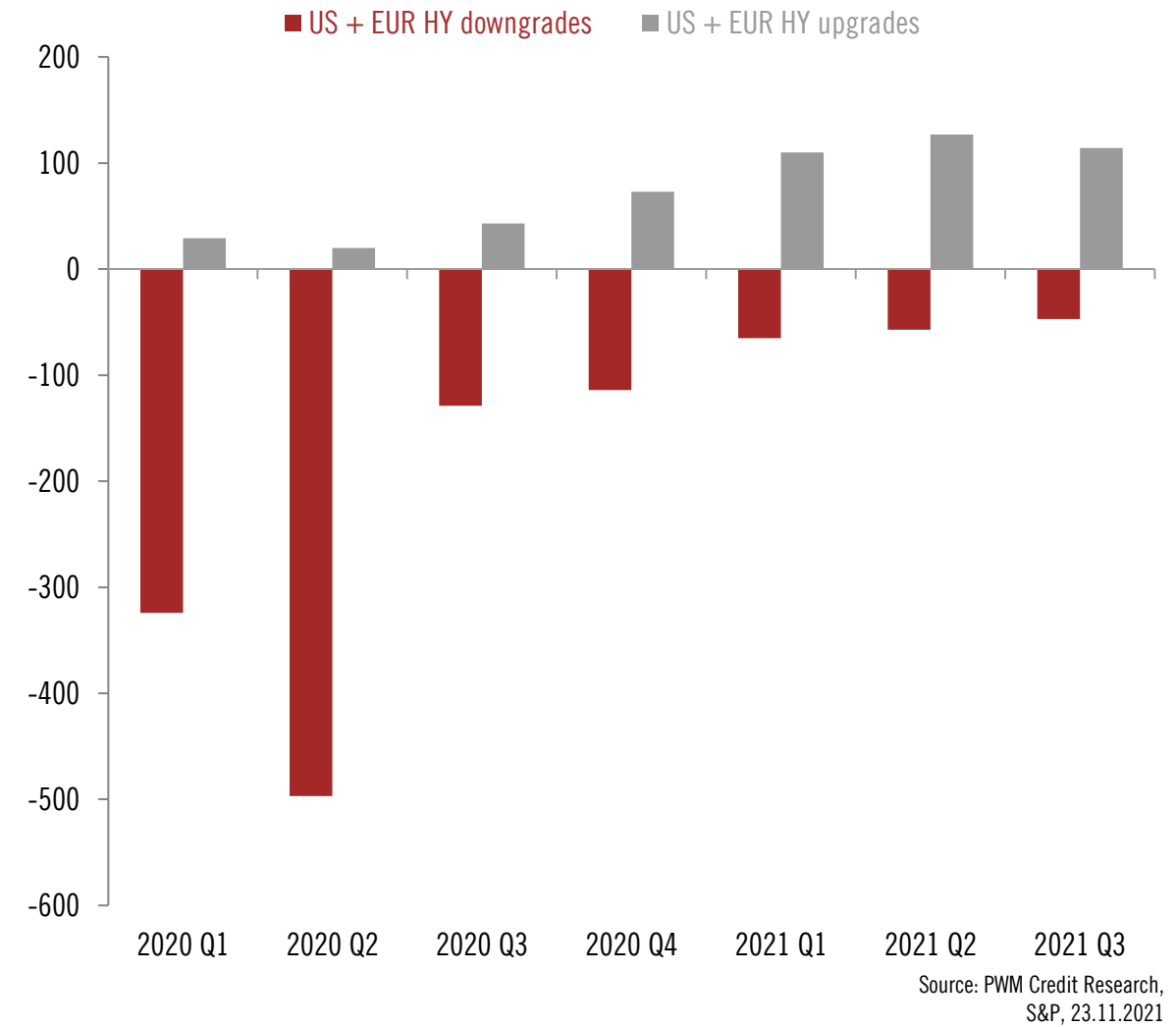
**Percent of companies with dividend yield
greater than corporate yield**

Asia credit and rising stars as alternative sources of yield

INCOME SOLUTIONS

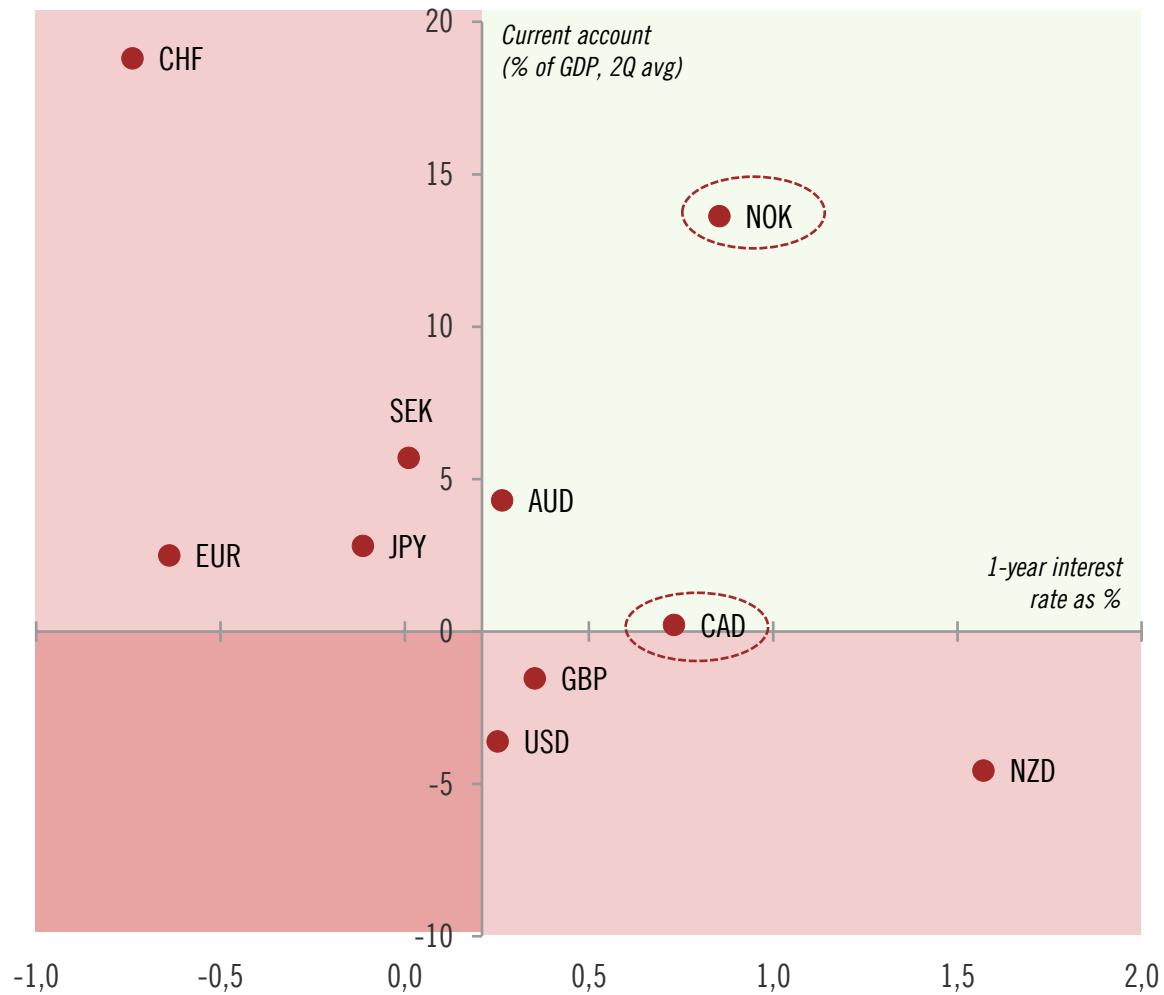


US and Asia corporate IG and HY spreads per turn of leverage



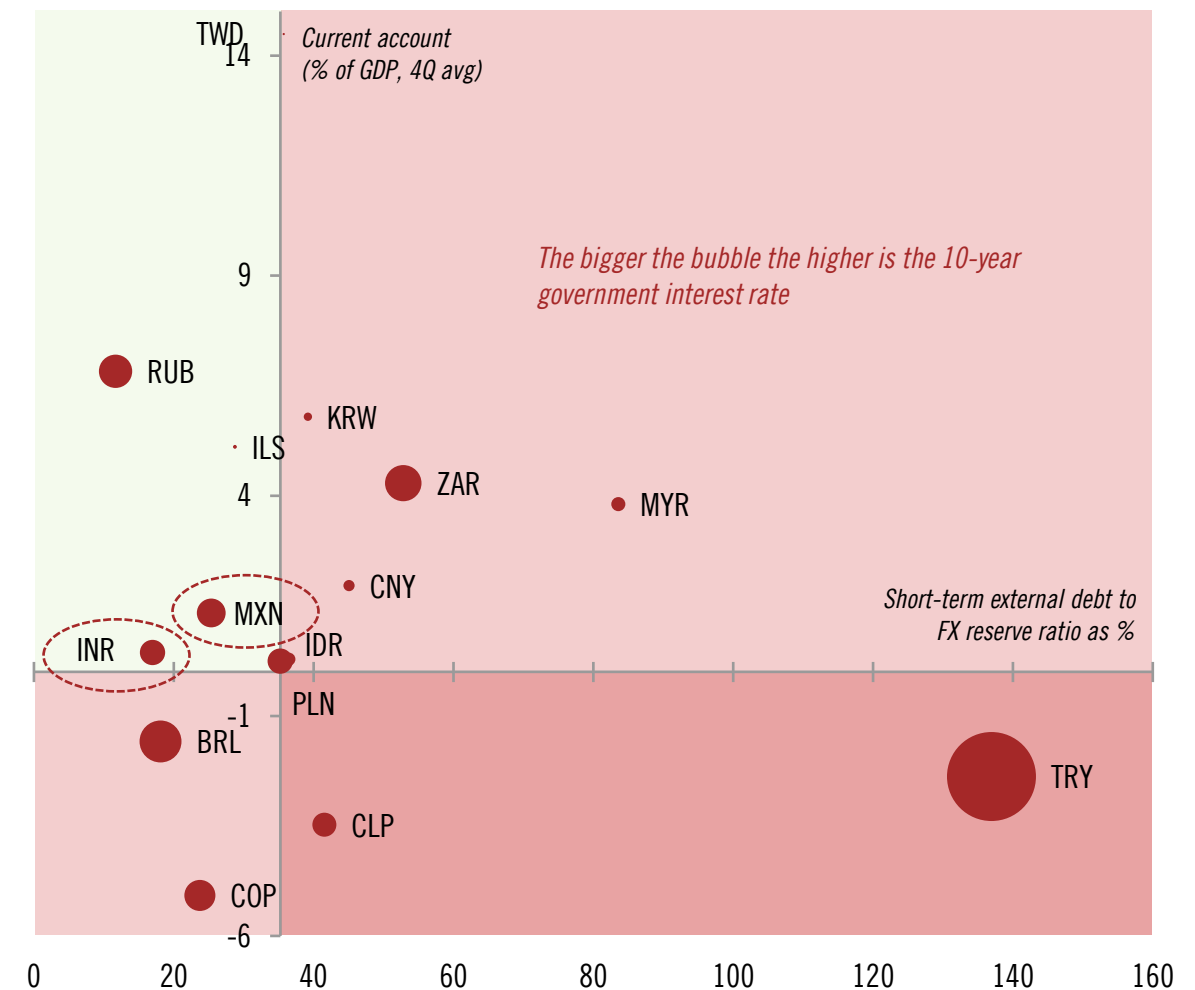
US plus EUR HY bonds downgrades versus upgrades

High quality cyclical currencies offer an attractive buffer



Source: Pictet WM - AA&MR, Refinitiv, 21.12.2021

Developed markets currencies: 1-year interest rate vs. current account as percentage

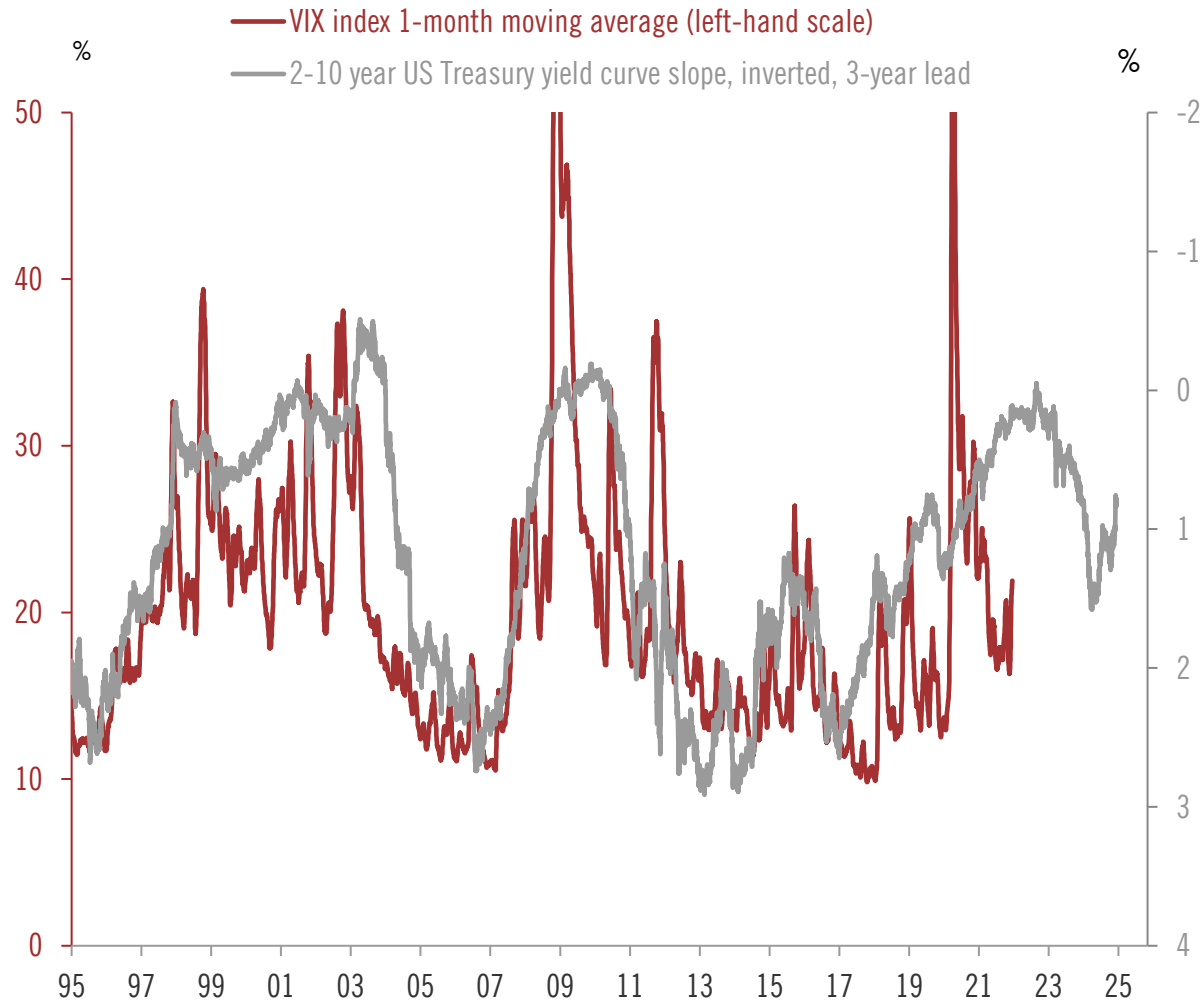


Source: Pictet WM - AA&MR, Refinitiv, 21.12.2021

Emerging markets external buffers and 10-year interest rate

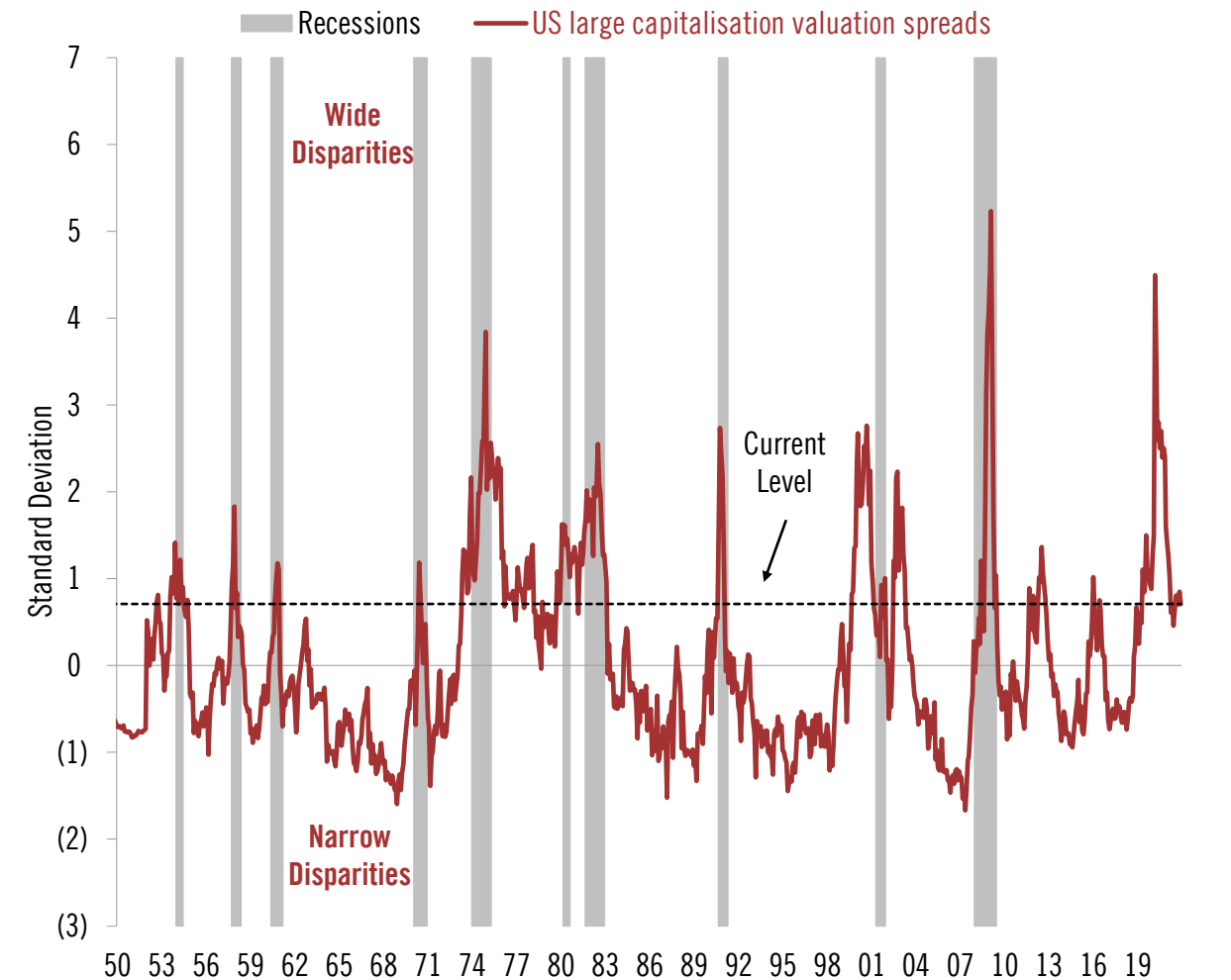
Uncertainty will bring volatility back in 2022

VOLATILITY PLAYS



VIX index and the 2–10-year US Treasury yield curve slope (inverted scale with a 3-year lead)

Source: PWM CIO Office, Bloomberg,
15.12.2021



US large cap. valuation spreads, top quintile compared to the average, 1926–November 2021

Source: Empirical Research Partners Analysis,
13.12.2021

Conclusion

Conclusions

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AND EVENT-DRIVEN

INCOME SOLUTIONS

INFLATION HEDGES

VOLATILITY PLAYS

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