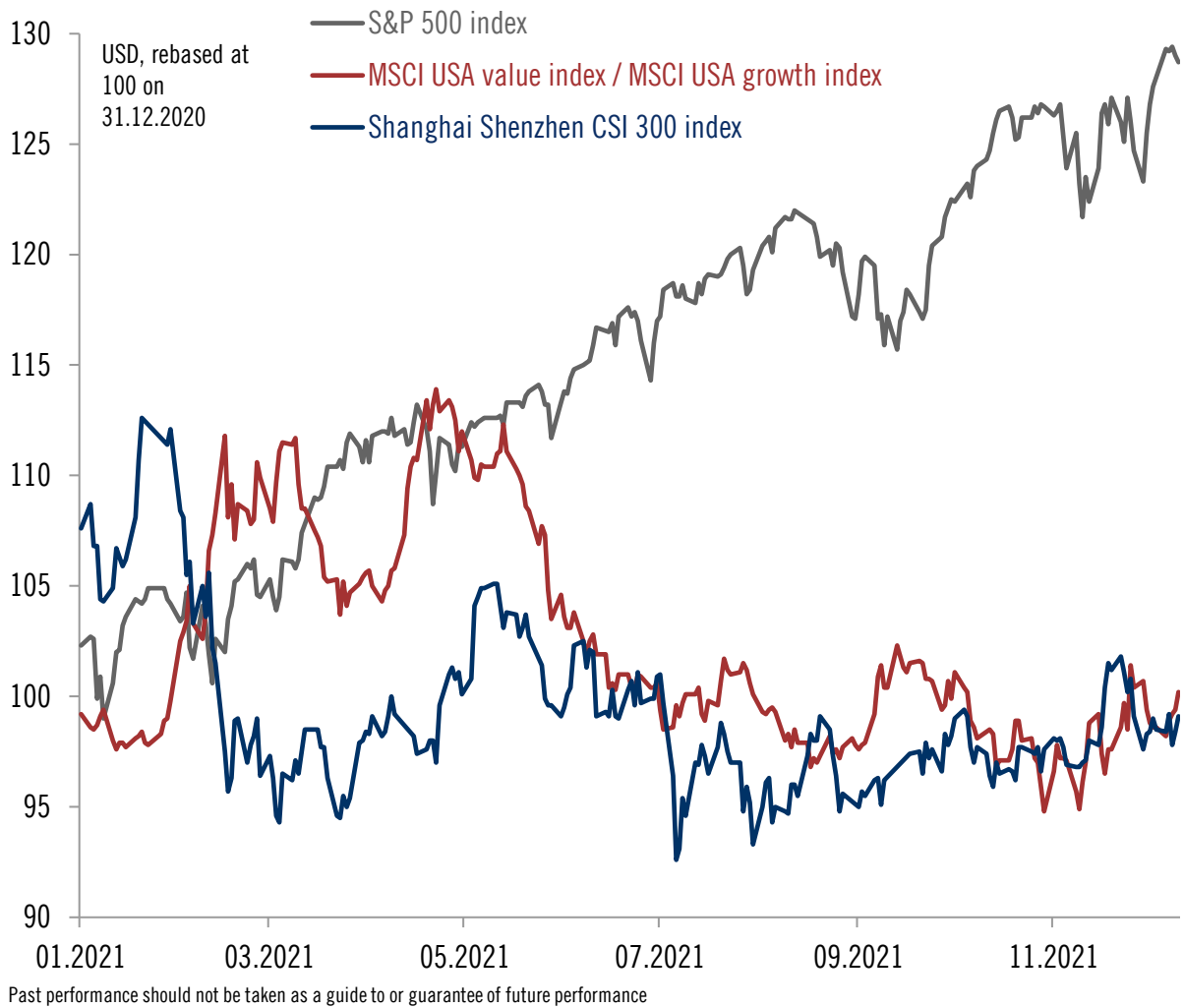




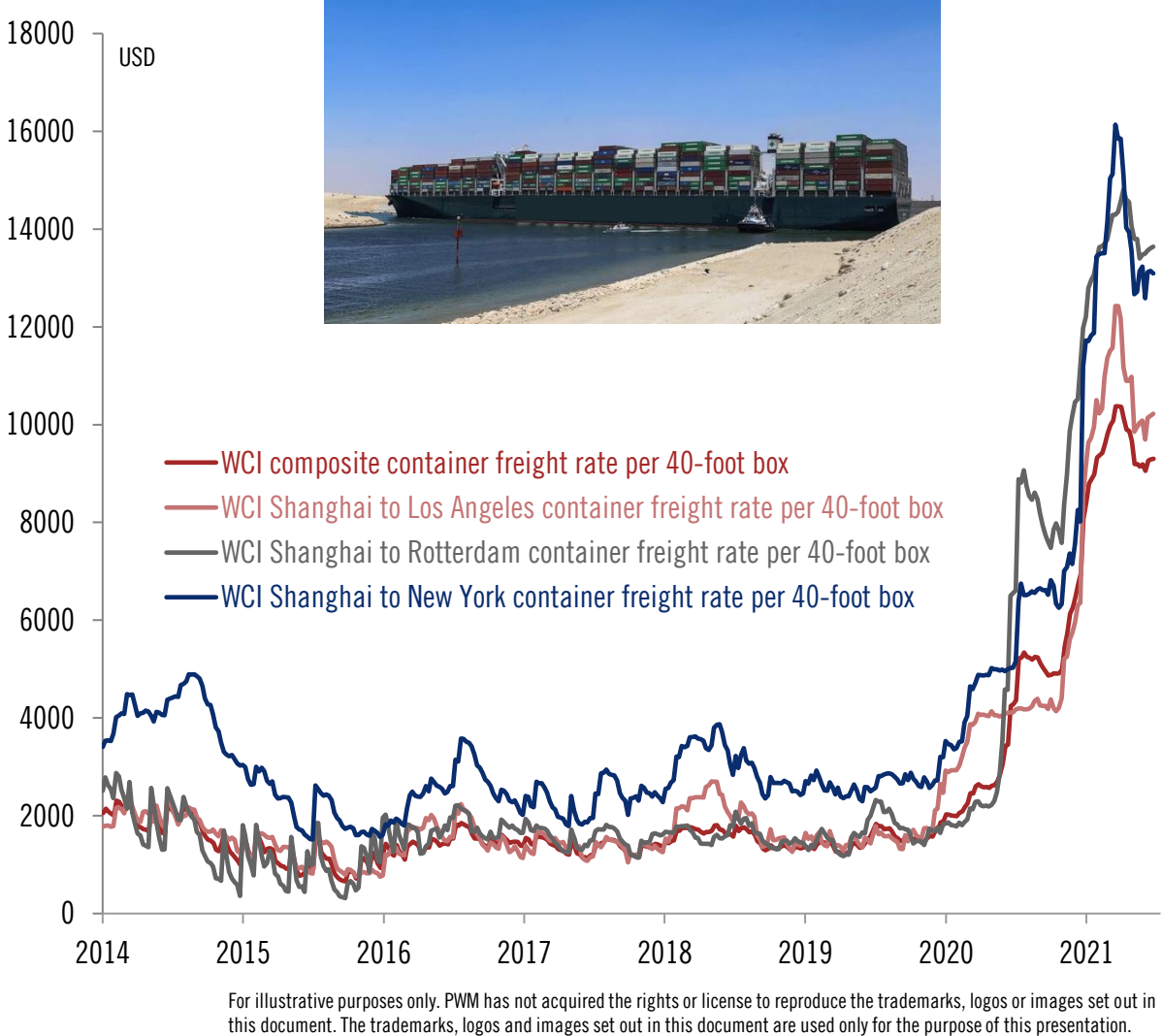
Macroeconomic background

2021 | The year of risk-on markets



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

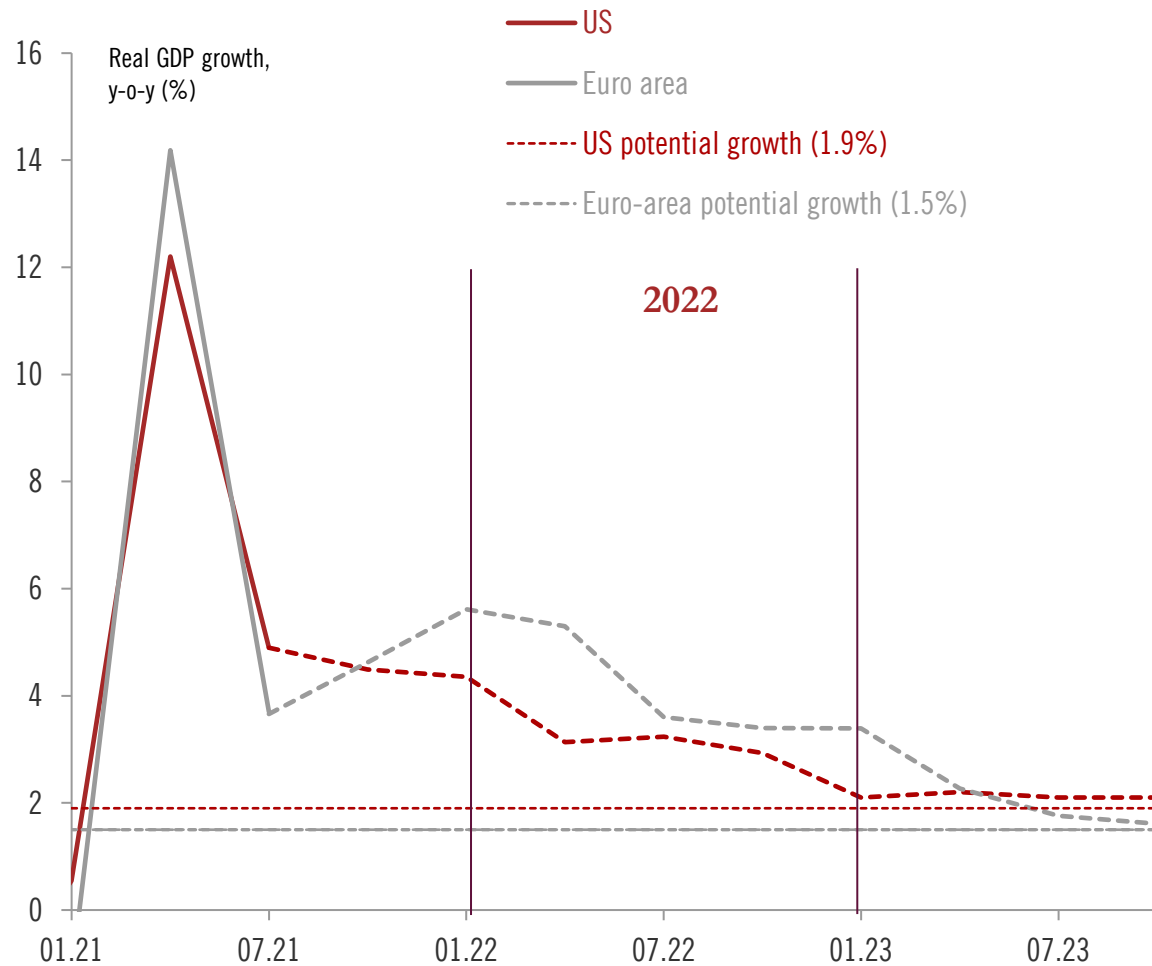
Source: PWM CIO Office, Bloomberg, 31.12.2021



Container shipping costs per 40-foot box

Source: PWM CIO Office, Bloomberg, 31.12.2021

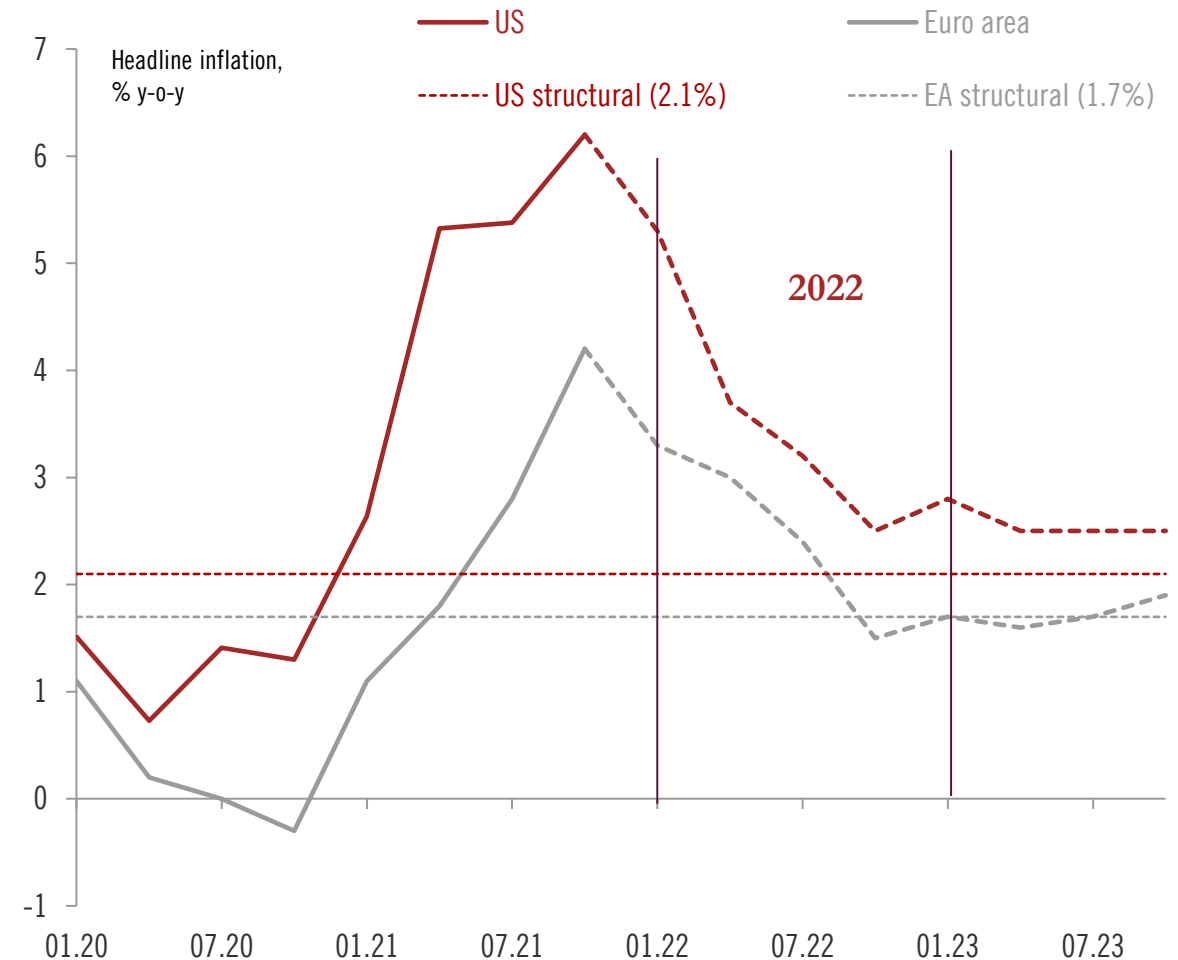
US / Euro area | The year of the soft landing for growth and inflation



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

GDP growth and our forecast: US and euro area

Source: Pictet WM-AA&MR, Refinitiv
21.12.2021

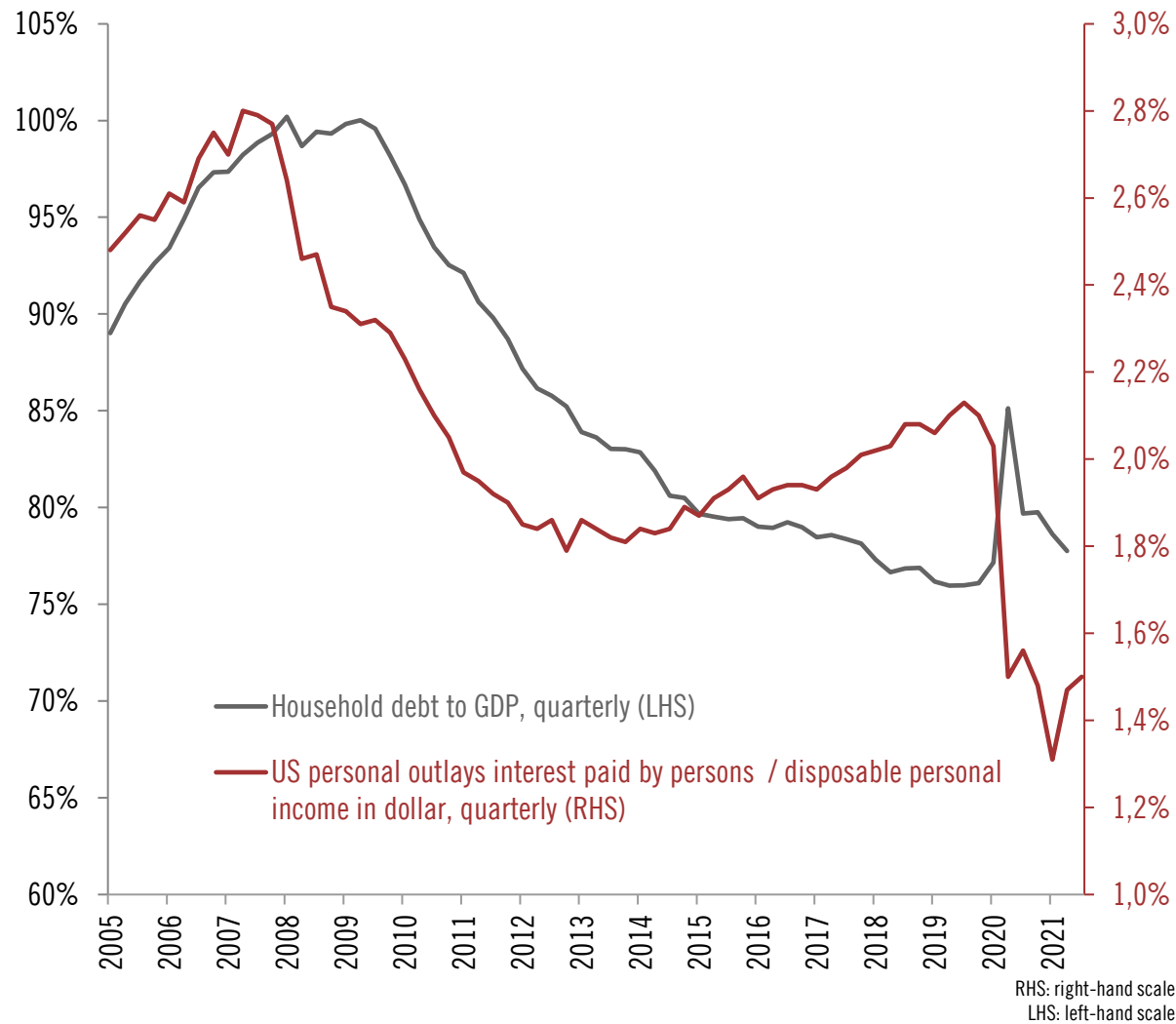


For illustrative purposes only. There can be no assurance that these targets or forecasts will be achieved

Inflation and our forecast: US and euro area

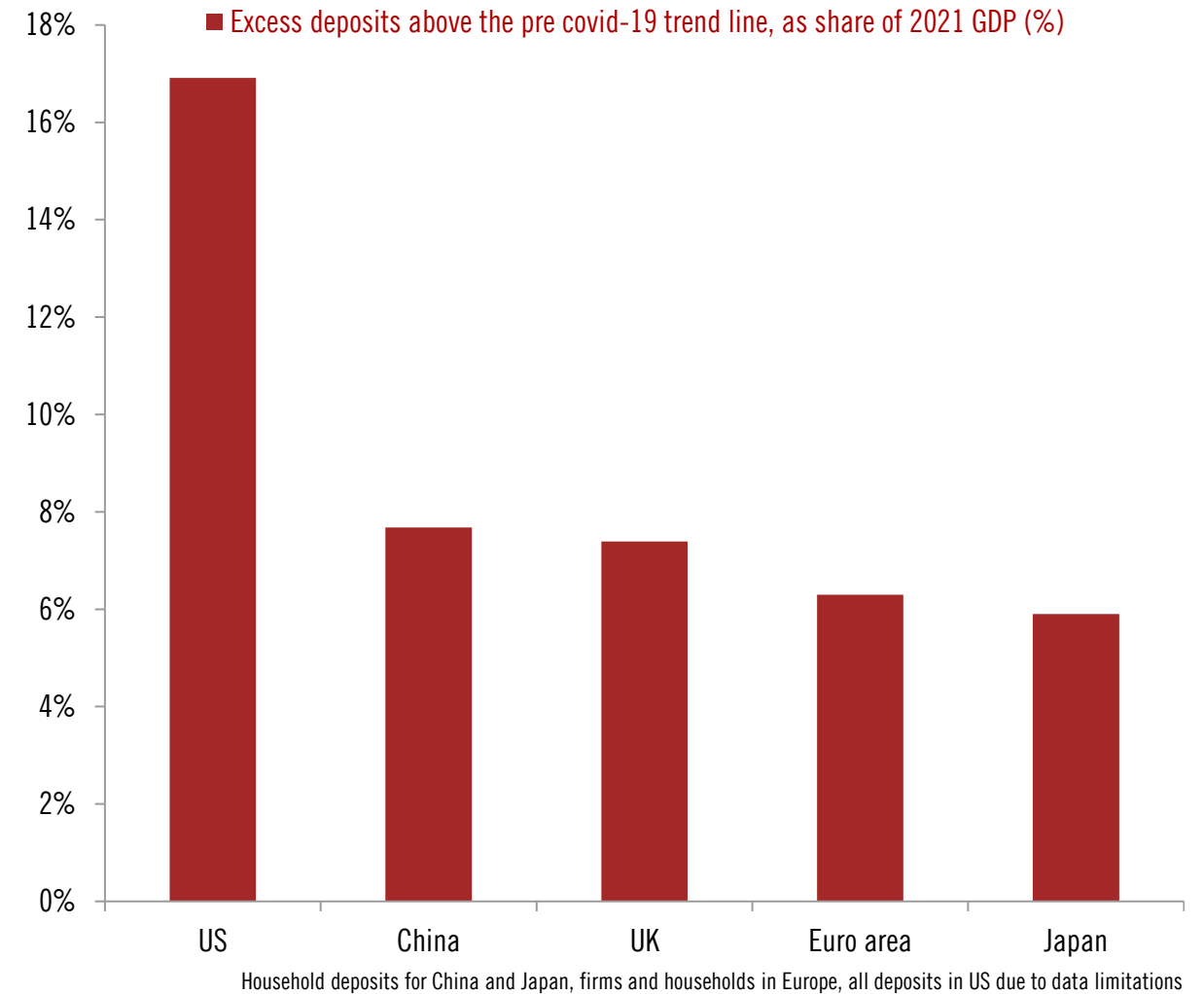
Source: Pictet WM-AA&MR, Refinitiv
21.12.2021

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



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

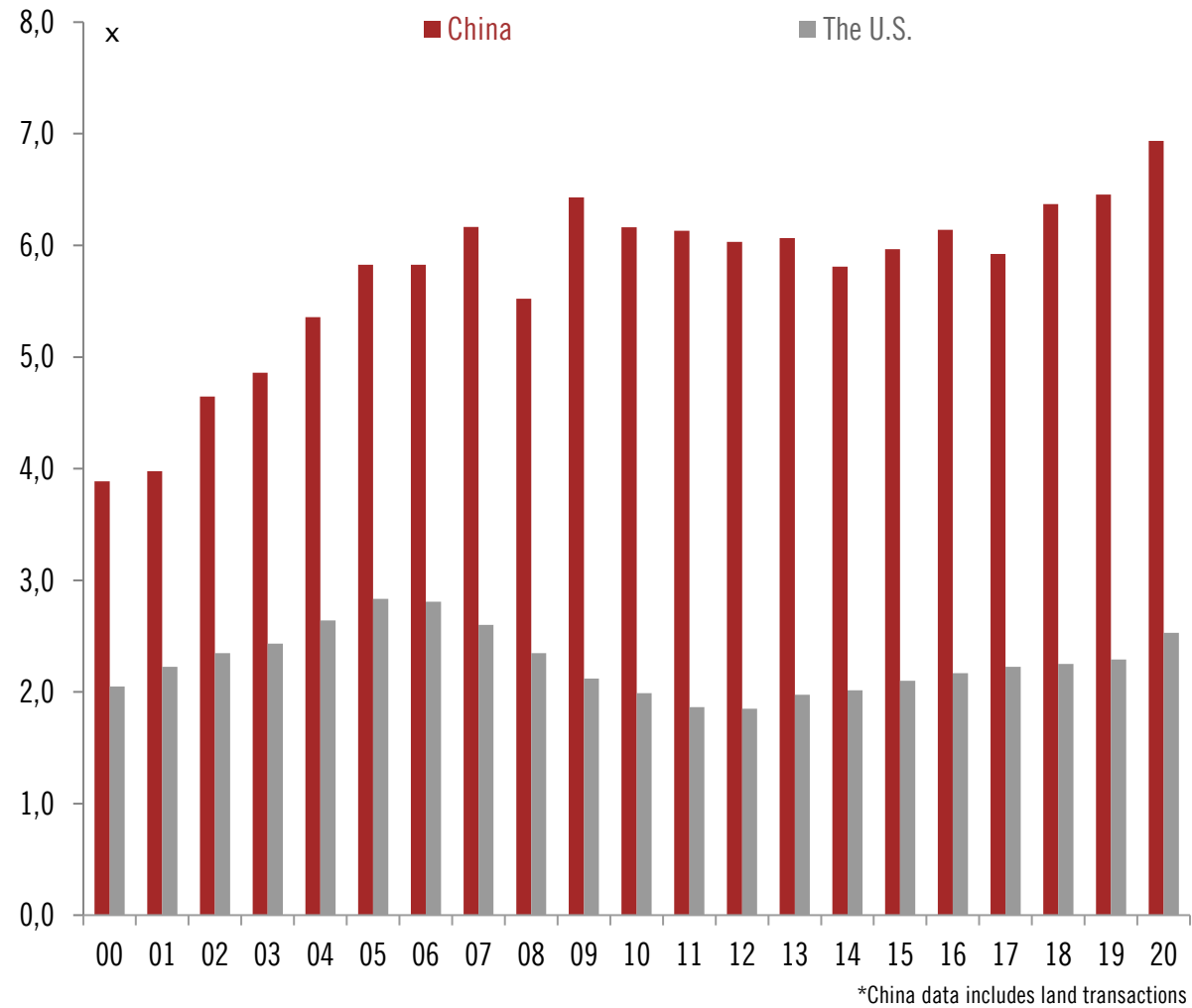
Source: PWM CIO Office, Bloomberg, Federal Reserve Economic Data, Q2/Q3 2021



Excess bank deposits, as % of 2021 GDP

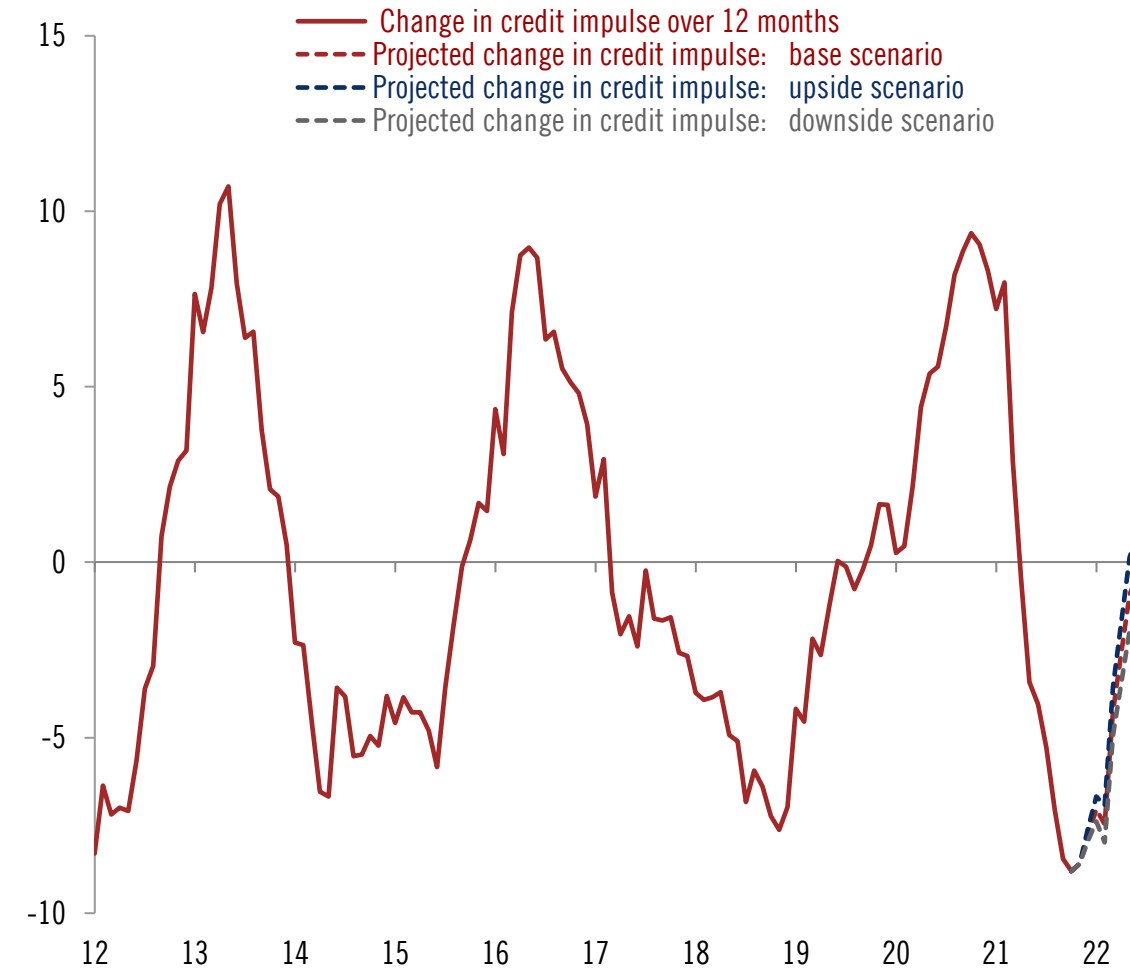
Source: Pictet WM – AA&MR, Bloomberg, 14.12.2021

China| Property deceleration remains the biggest headwind for 2022



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

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

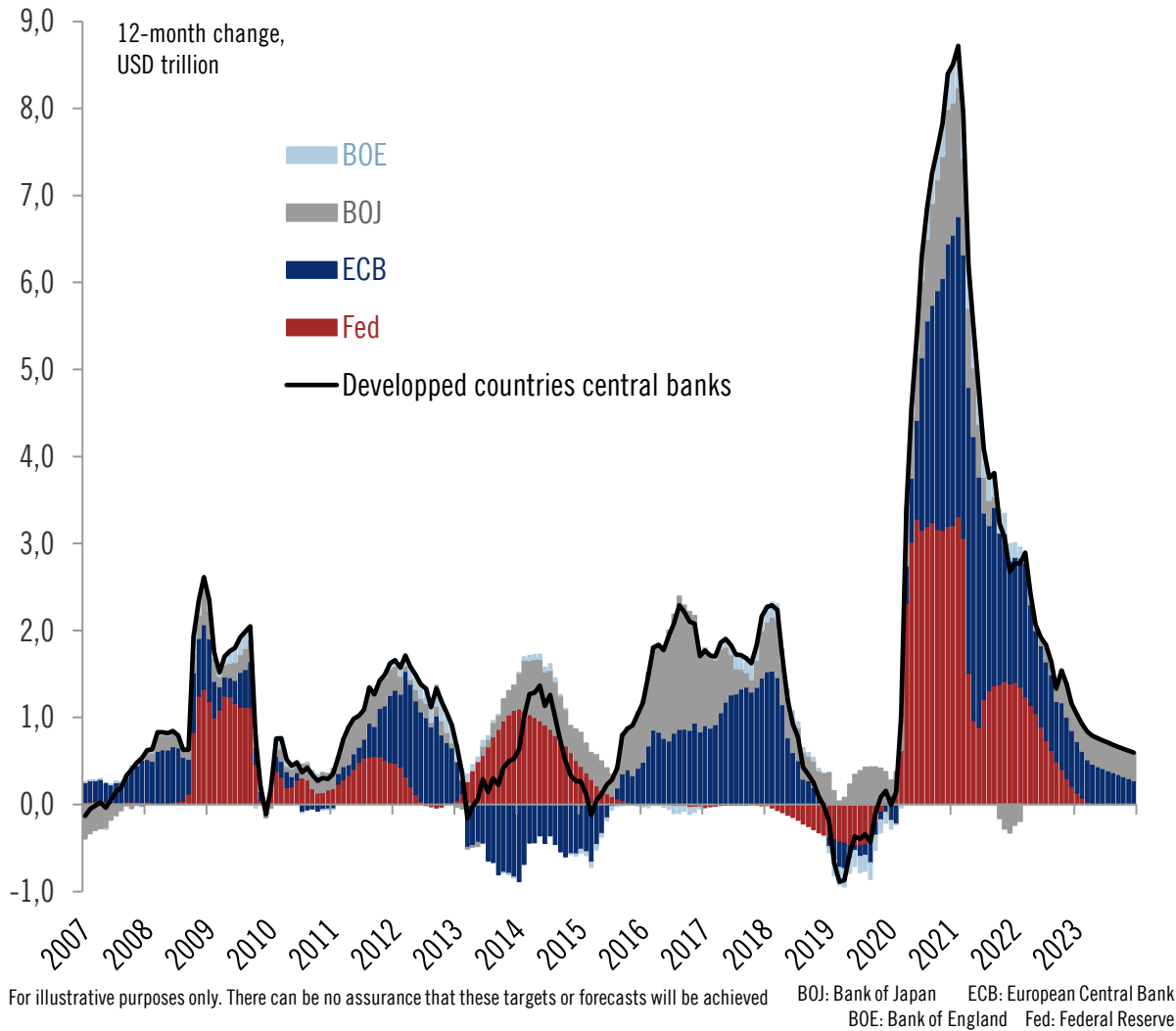


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China: credit impulse (with projection)

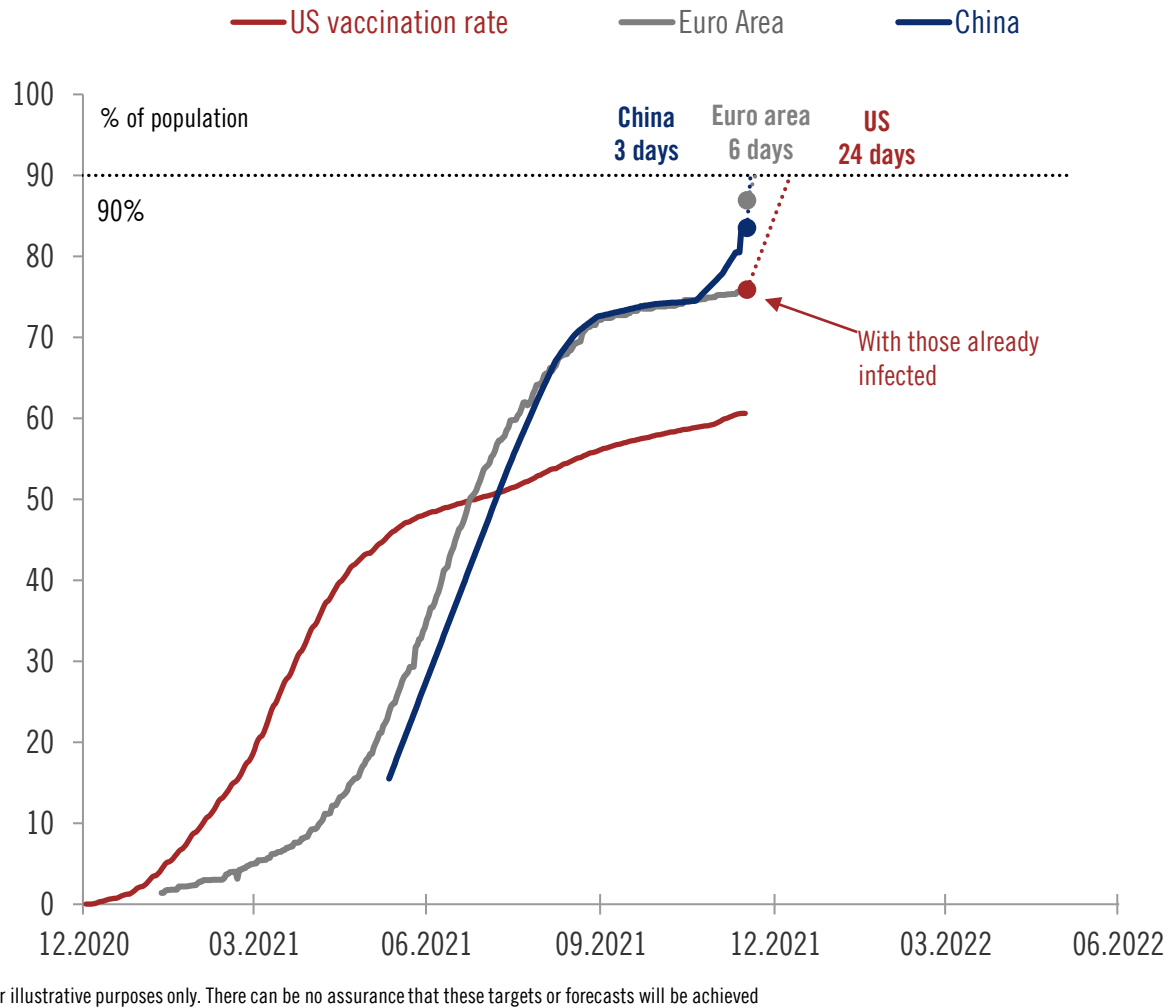
Source: Pictet WM - AA&MR, Bloomberg, PBoC, 15.12.2021

2022 | The unbundling begins as health concerns persist



Central banks: balance sheet 12-month change

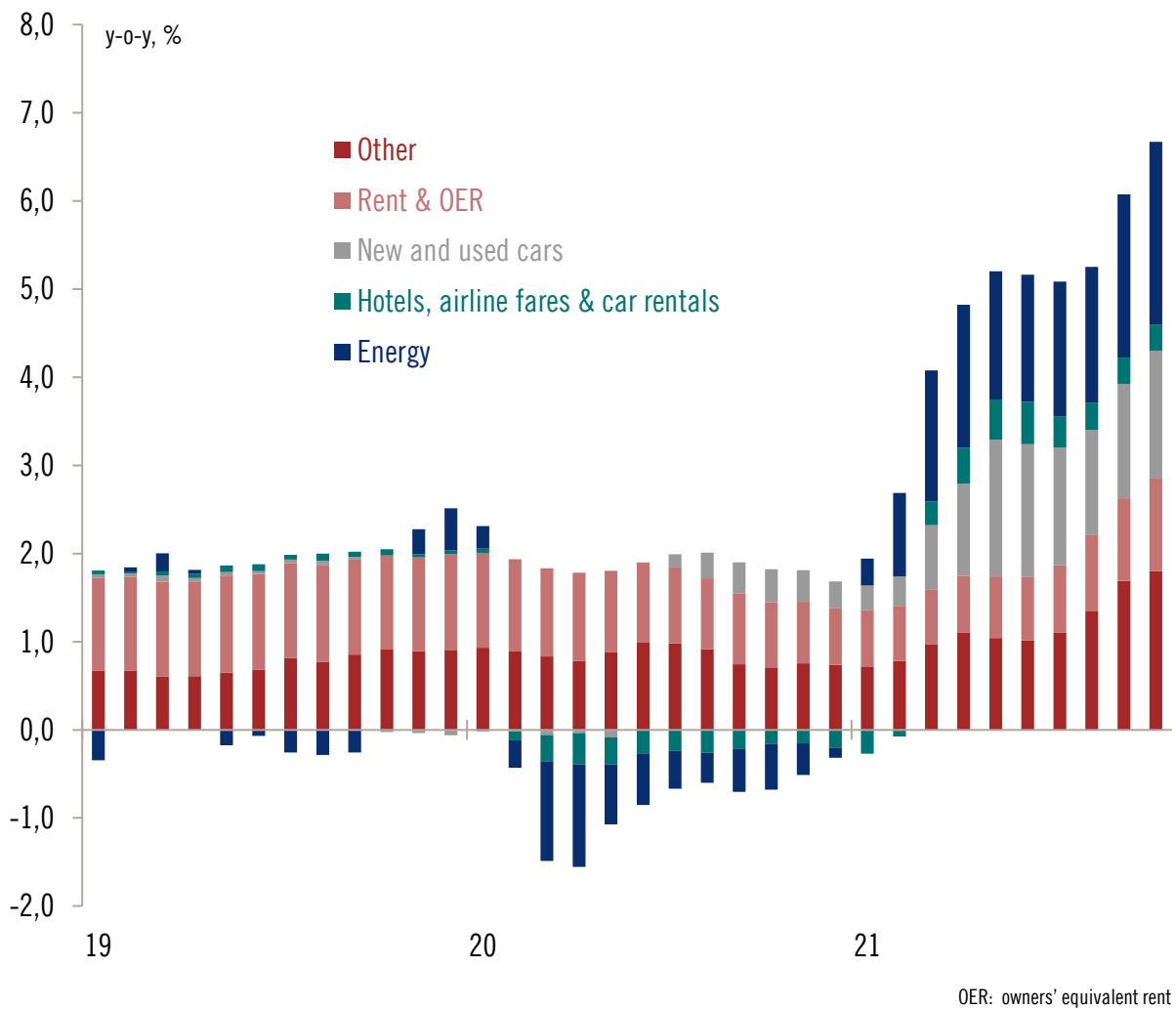
Source: Pictet WM – AA&MR, Bloomberg, 14.12.2021



US: distance to 90% herd immunity with antibody

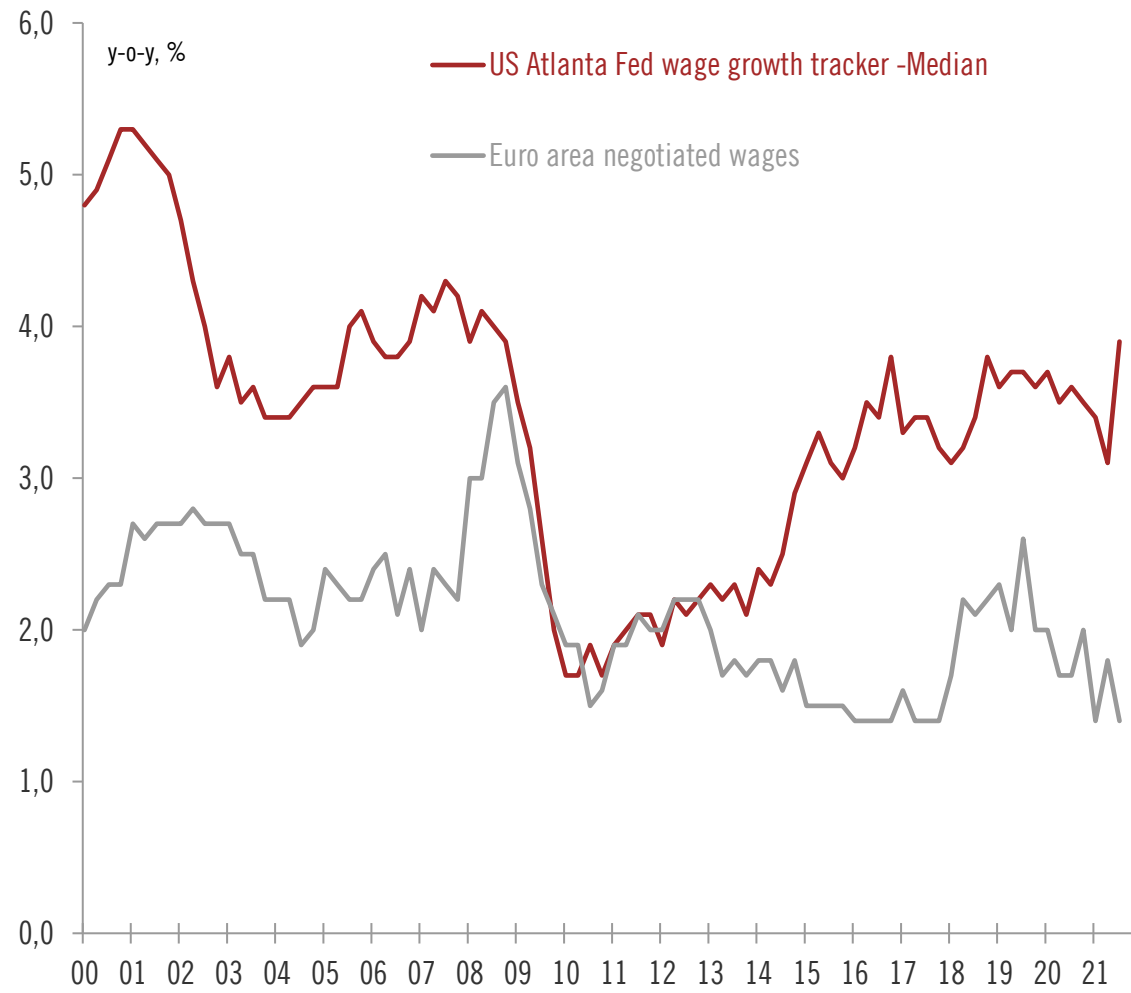
Source: Pictet WM AA&MR, WHO, Johns Hopkins, National Health Administrations, Bloomberg, 16.12.2021

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



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

Source: Pictet WM - AA&MR, Bloomberg, 17.12.2021

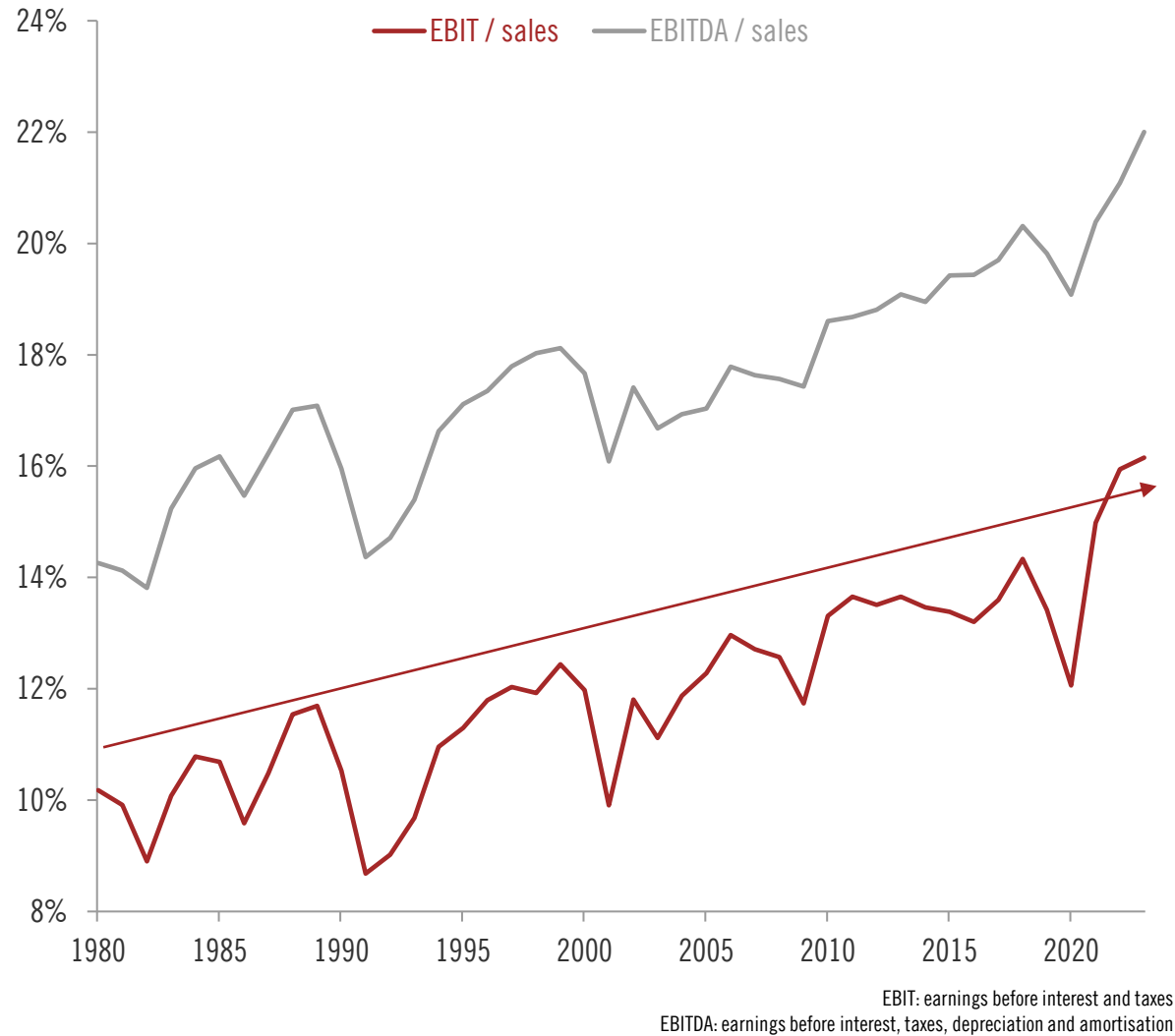


US and euro area: wage growth indicators

Source: Pictet WM - AA&MR, Refinitiv 21.12.2021

Asset Class Implications

2022 | Earnings growth to slow



S&P 500 index: operating margin

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

	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

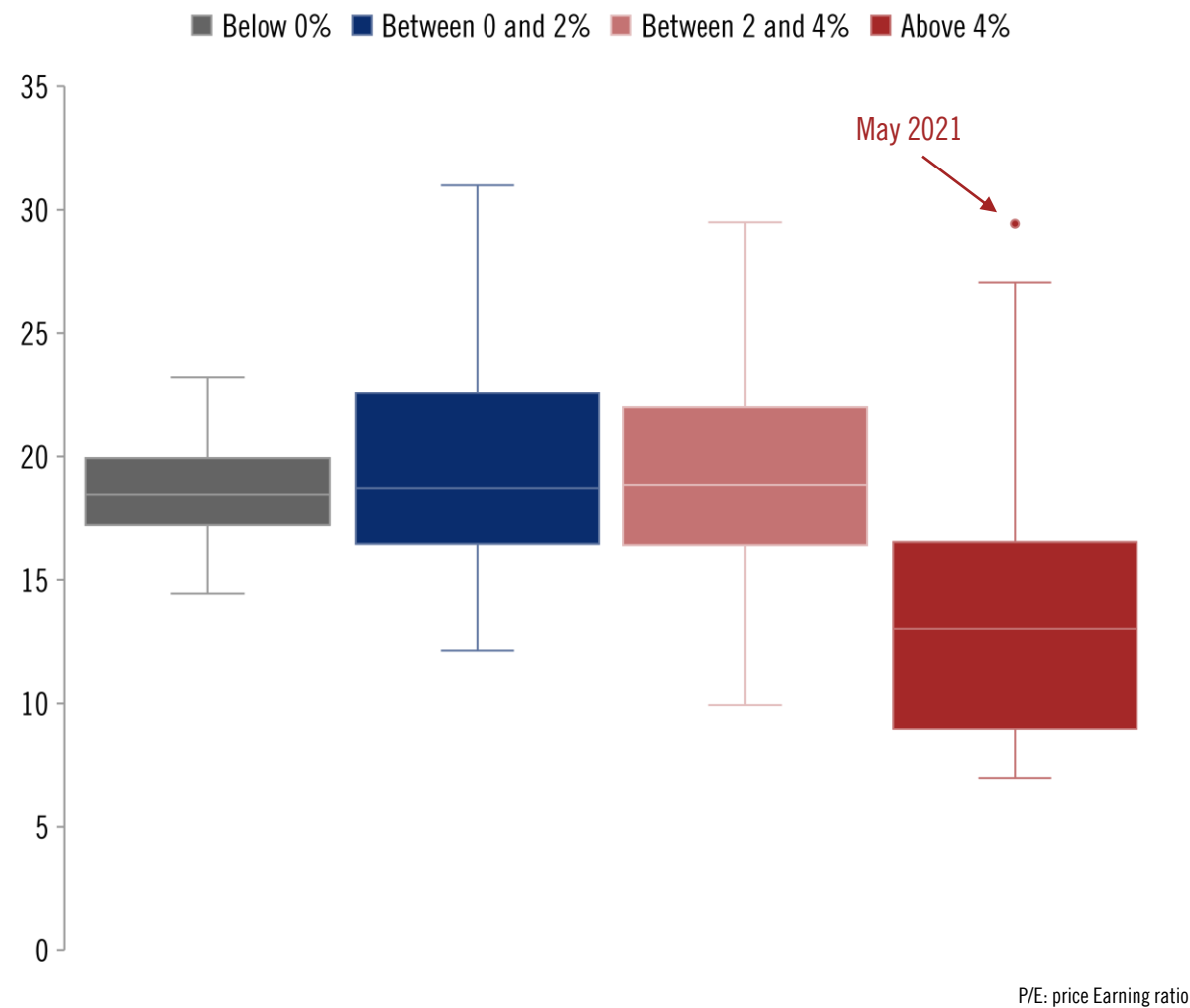
For illustrative purposes only. There can be no assurance that these targets or forecasts will be achieved. Past performance should not be taken as a guide to or guarantee of future performance

Expected equity return and price for 2022

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

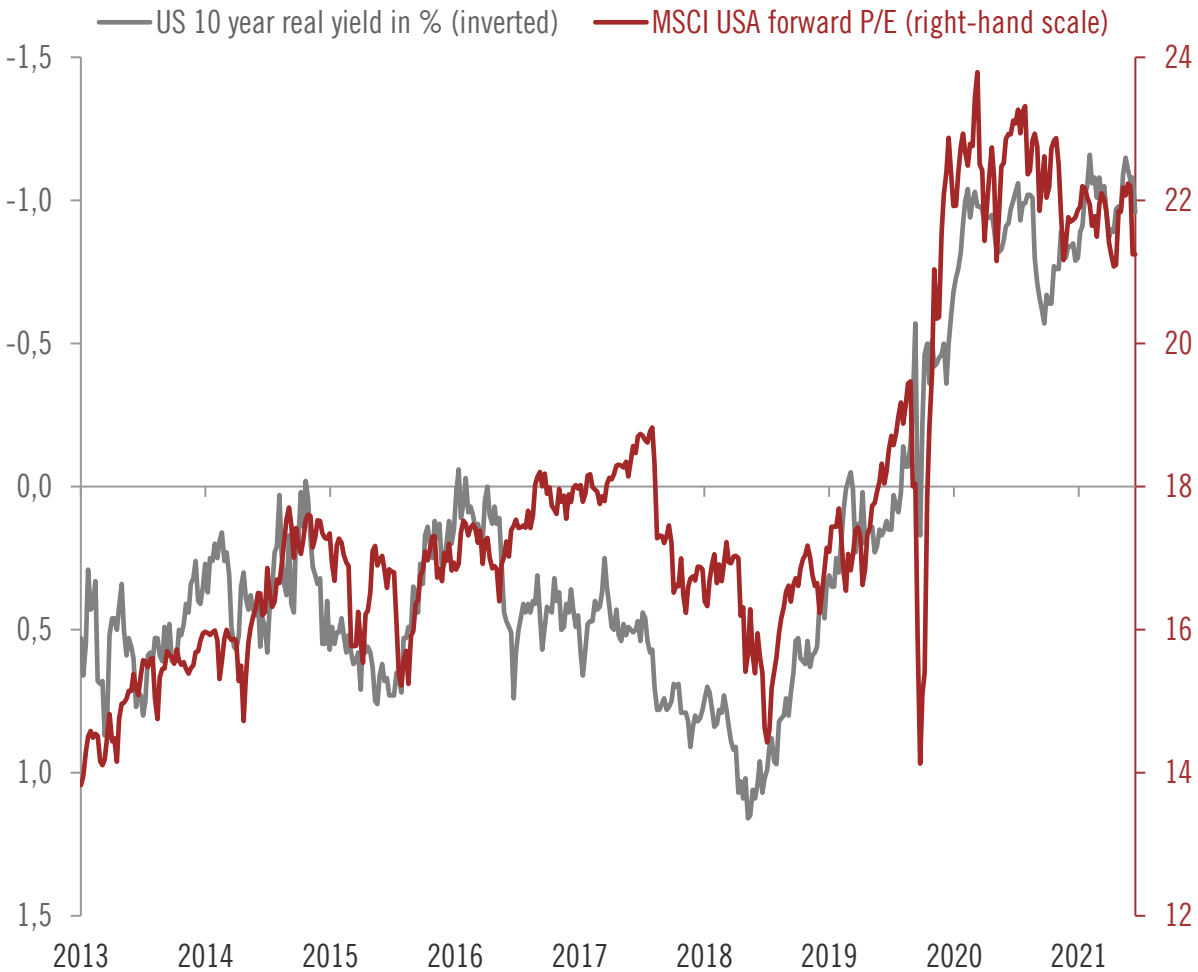


Real yields drive market multiples



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

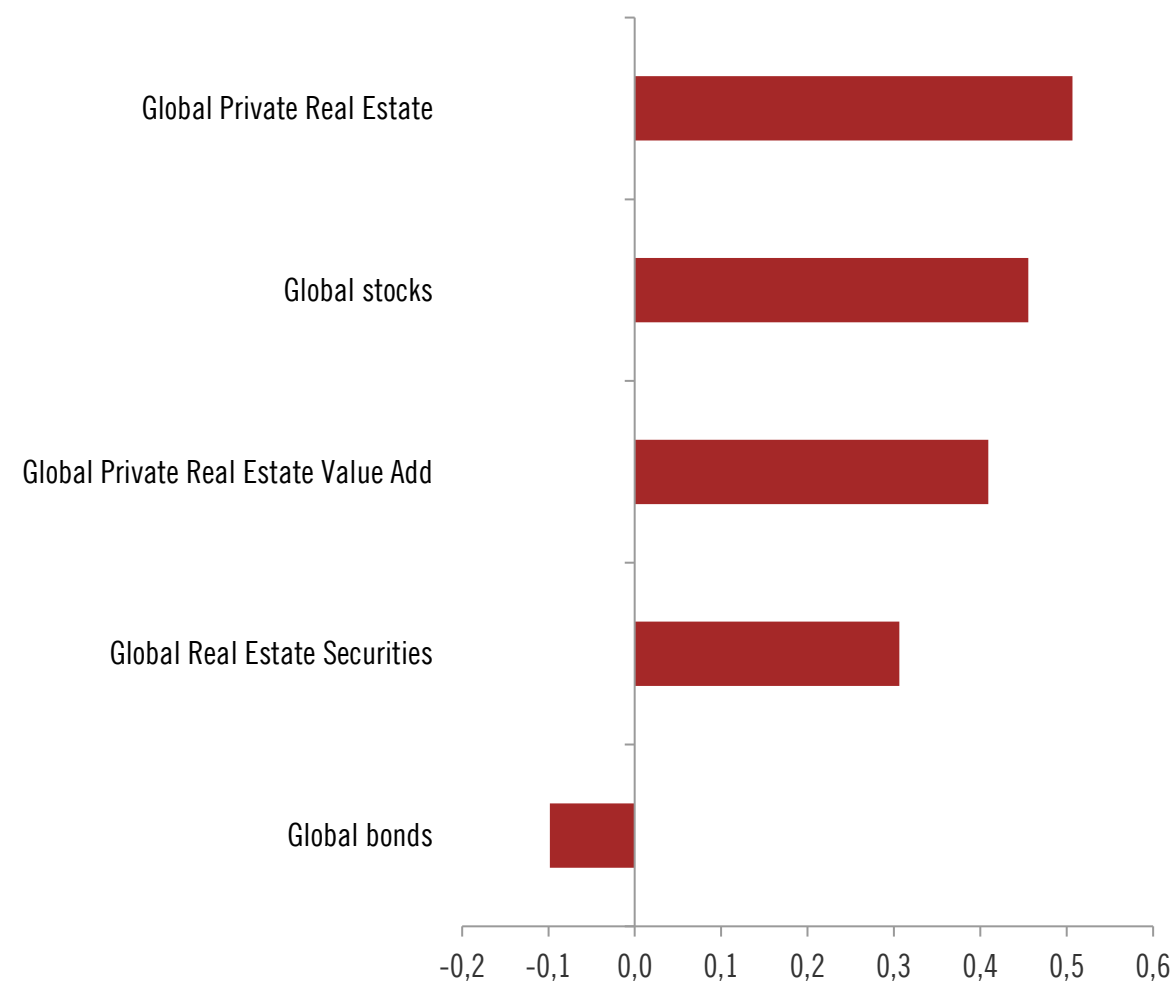
Source: PWM Quantitative Research, Bloomberg, 15.12.2021



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

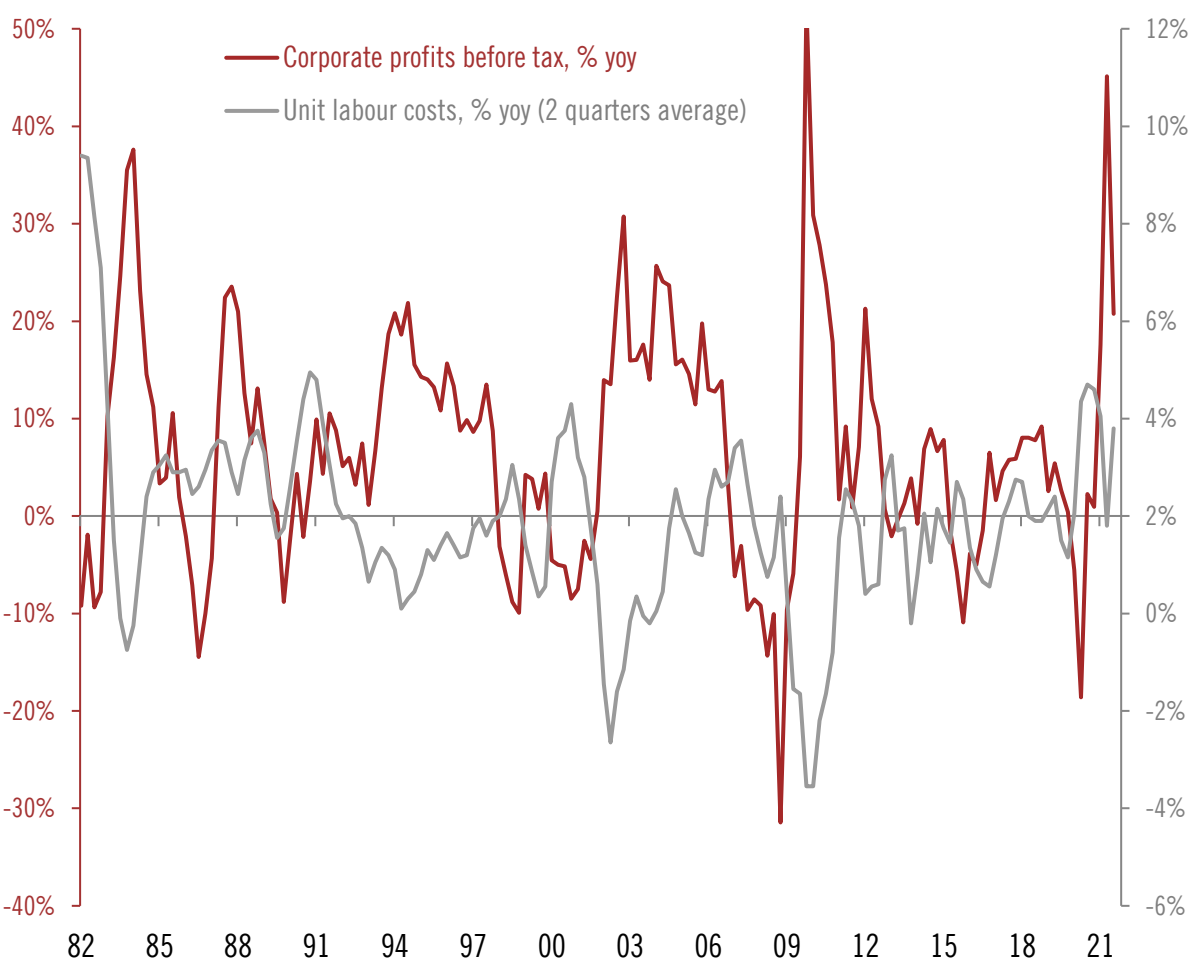
Source: PWM Quantitative Research, Refinitiv, 14.12.2021

Real assets and pricing power companies as inflation hedges



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

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

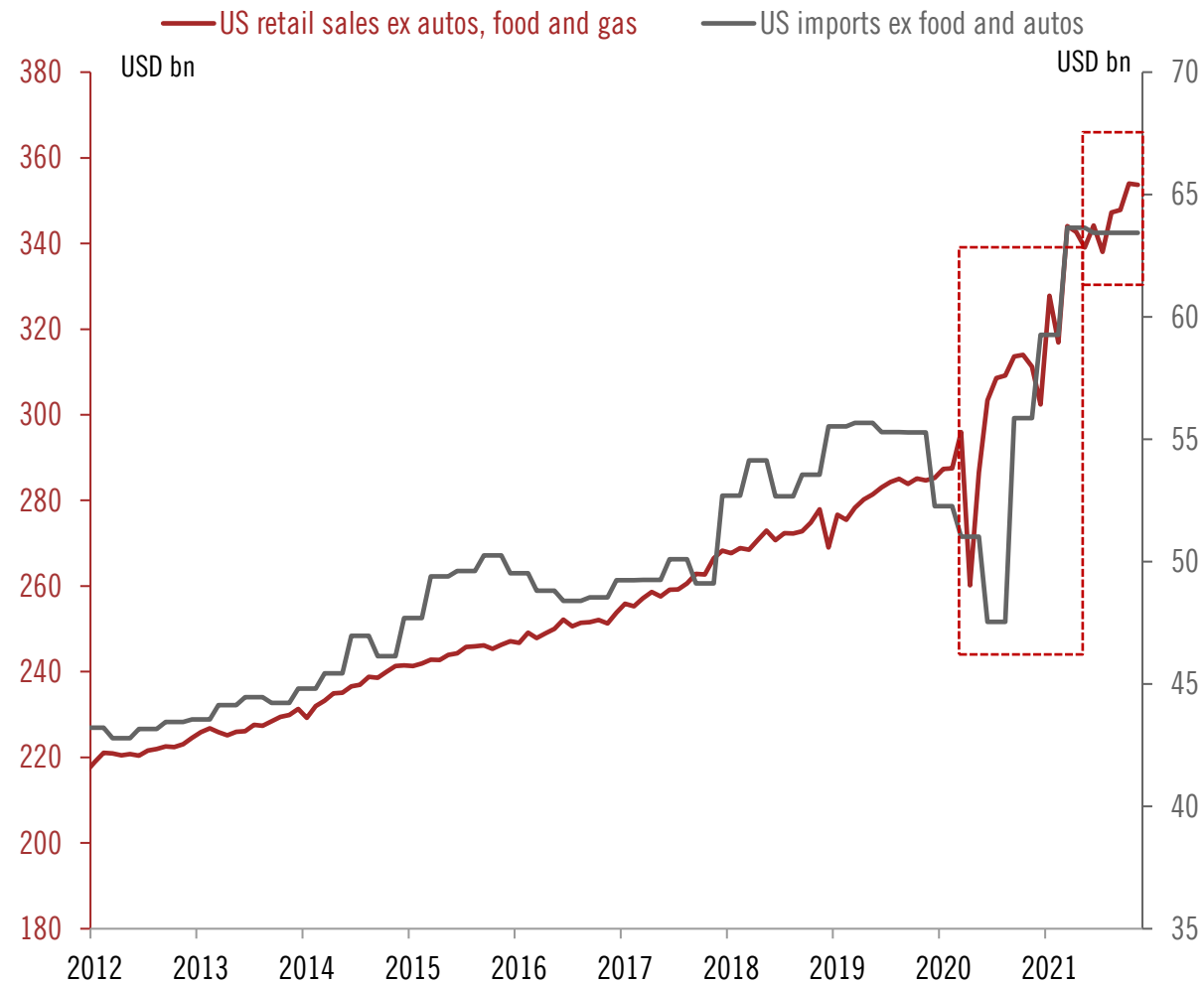


Corporate profits and unit labour cost, % year-on-year

Source: PWM-AAMR, Factset, 14.12.2021

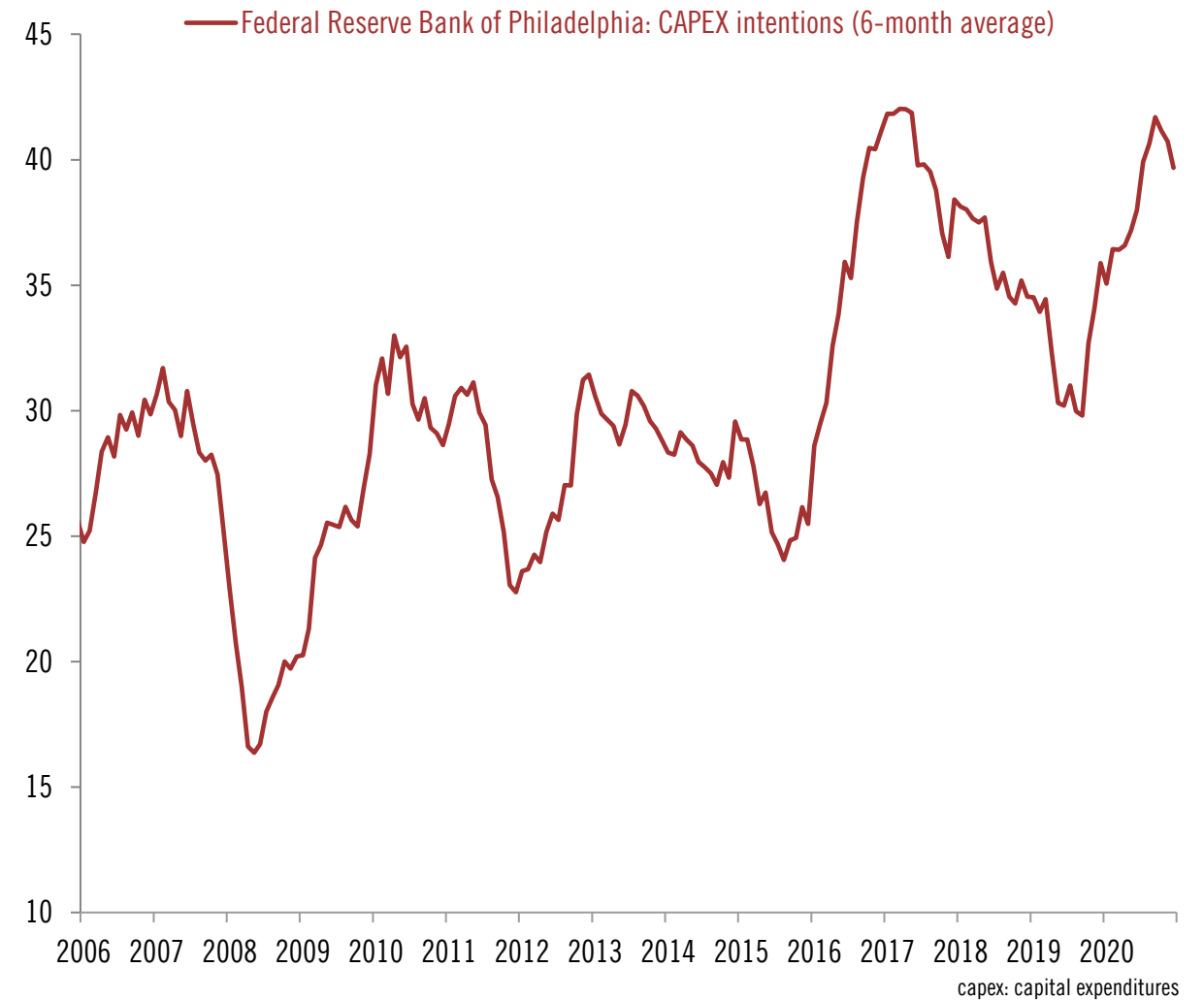
Mainly a demand shock combined with a lack of investments

CAPEX BENEFICIARIES
AND EVENT-DRIVEN



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

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

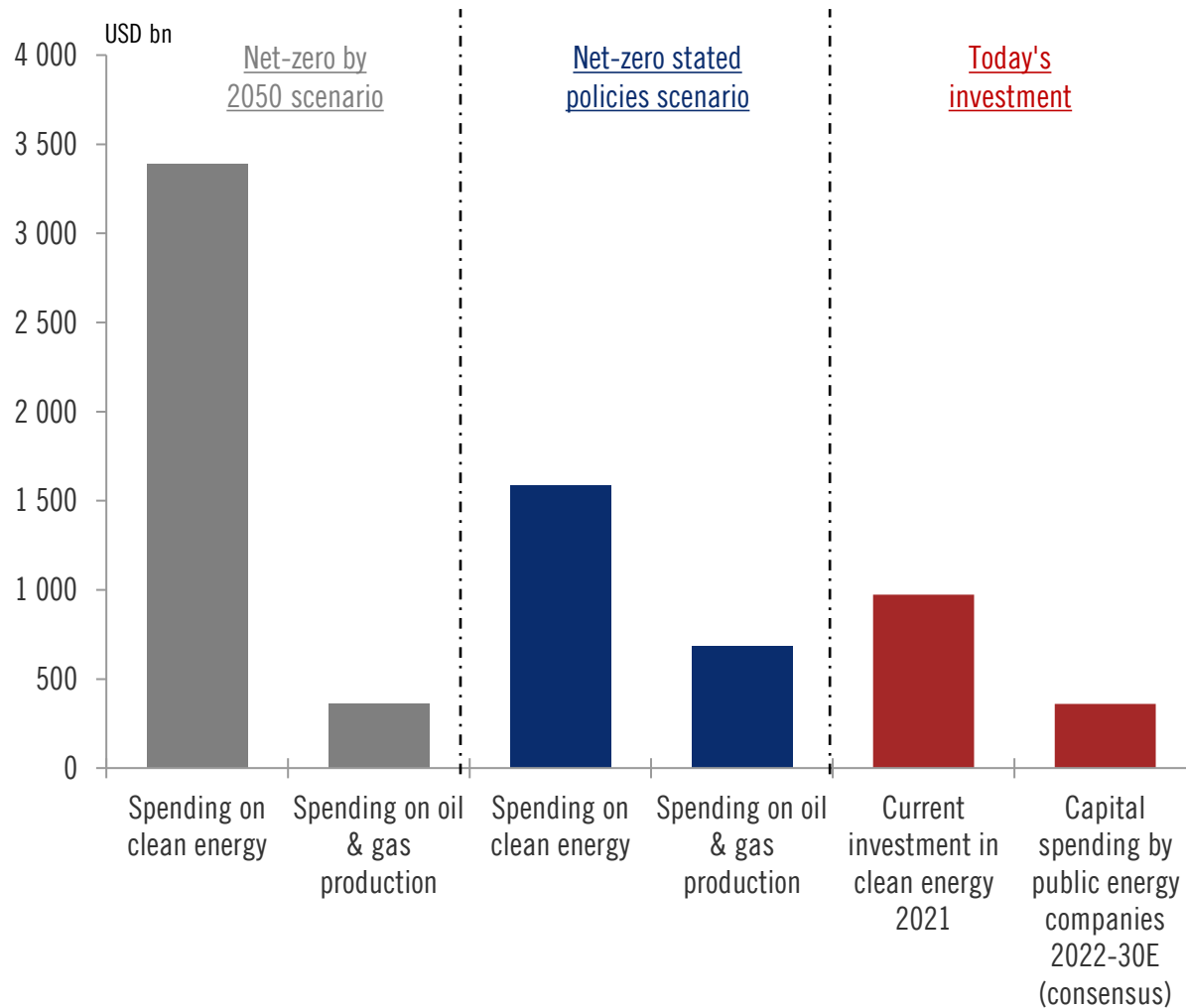


Federal Reserve Bank of Philadelphia: capex intentions (6-month average)

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

Post-pandemic green spending plans favour ESG investments

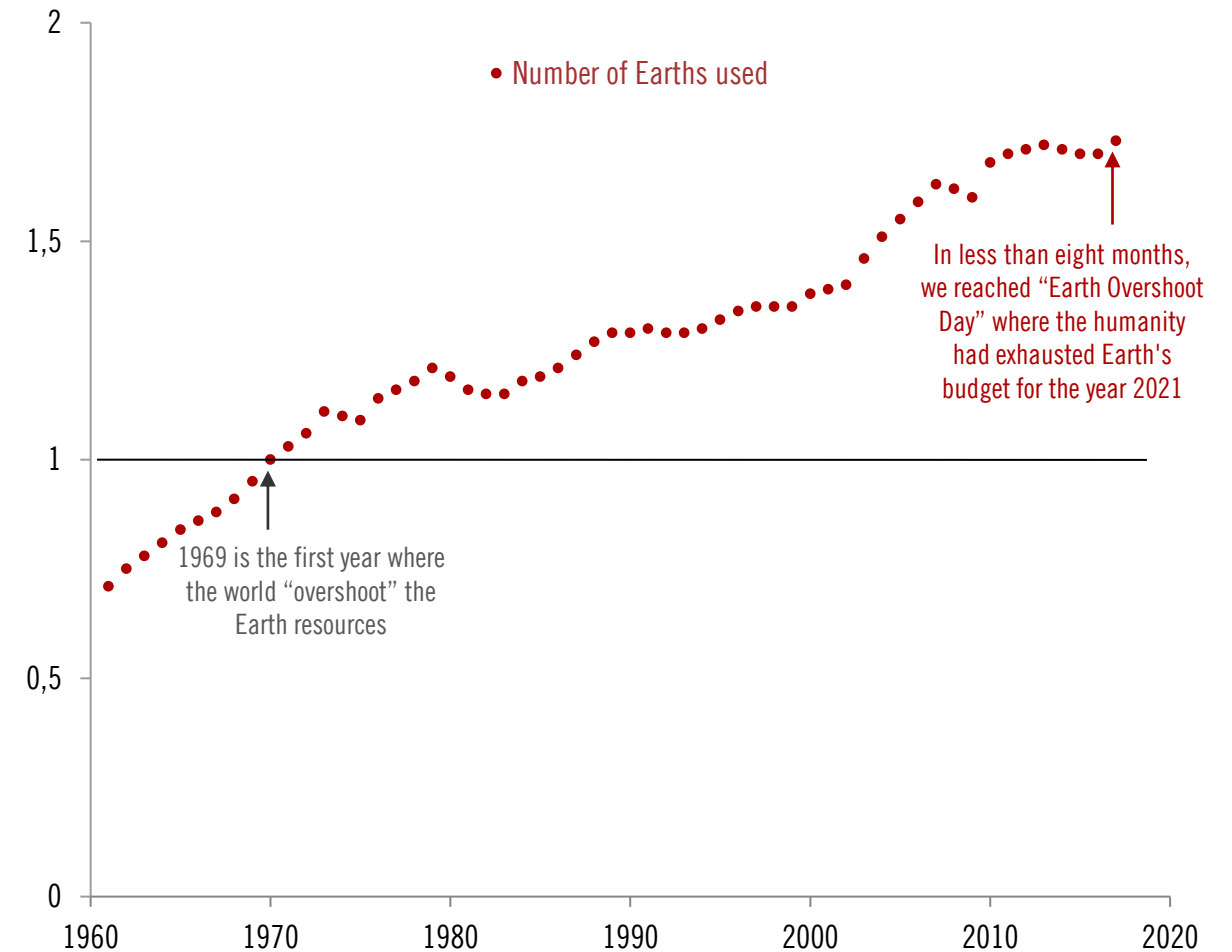
CAPEX BENEFICIARIES
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Required annual investments in oil & gas and clean energy

Source: IEA, Bloomberg, PWM AA&MR, 14.12.2021



ESG: environmental, social and governance

Number of Earths' resources consumed in the world each year

Source: Global Footprint Network, 29.11.2021



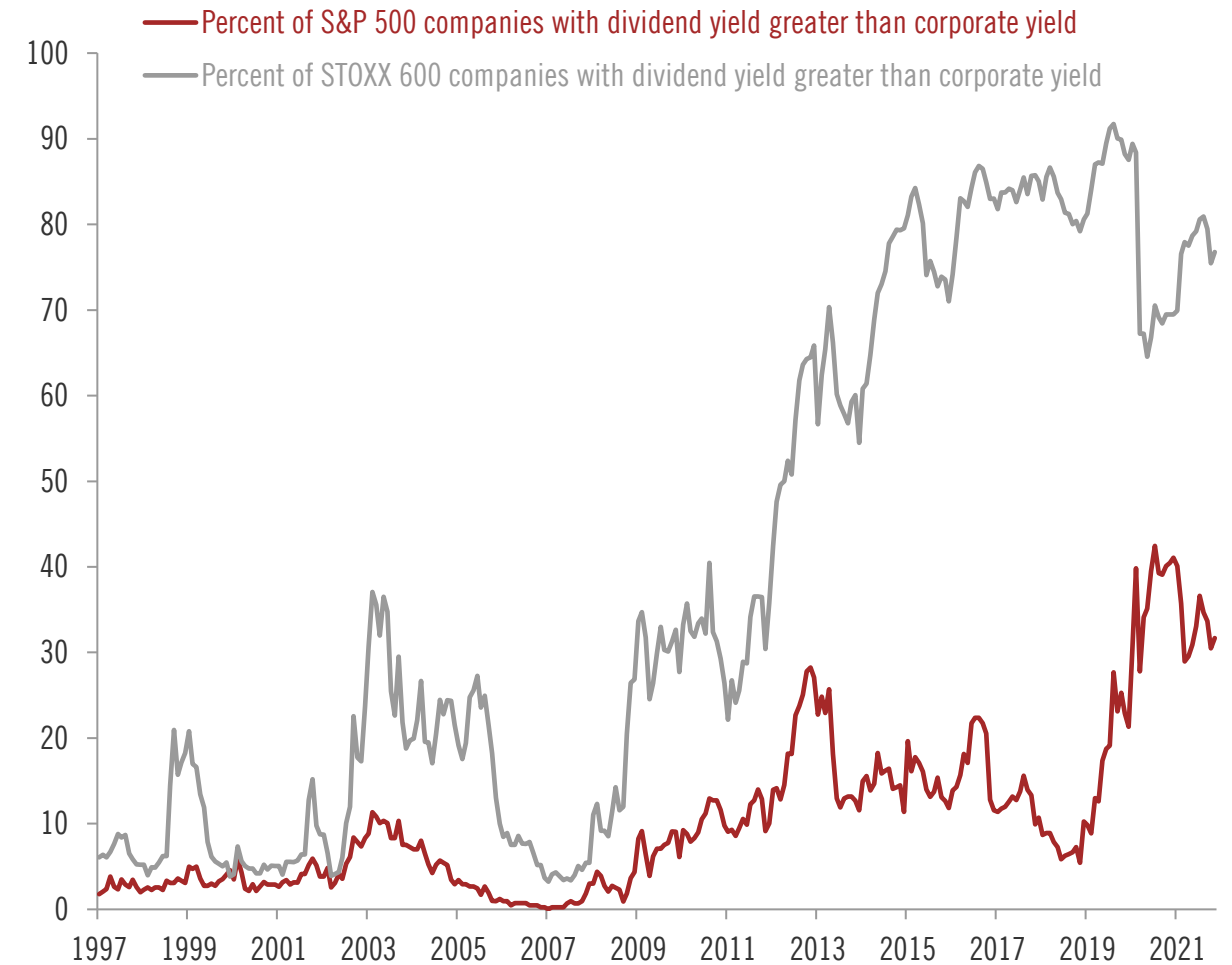
Finding returns in an environment of income repression

INCOME SOLUTIONS



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

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



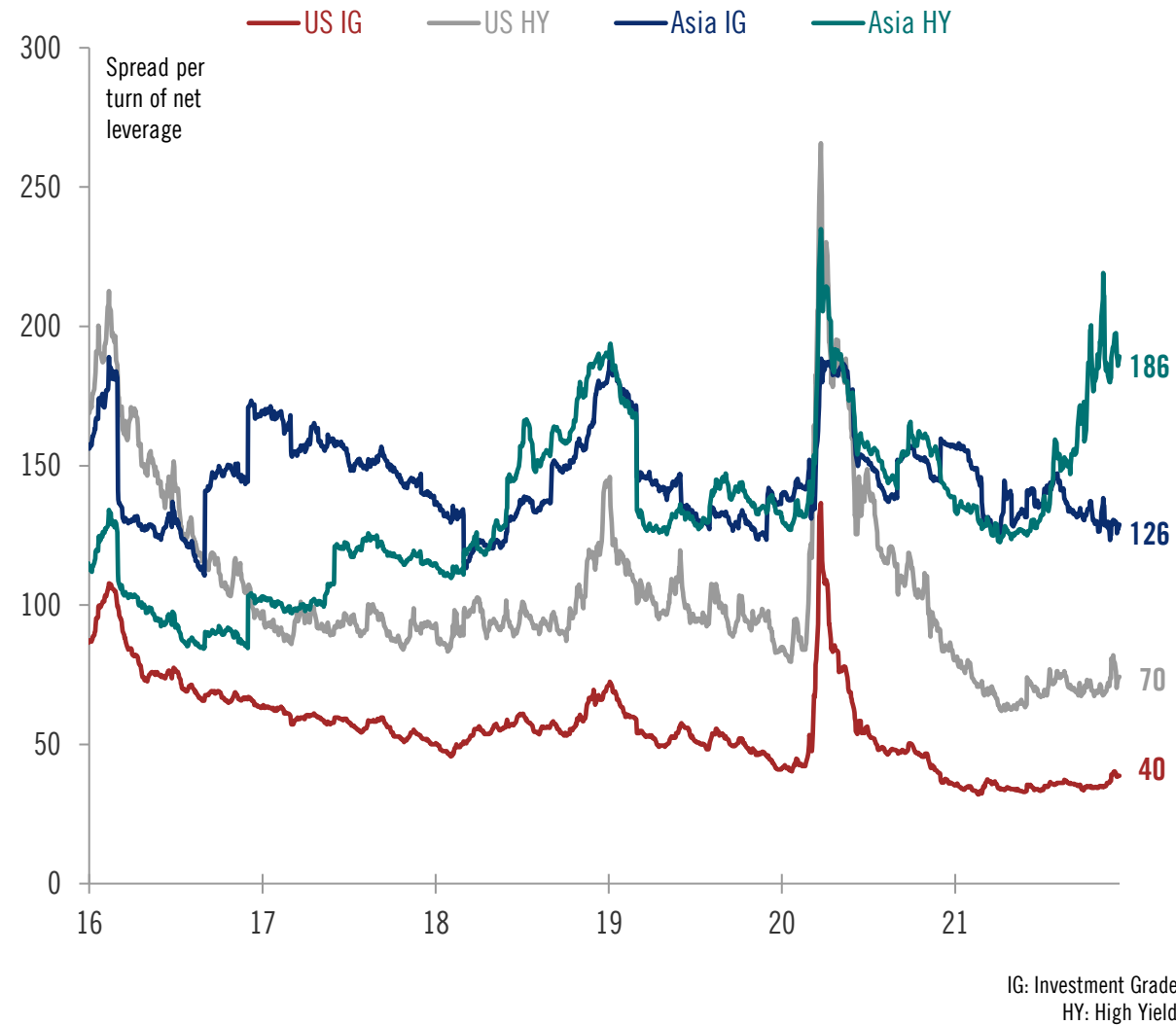
Percent of companies with dividend yield greater than corporate yield

Source: PWM Quantitative Research, Refinitiv, 14.12.2021



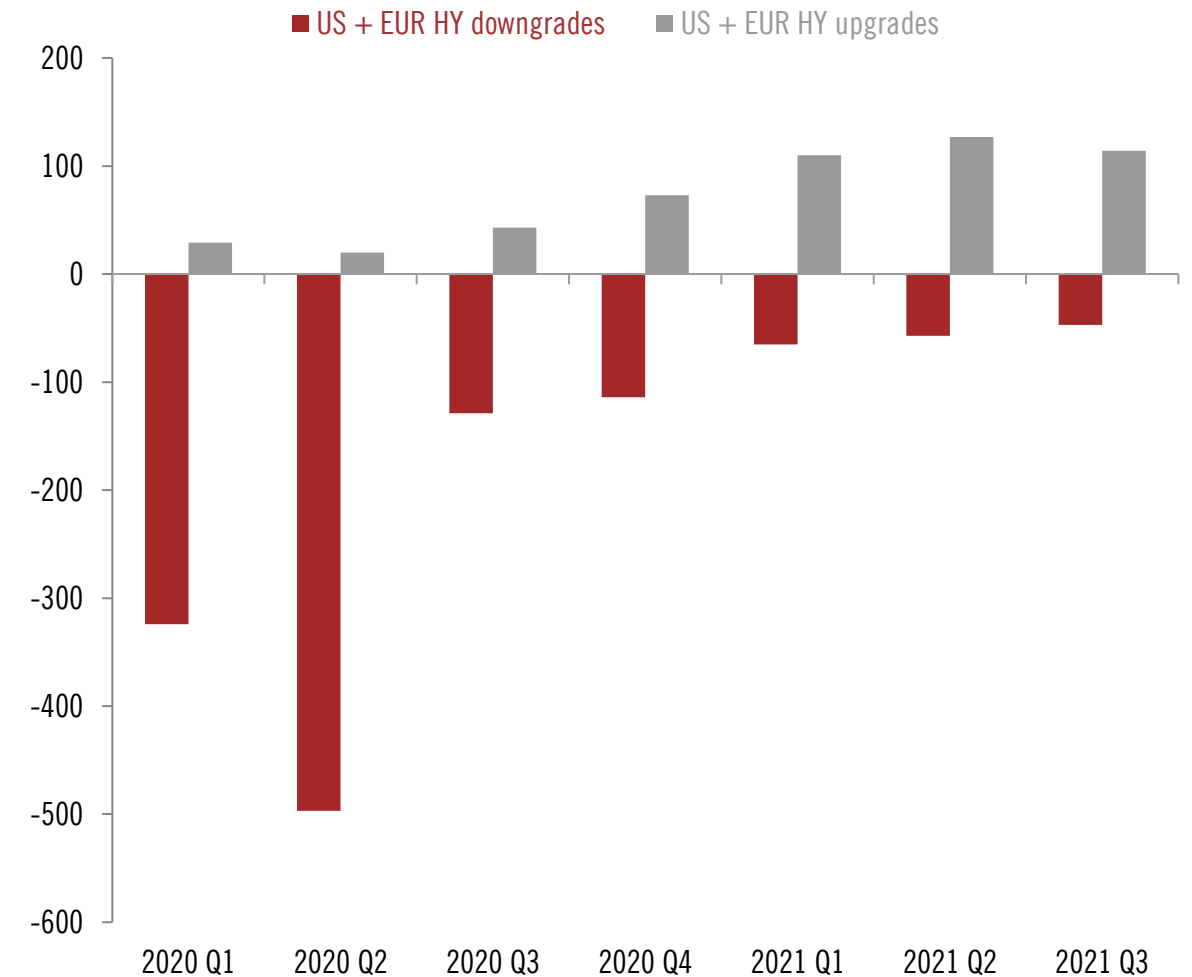
Asia credit and rising stars as alternative sources of yield

INCOME SOLUTIONS



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

Source: Pictet WM – AA&MR, Factset, 13.12.2021

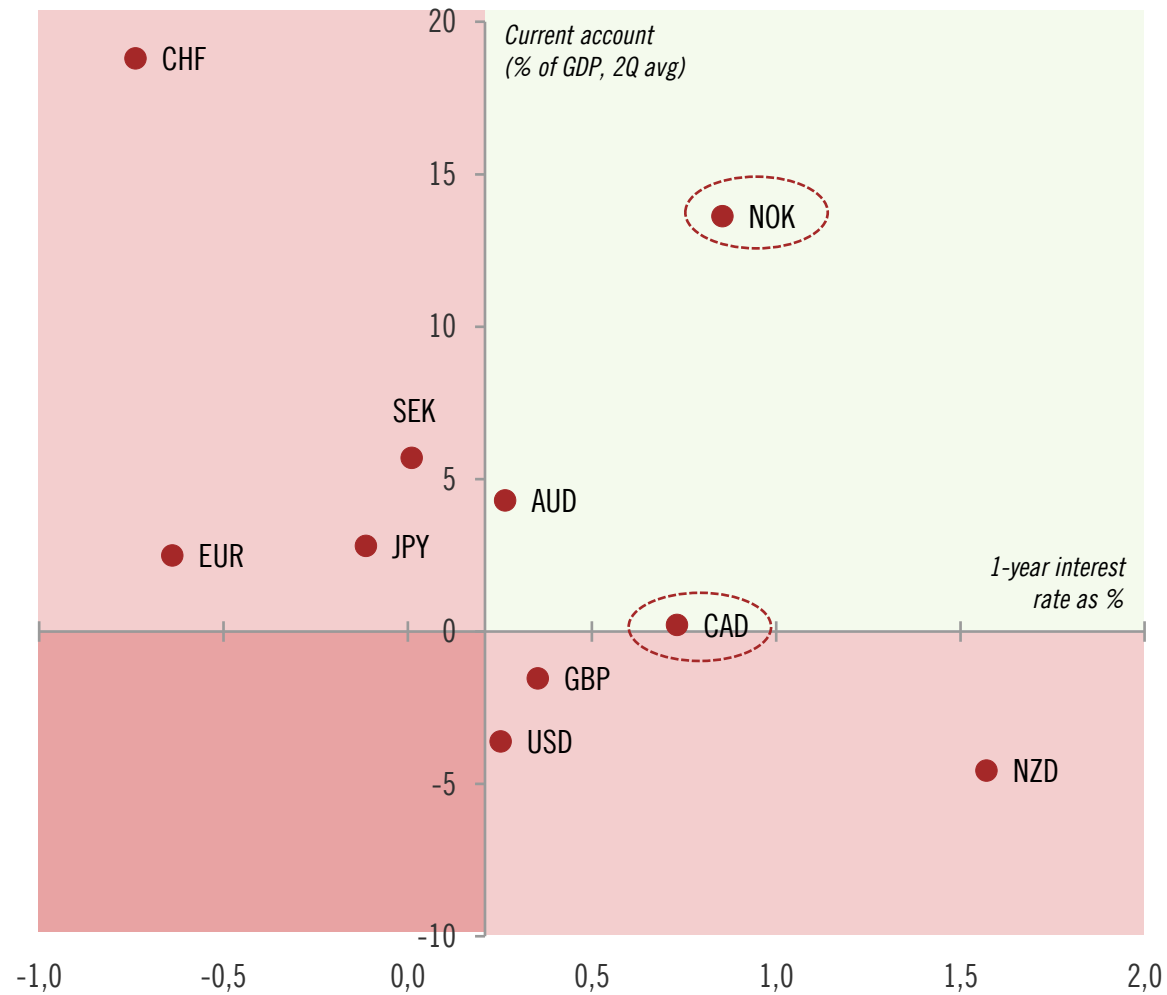


US plus EUR HY bonds downgrades versus upgrades

Source: PWM Credit Research, S&P, 23.11.2021

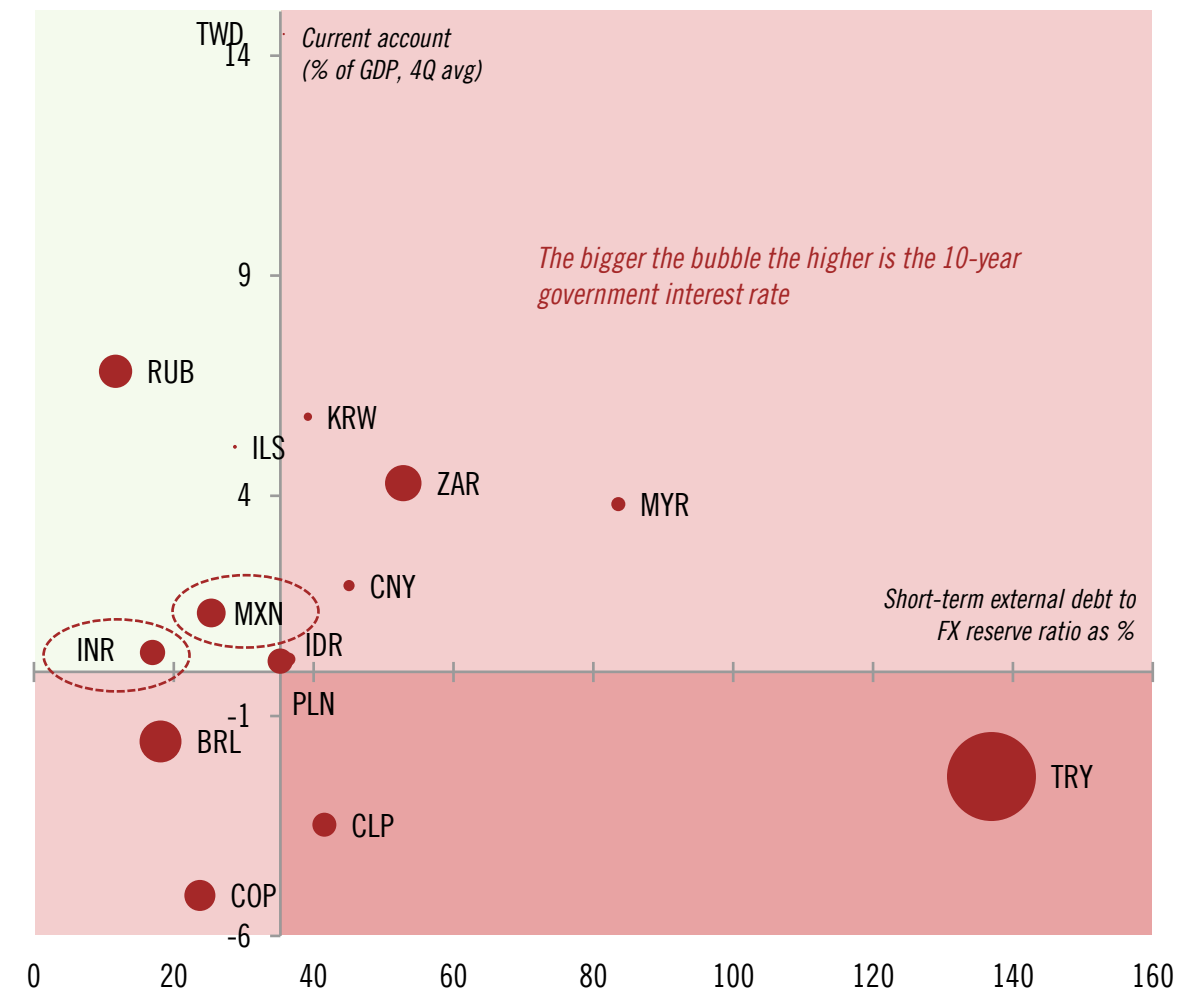


High quality cyclical currencies offer an attractive buffer



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

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

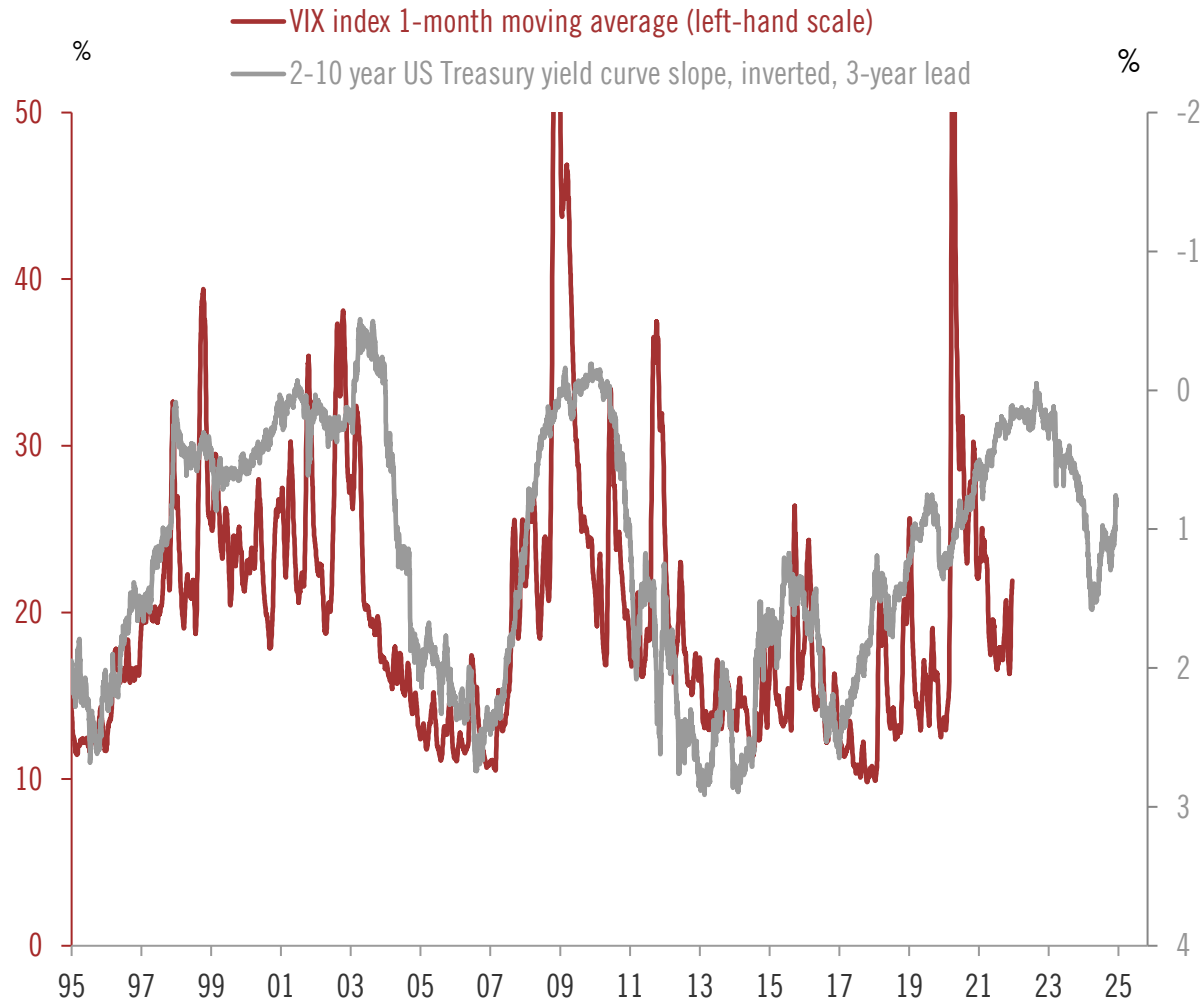


Emerging markets external buffers and 10-year interest rate

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

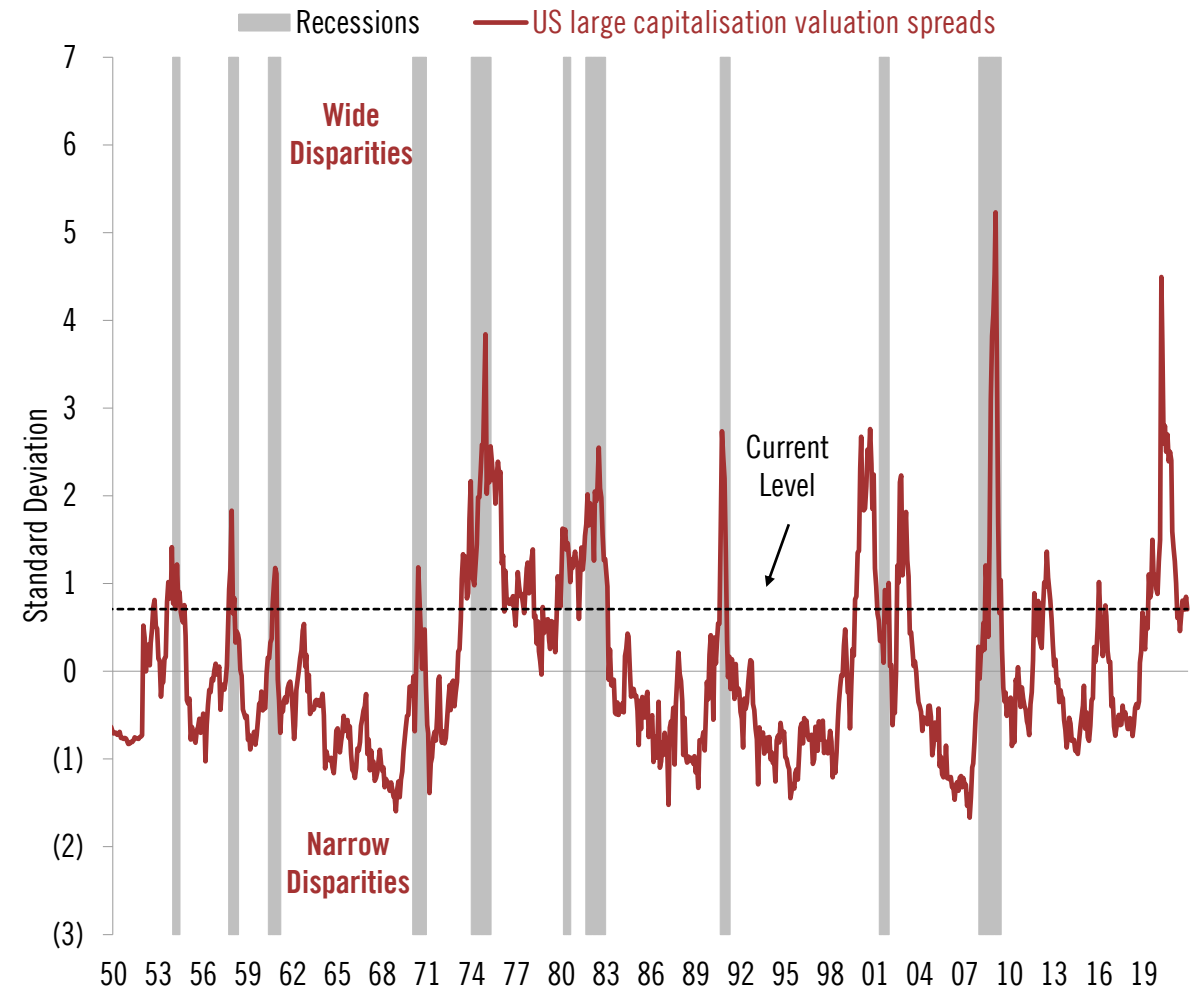
Uncertainty will bring volatility back in 2022

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

CAPEX BENEFICIARIES
AND EVENT-DRIVEN

INFLATION HEDGES

INCOME SOLUTIONS

VOLATILITY PLAYS



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