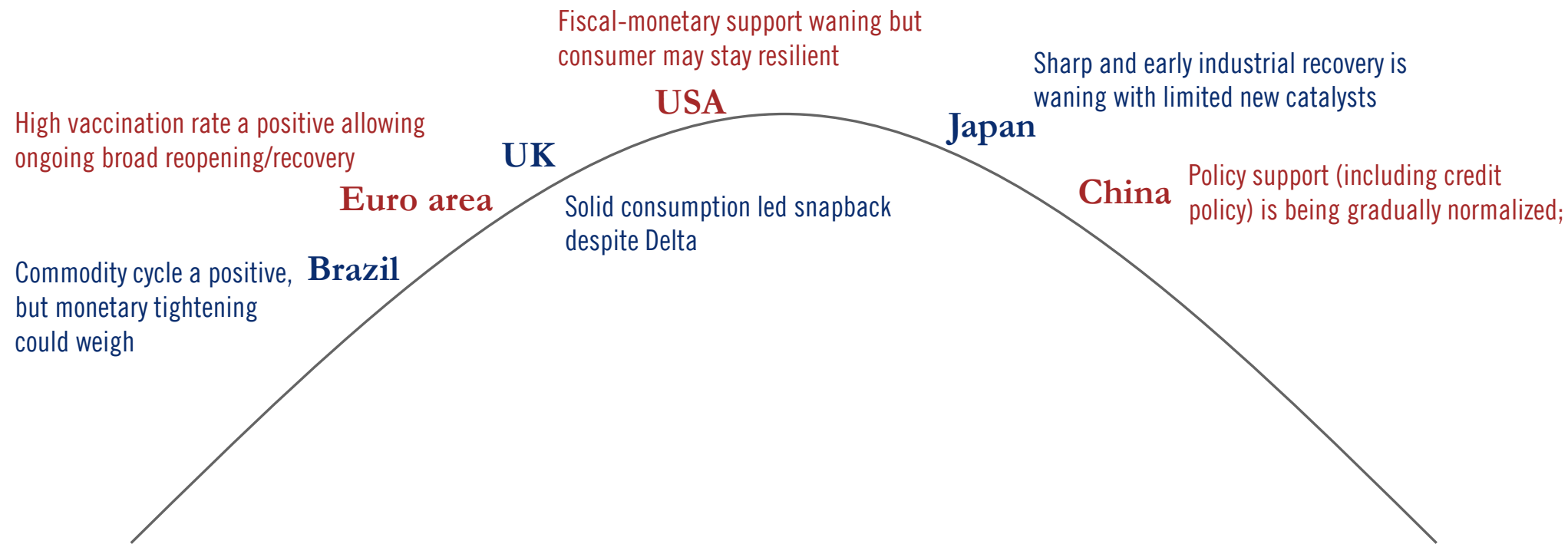




Macroeconomic background

US momentum may gradually wane while Europe blossoms

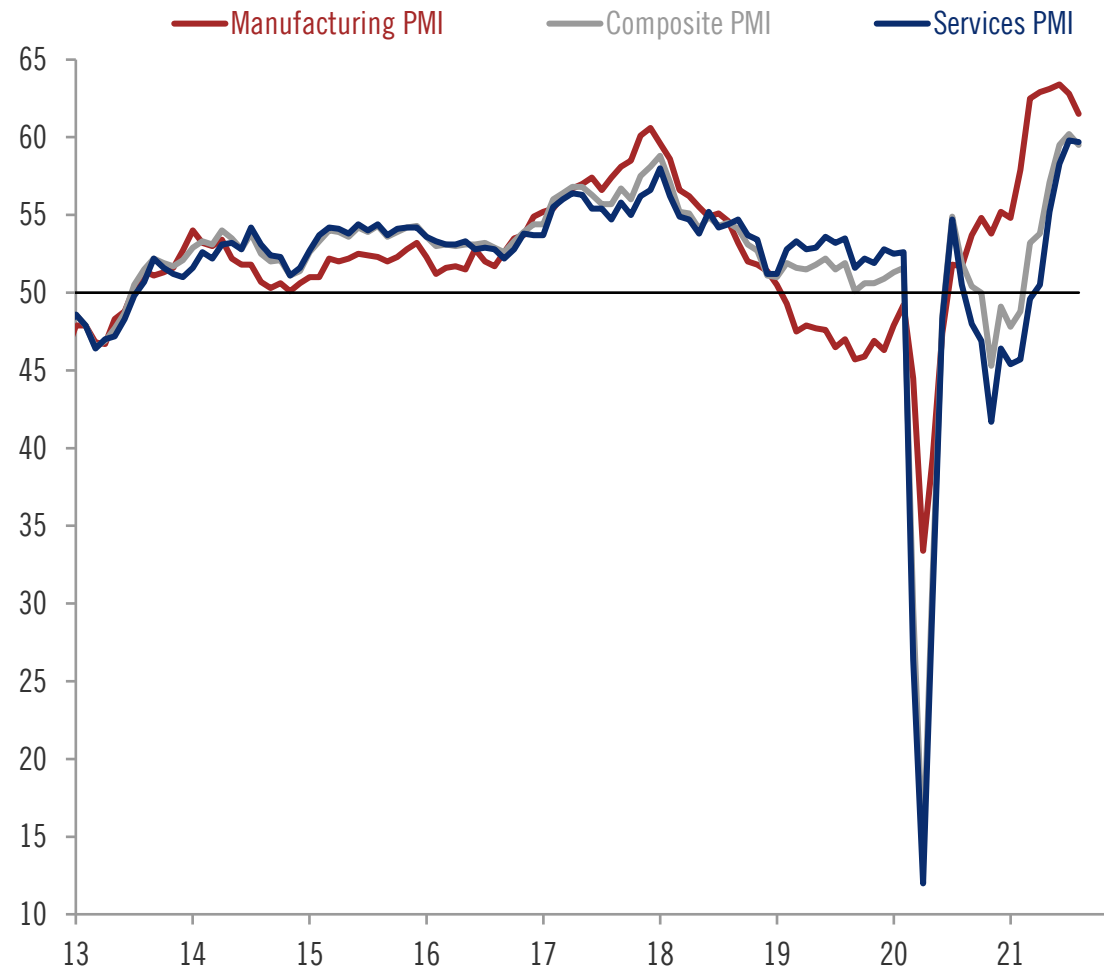


Our macro momentum score = vaccination/pandemic control x policy support x industrial edge

Our stylised macro momentum mapping for the top economies

Source: Pictet WM – AA&MR, September 2021

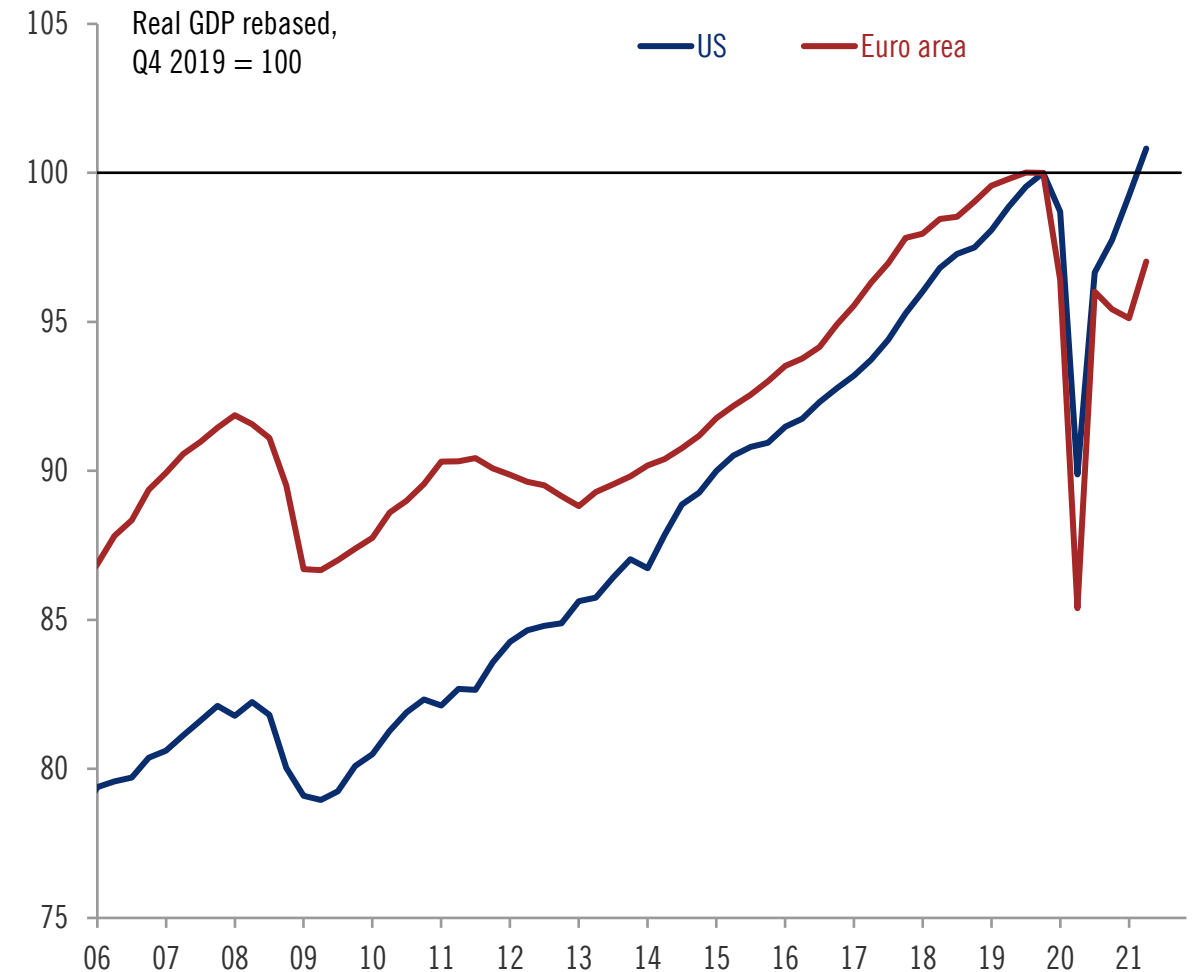
Euro area | Outlook remains on track amid Delta risk



PMI: Purchasing Managers' Index

Source: Pictet WM - AA&MR, Markit, 25.08.2021

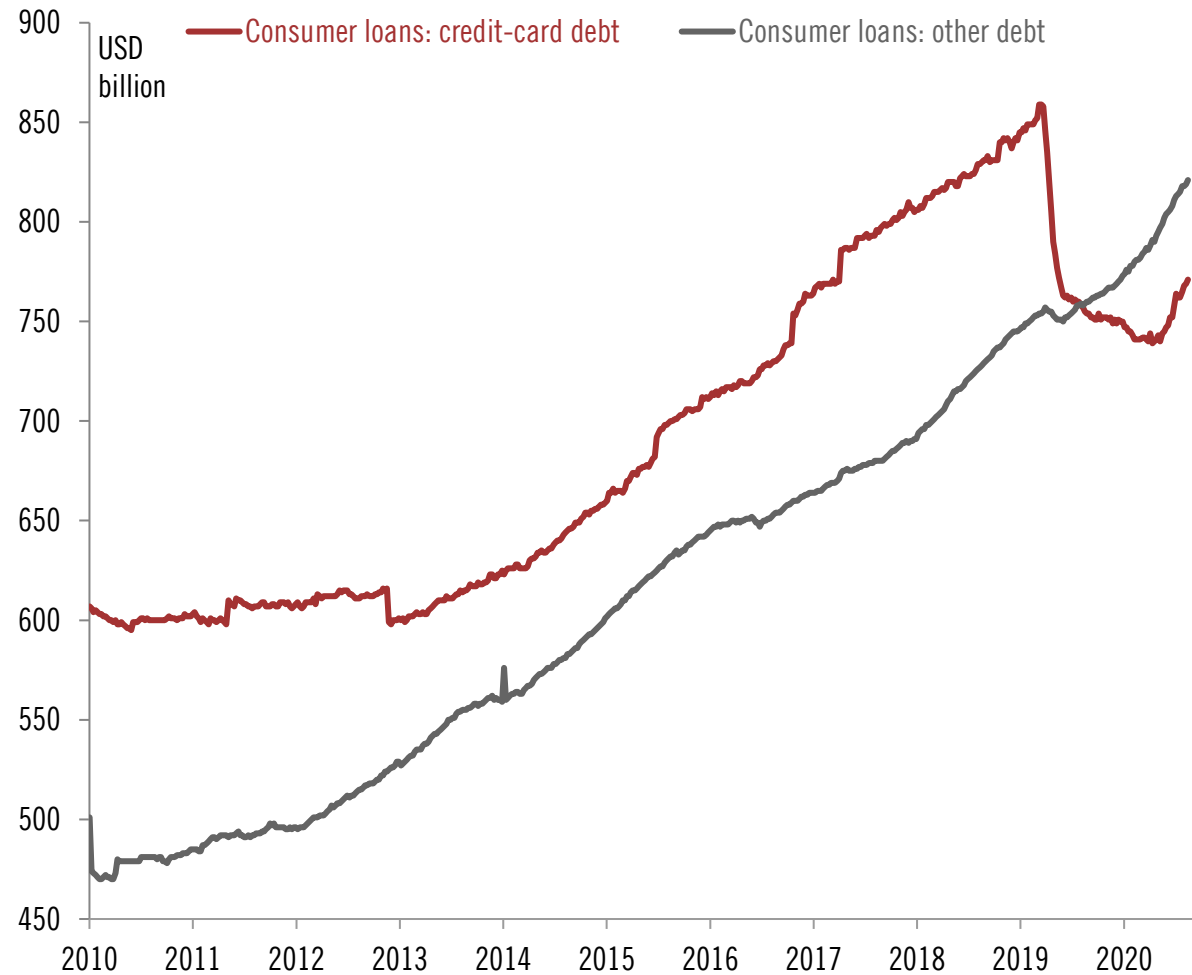
Euro area: PMI survey



Euro area and US: real GDP

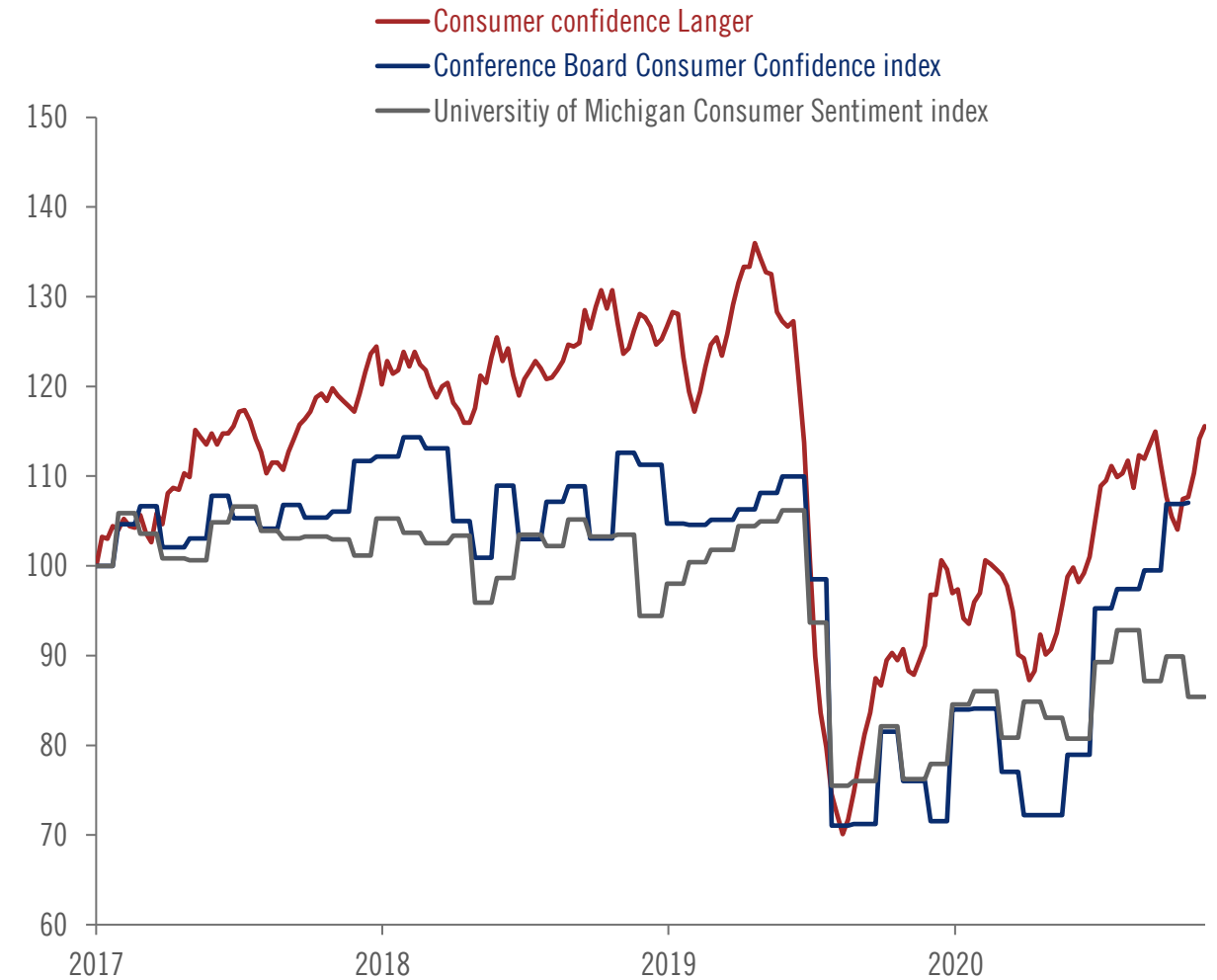
Source: Pictet WM - AA&MR, Eurostat BEA, 25.08.2021

A likely resilient US consumer ahead



Commercial banks' lending: consumer loans

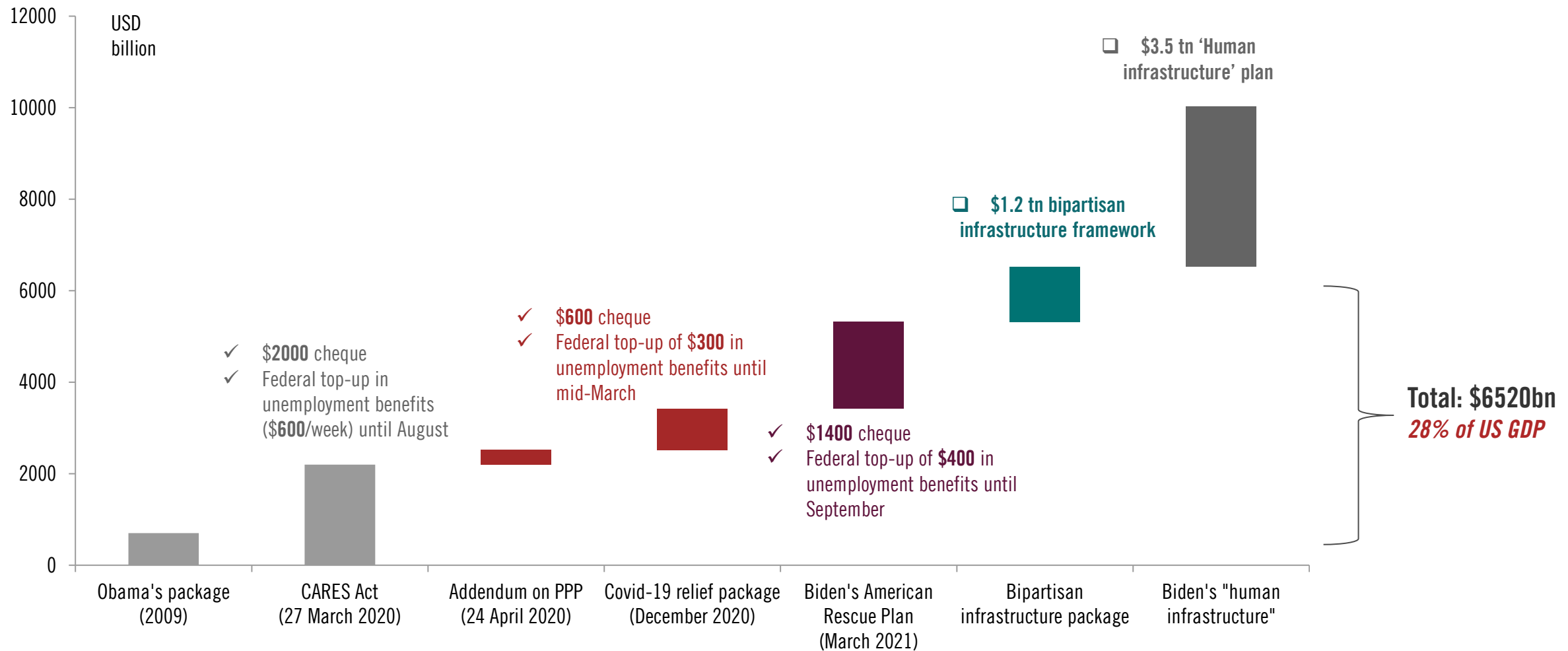
Source: Pictet WM-AA&MR, Factset, 25.08.2021



Selected consumer confidence indices

Source: Pictet WM-AA&MR, Factset, 30.08.2021

Fiscal policy | Still several hurdles in Congress



PPP: Purchasing Power Parity

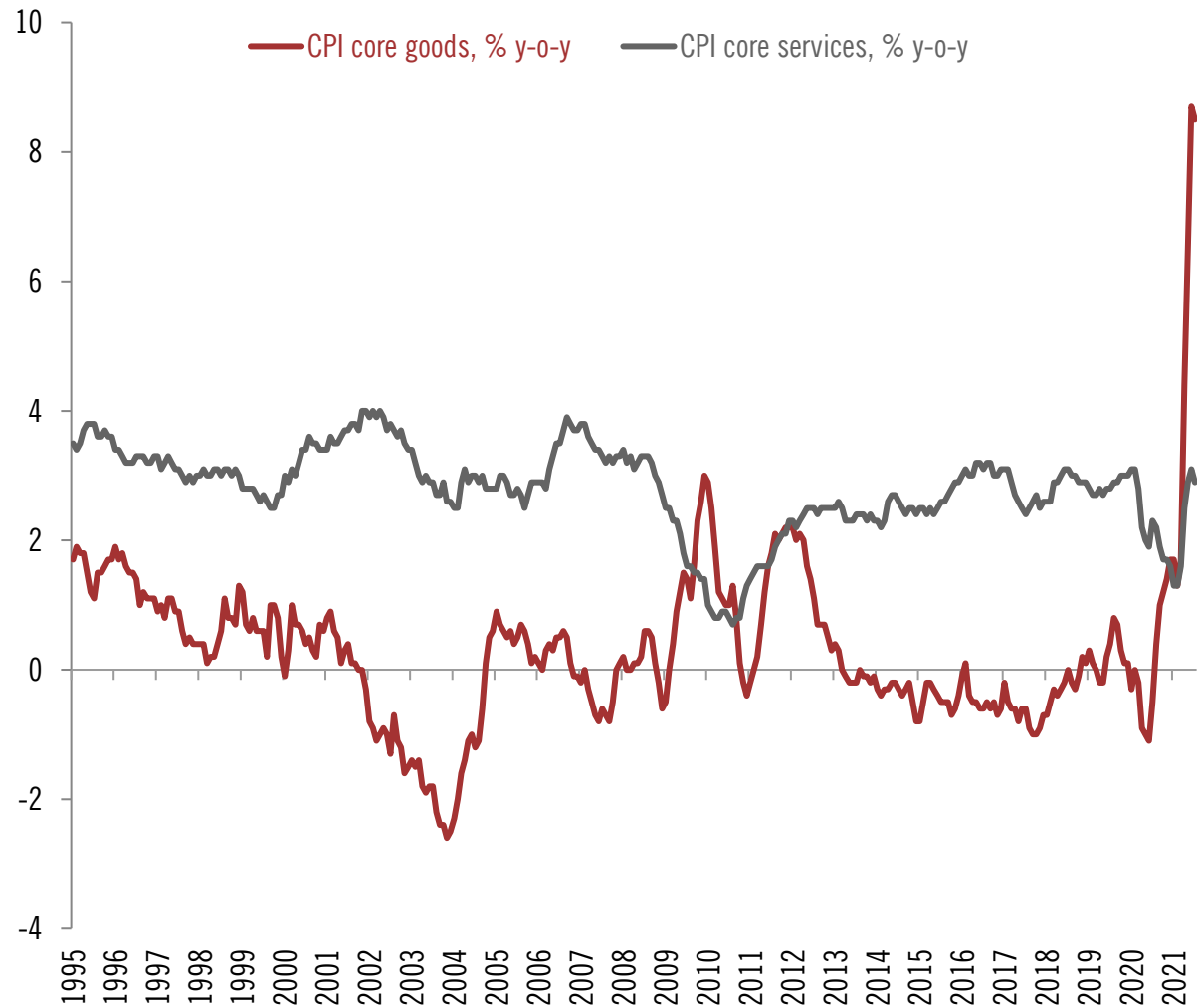
Source: Pictet WM - AA&MR, Congress, 25.08.2021

How the fiscal plans stack up in the US so far



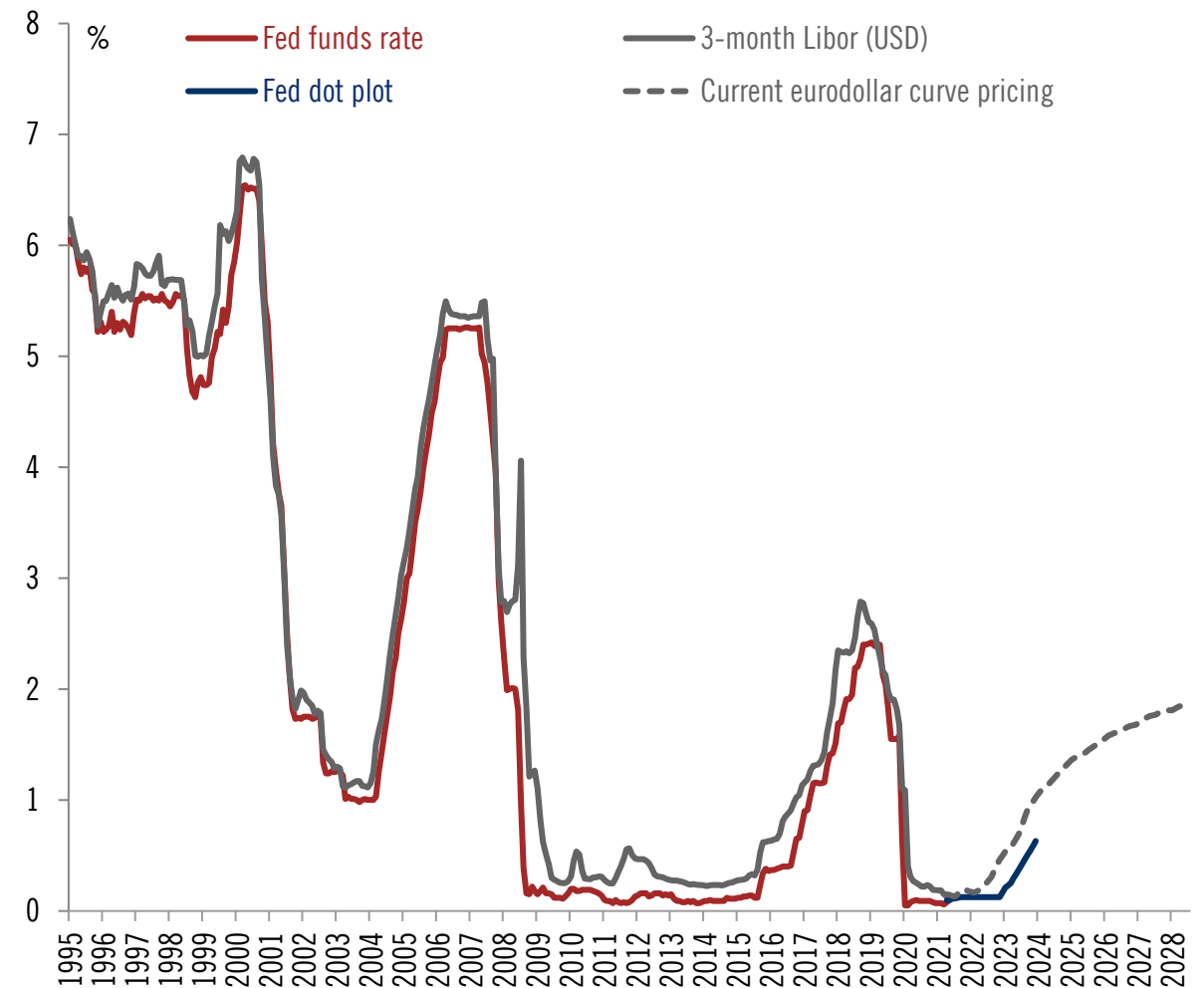
Pictet Wealth Management

Inflation | upside risks due to bottlenecks



**CPI core goods vs core services,
% year-on-year**

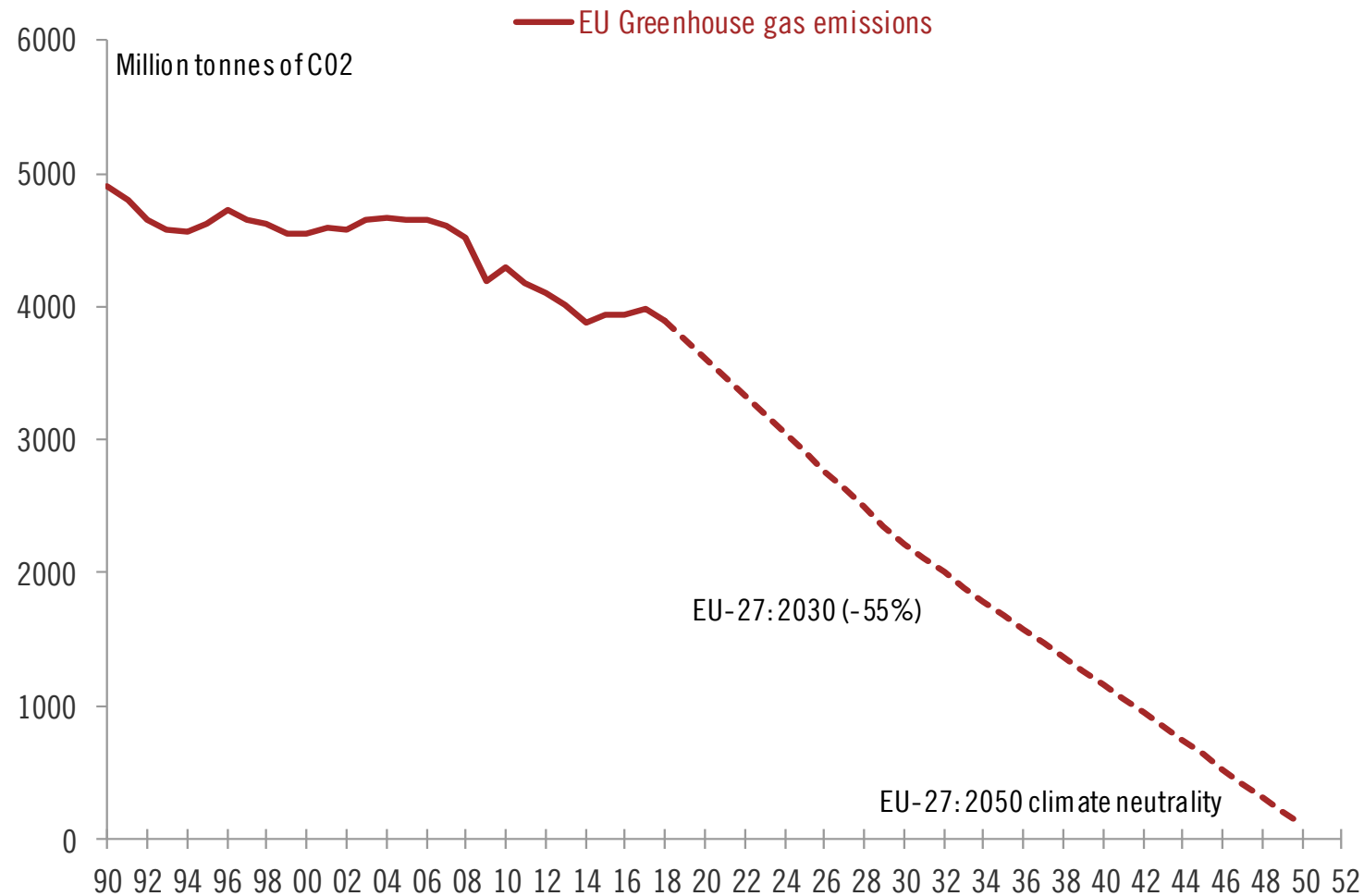
CPI: Consumer Price Index
Source: Pictet WM-AA&MR, Factset, 25.08.2021



**3-month Libor and fed funds rate, and
eurodollar curve**

Source: Pictet WM-AA&MR, Factset, 25.08.2021

Green Marshall Plan | An ambitious plan with many challenges



Ambitious green-house gas reduction targets of **at least 55% in 2030** relative to 1990 levels.

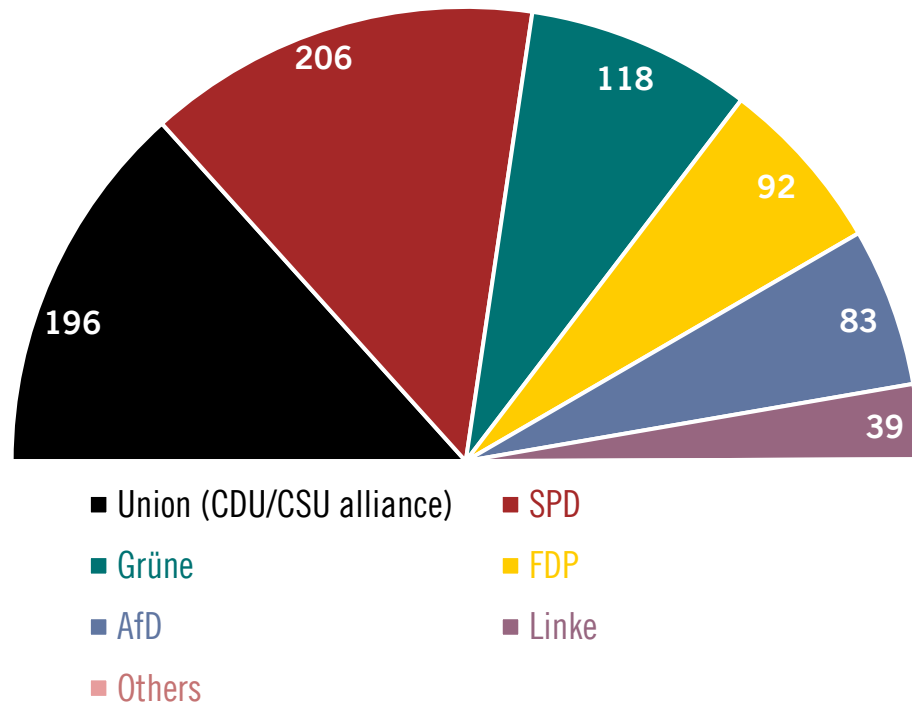
Three most important proposals

- › A Carbon border tax
- › Extension of the EU's Emission Trading system
- › Stricter emission standards for new cars

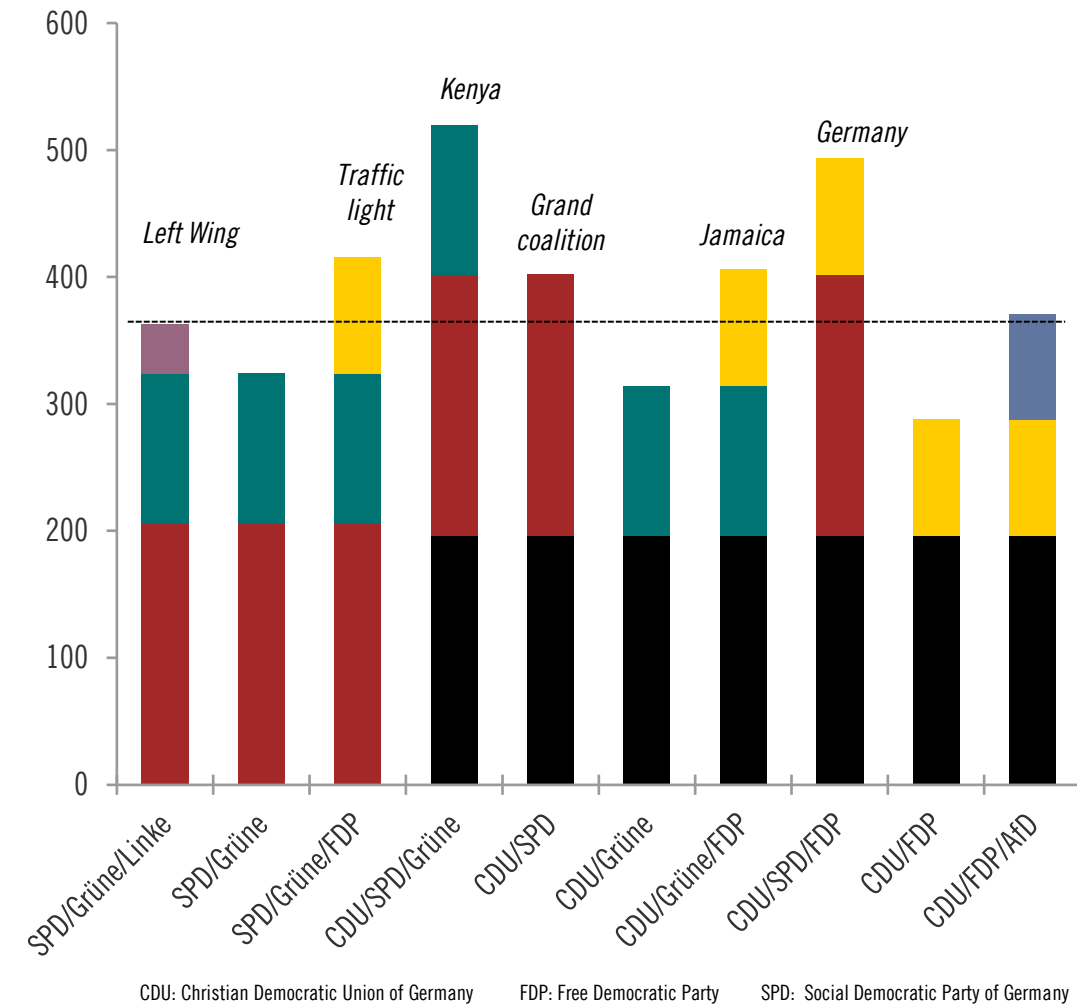
EU27: Greenhouse gas emissions with Commission's targets

Source: Pictet WM - AA&MR, Eurostat, 30.08.2021

German's election | tough coalition talks lie ahead



Total seats: 735 (368 seats for majority)



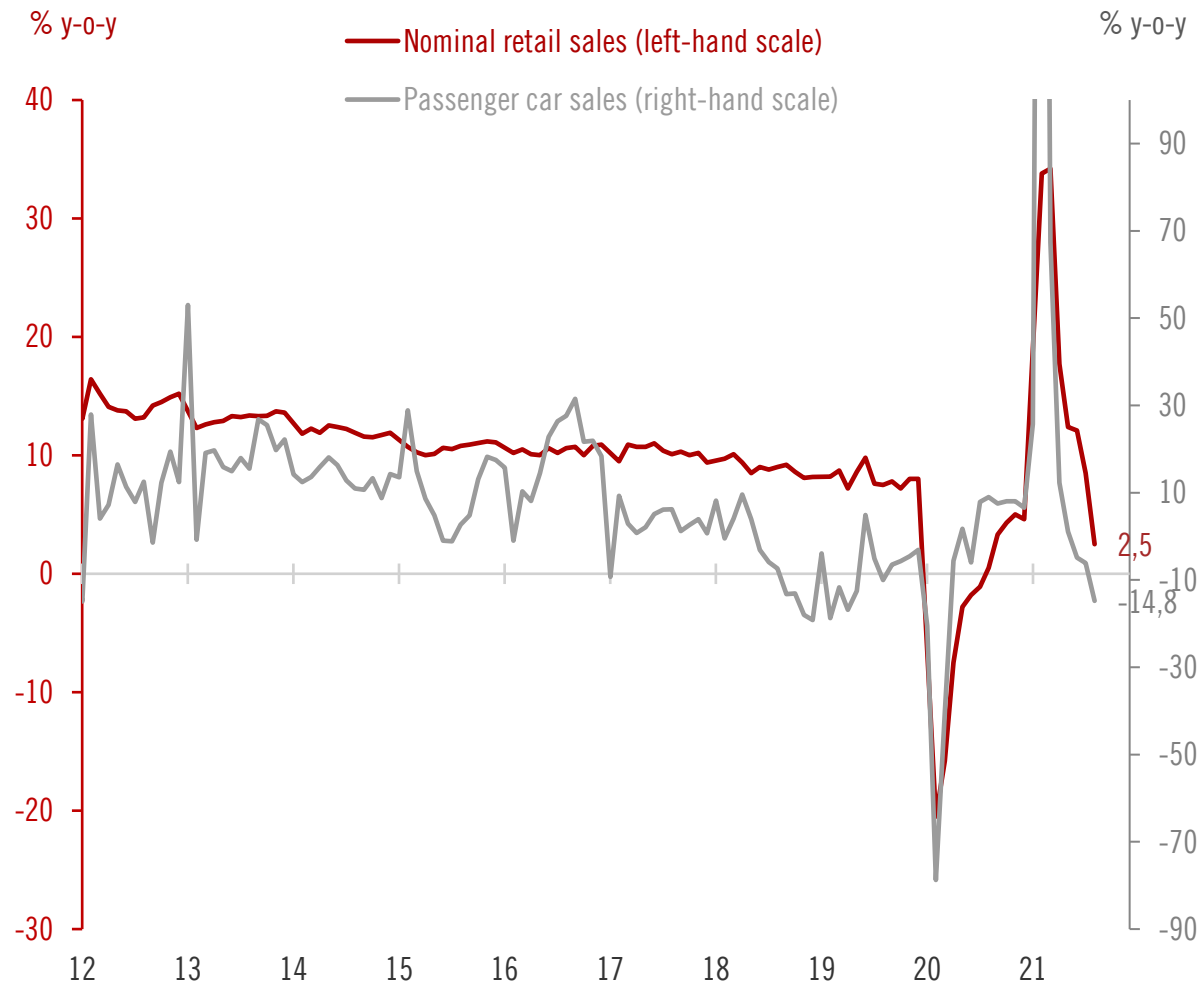
Germany: possible coalitions – seats

Source: Pictet WM - AA&MR (based on provisional results), 27.09.2021

Germany: federal election results 2021 – seats

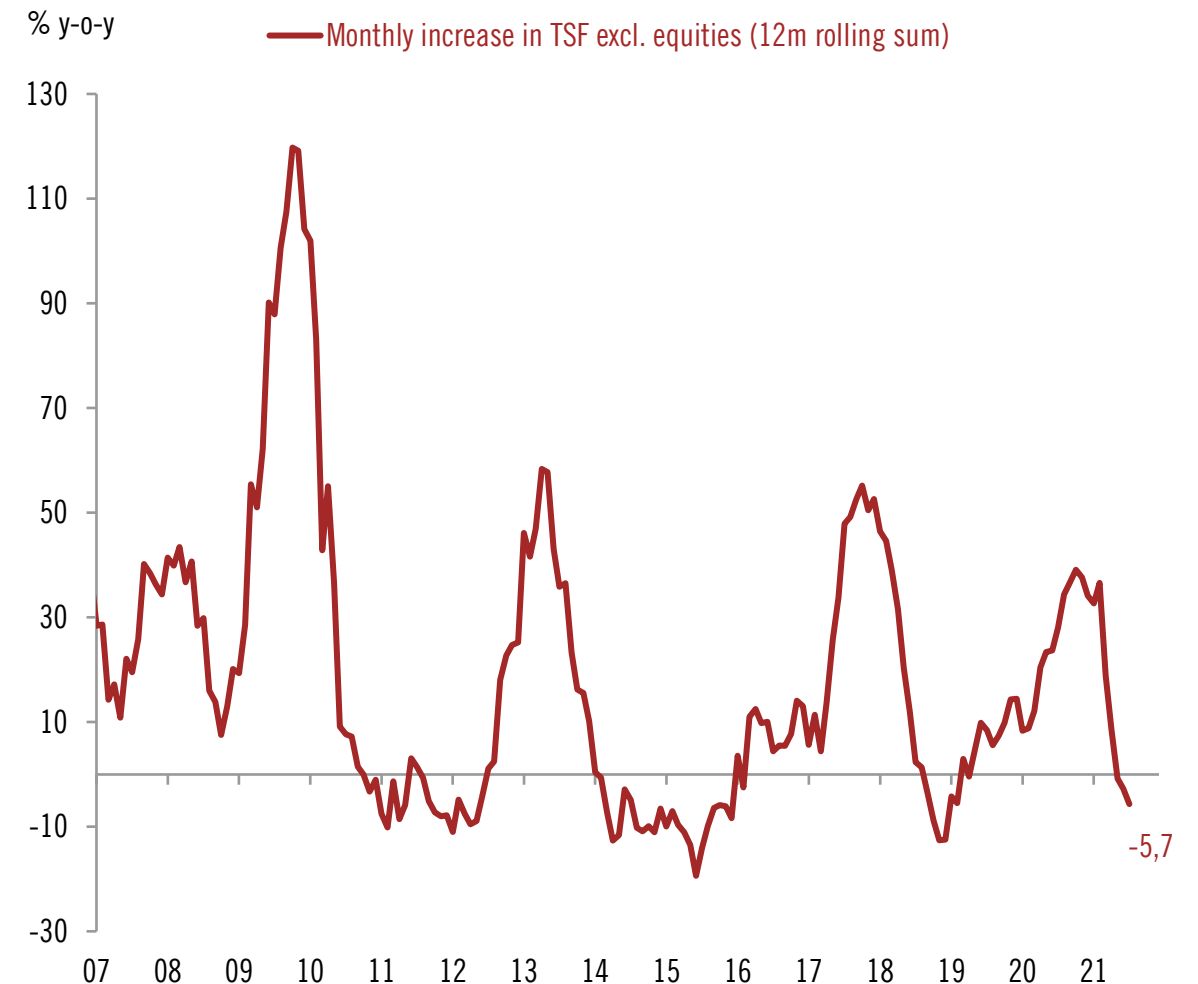
Source: Pictet WM - AA&MR (based on provisional results), 27.09.2021

China | Fiscal support will likely rise first before credit growth picks up



China: growth in retail sales and passenger car sales

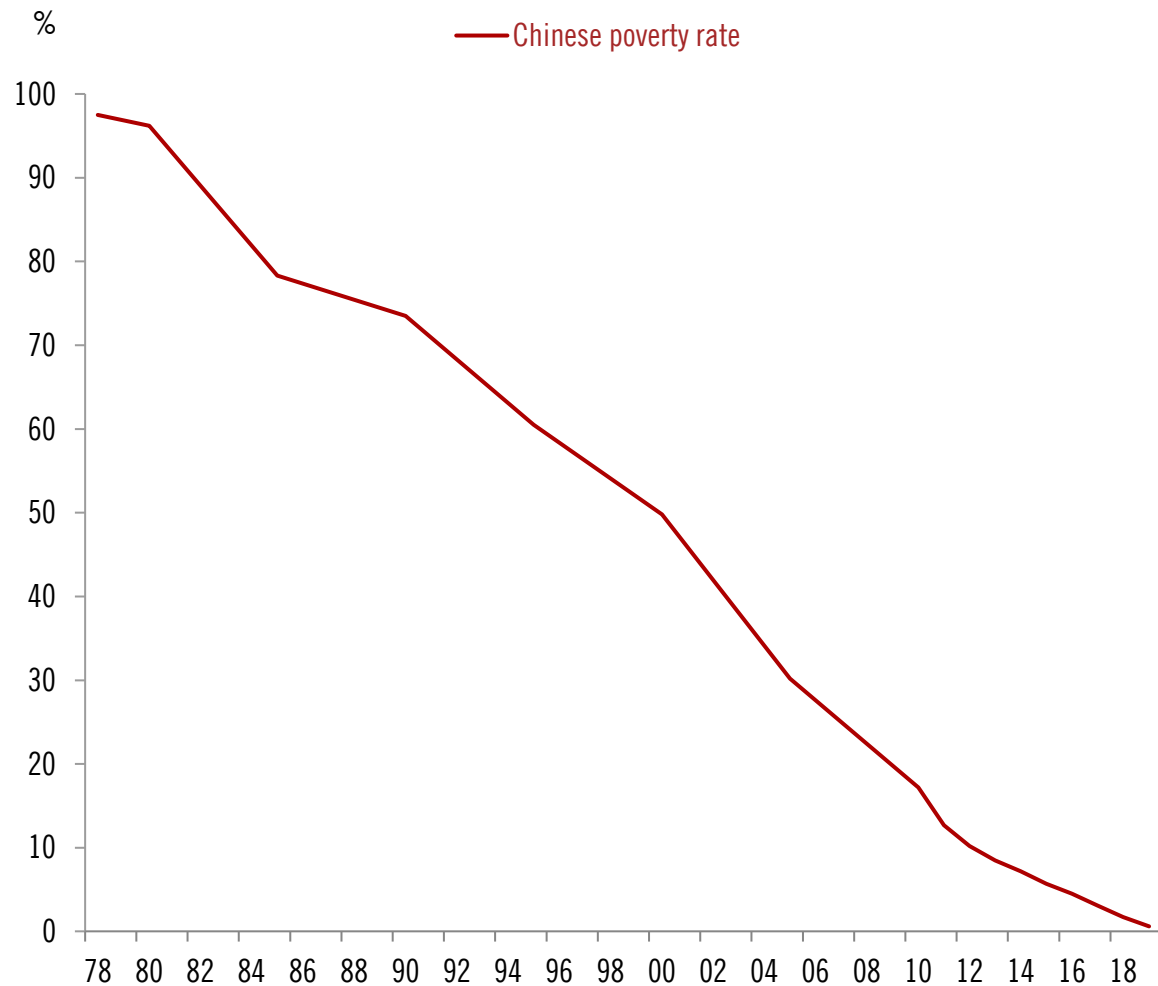
Source: Pictet WM - AA&MR, NBS, 27.08.2021



China: growth in total social financing (TSF, aggregate credit)

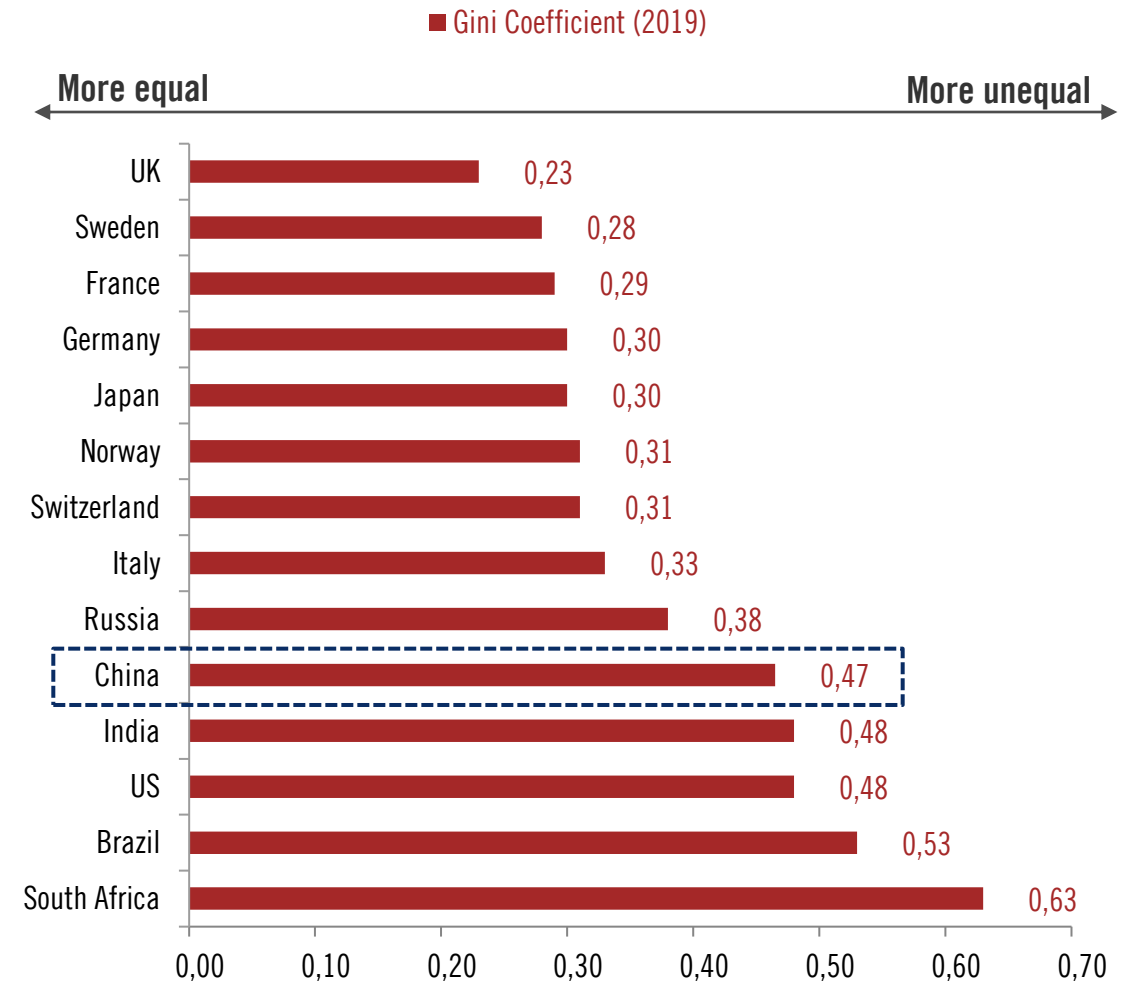
Source: Pictet WM - AA&MR, PBoC, 26.08.2021

China | After eliminating poverty, focus shift to 'common prosperity'



China: poverty rate

Source: Pictet WM - AA&MR, The World Bank, 26.08.2021

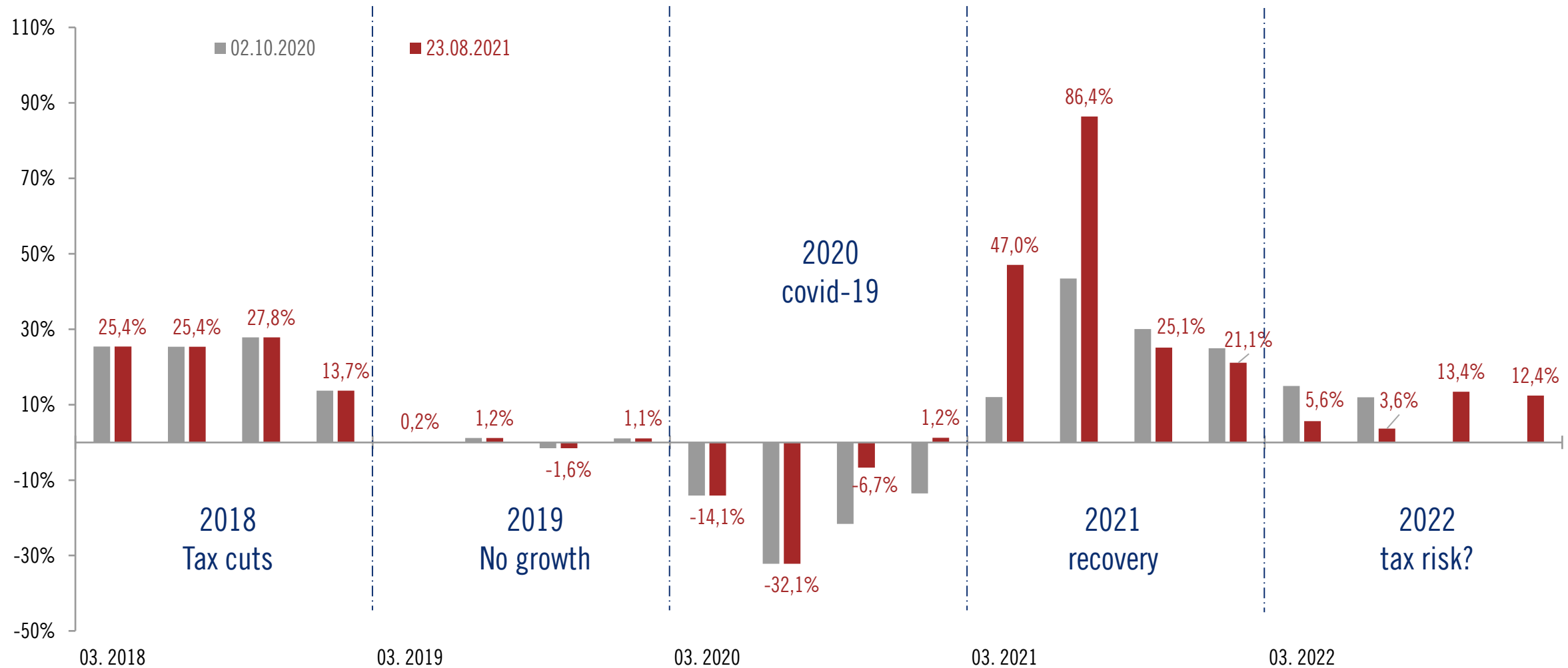


Gini Coefficients of selected countries (2019)

Source: Pictet WM - AA&MR, Wind, 26.08.2021

Asset Class Implications

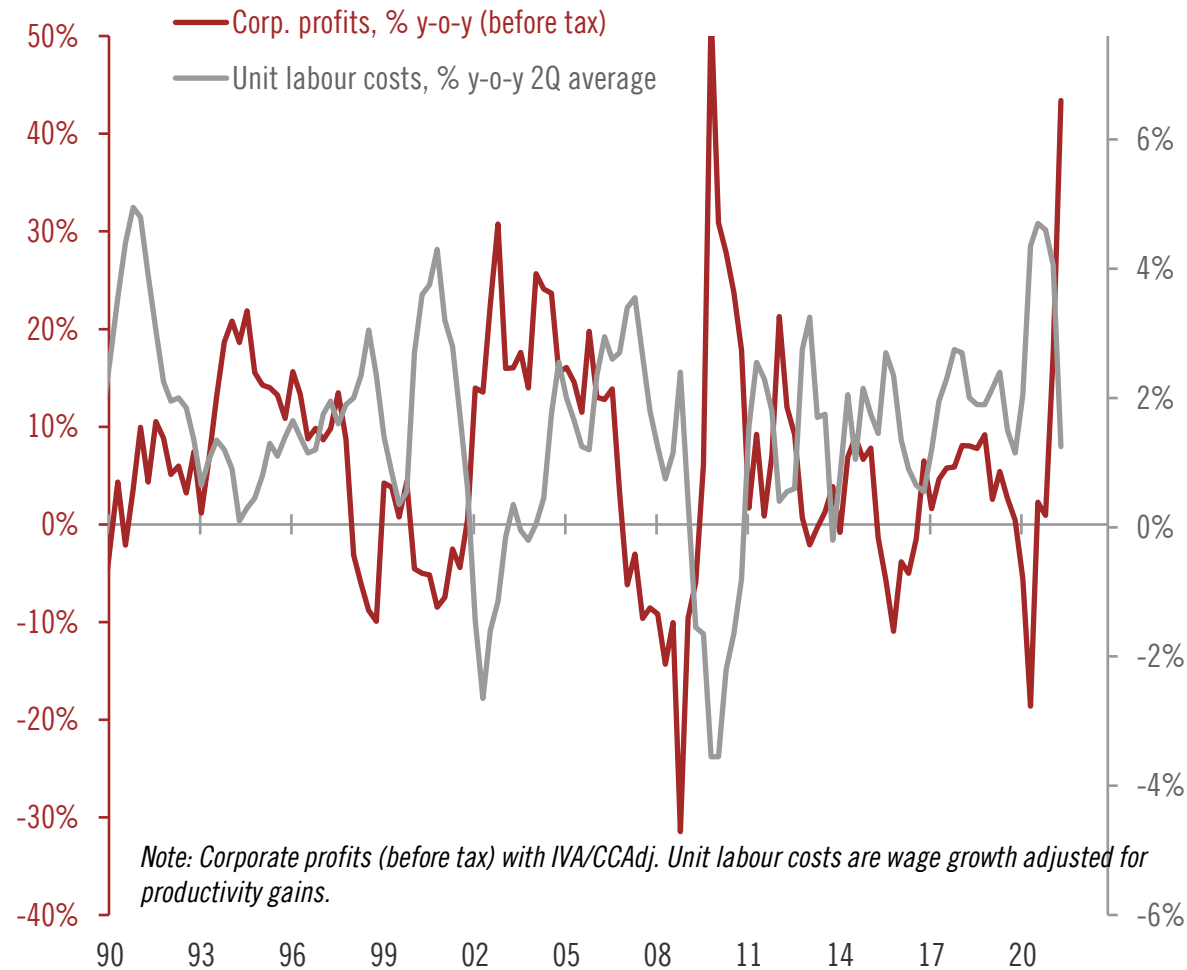
Earnings | A slower pace of growth from H2 2021



S&P 500 quarterly earnings year-on-year growth

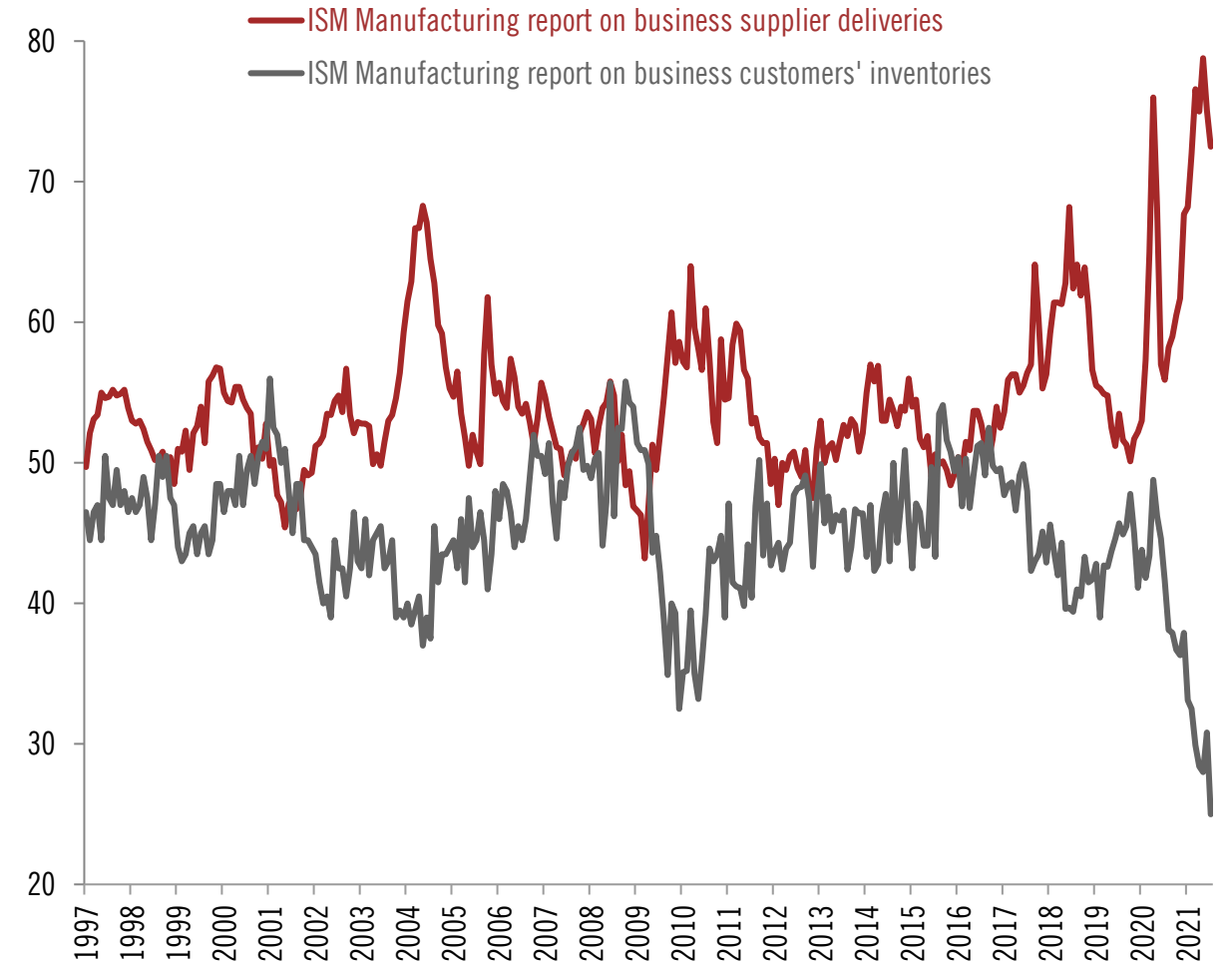
Source: Pictet WM - AA&MR, Factset, 25.08.2021

Supply bottlenecks justify our focus on companies with pricing power



Corporate profits versus unit labor costs, % y-o-y

Source: Pictet WM-AA&MR,
Factset, 16.09.2021

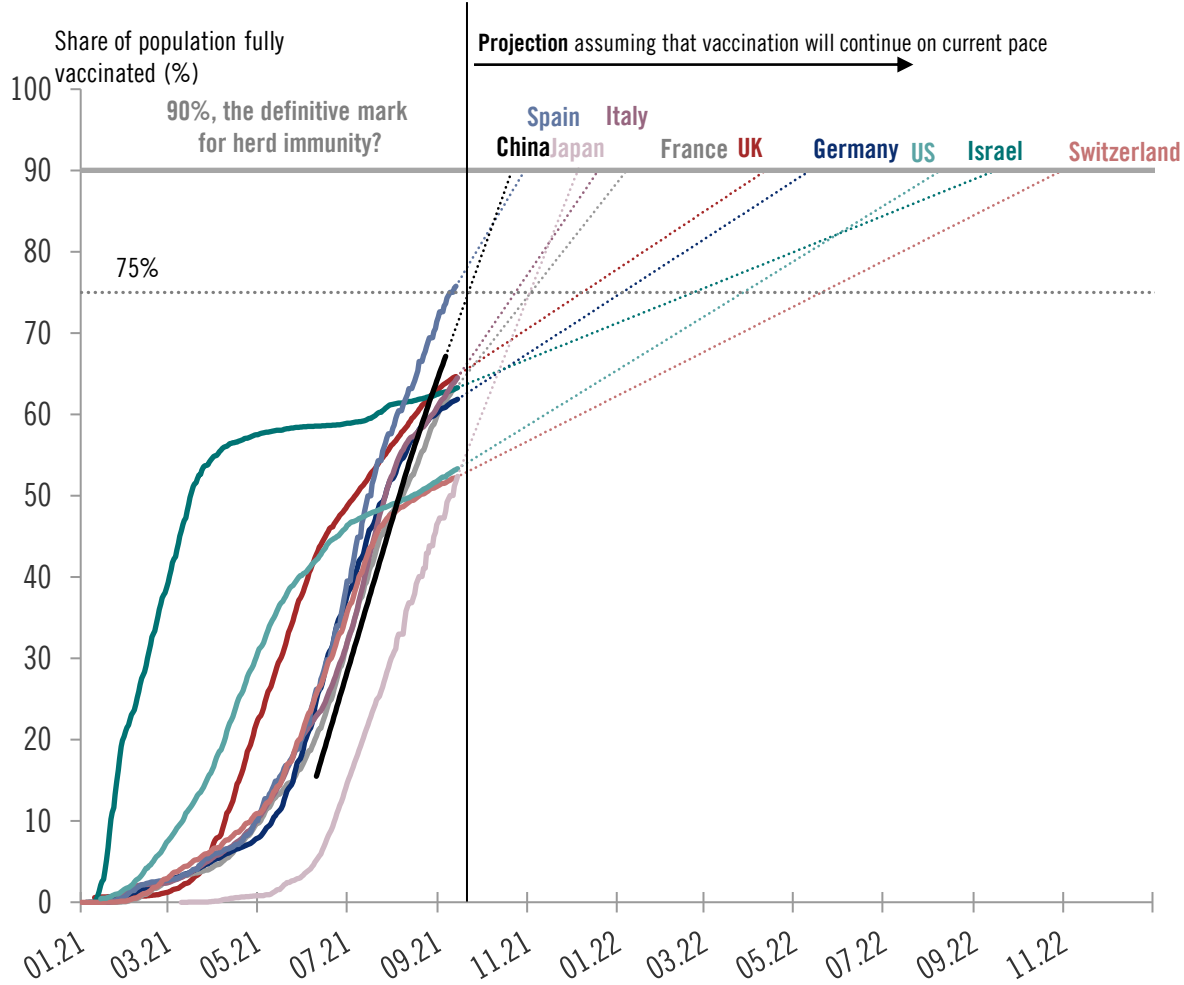


ISM manufacturing report on business supplier deliveries and customers' inventories

ISM: Institute for Supply Management

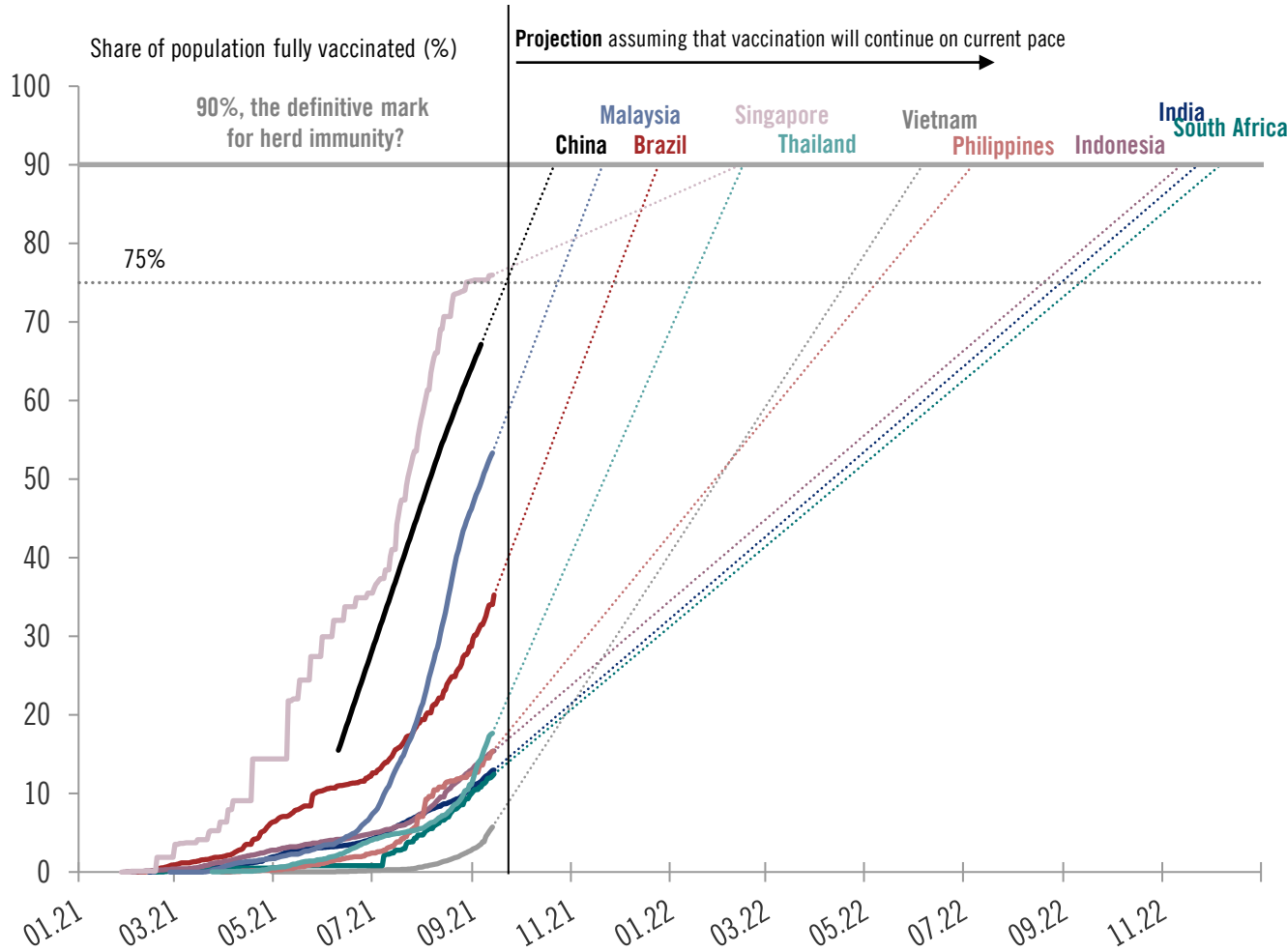
Source: Pictet CIO Office, Bloomberg,
25.08.2021

Covid 19| Herd immunity predicted timing



Advanced economies: share of people fully vaccinated

Source: Pictet WM - AA&MR, *Our World in Data*, 16.09.2021

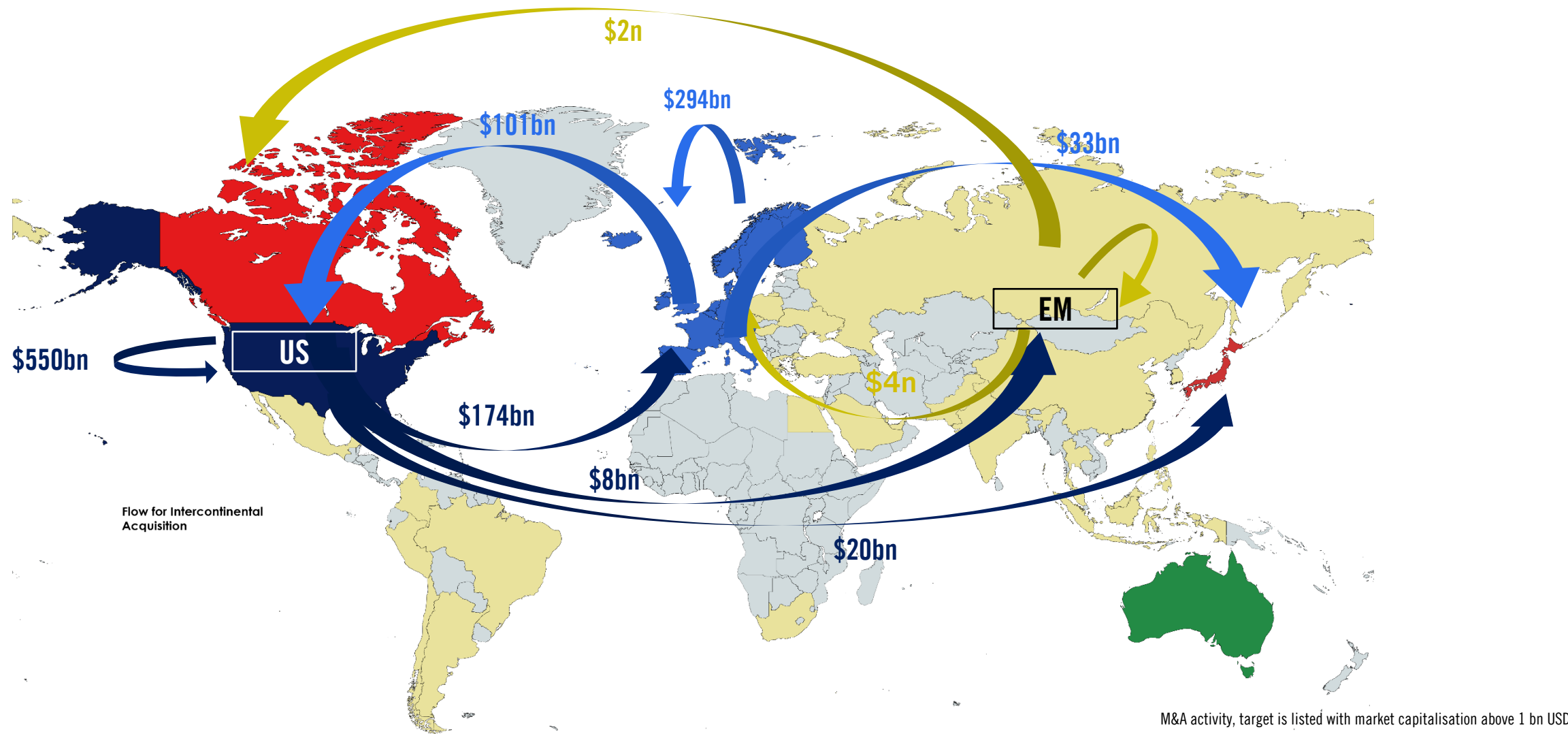


Emerging economies: share of people fully vaccinated

Source: Pictet WM - AA&MR, *Our World in Data*, 16.09.2021

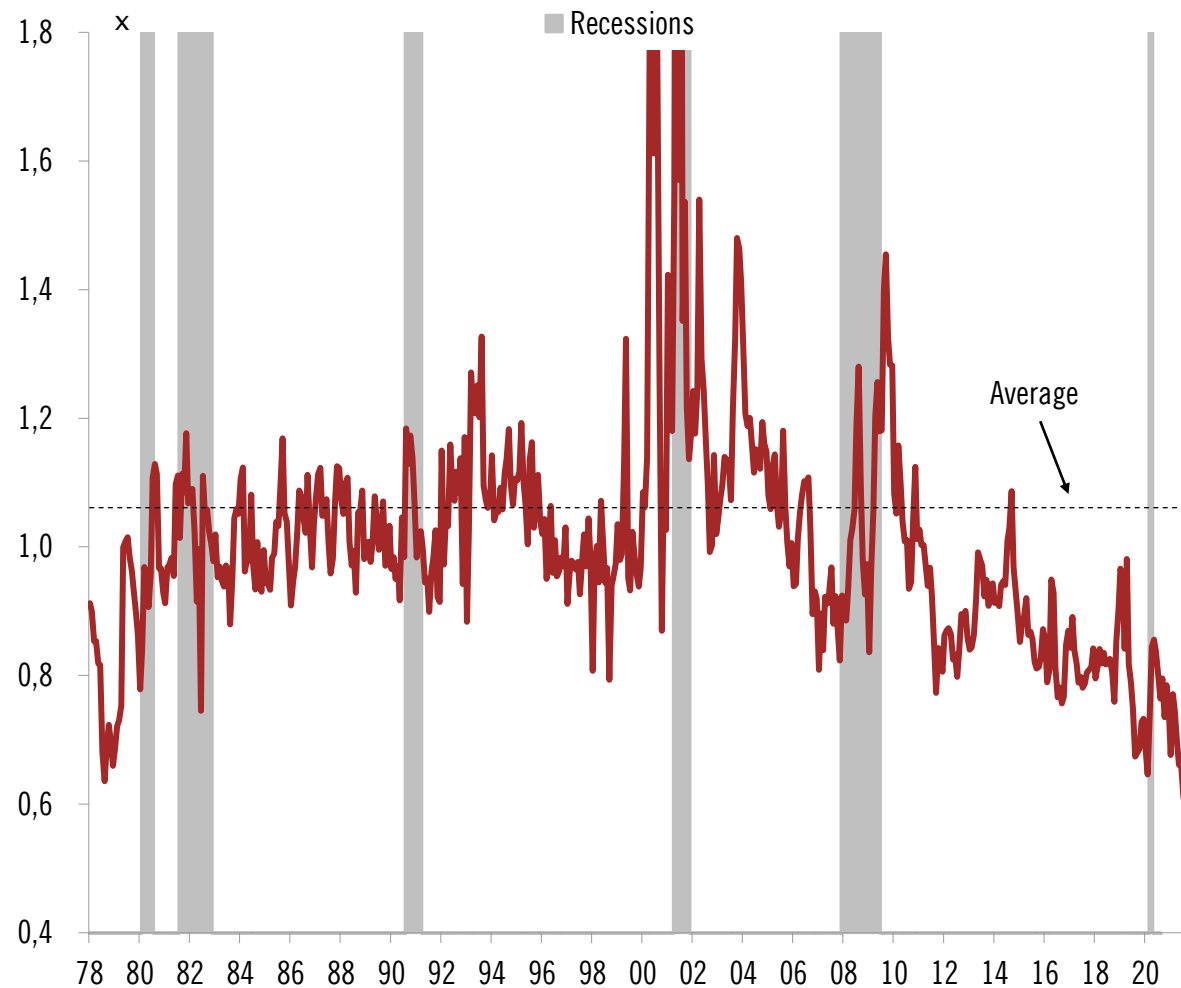


YTD flows for cross-continental acquisition coming back in 2021



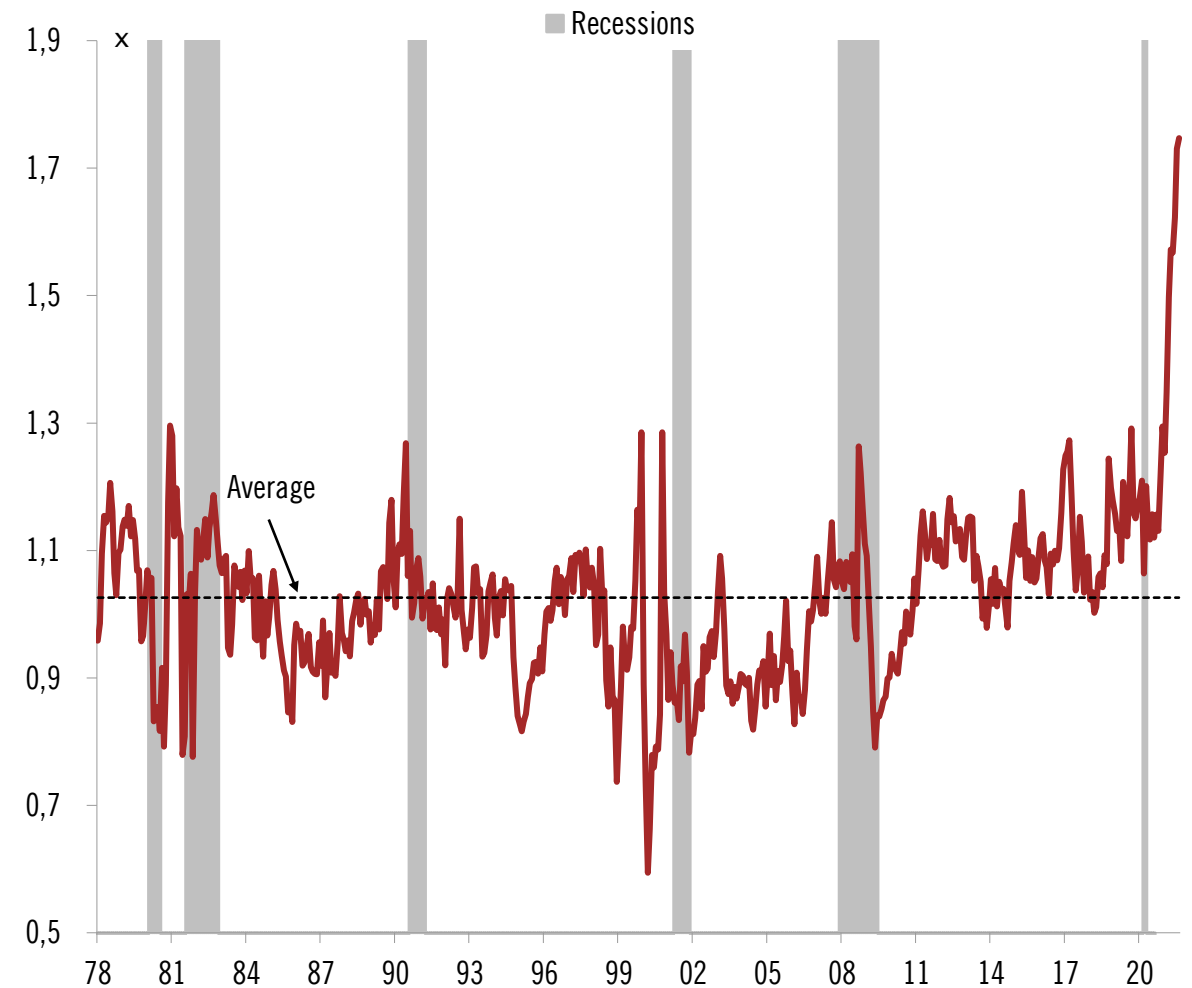
Source: Pictet WM - AA&MR, Factset, 24.08.2021

Cost of an inflation hedge in the equity market is low



Stocks most anti-correlated with the performance of the Treasury bond market, relative forward P/E ratio

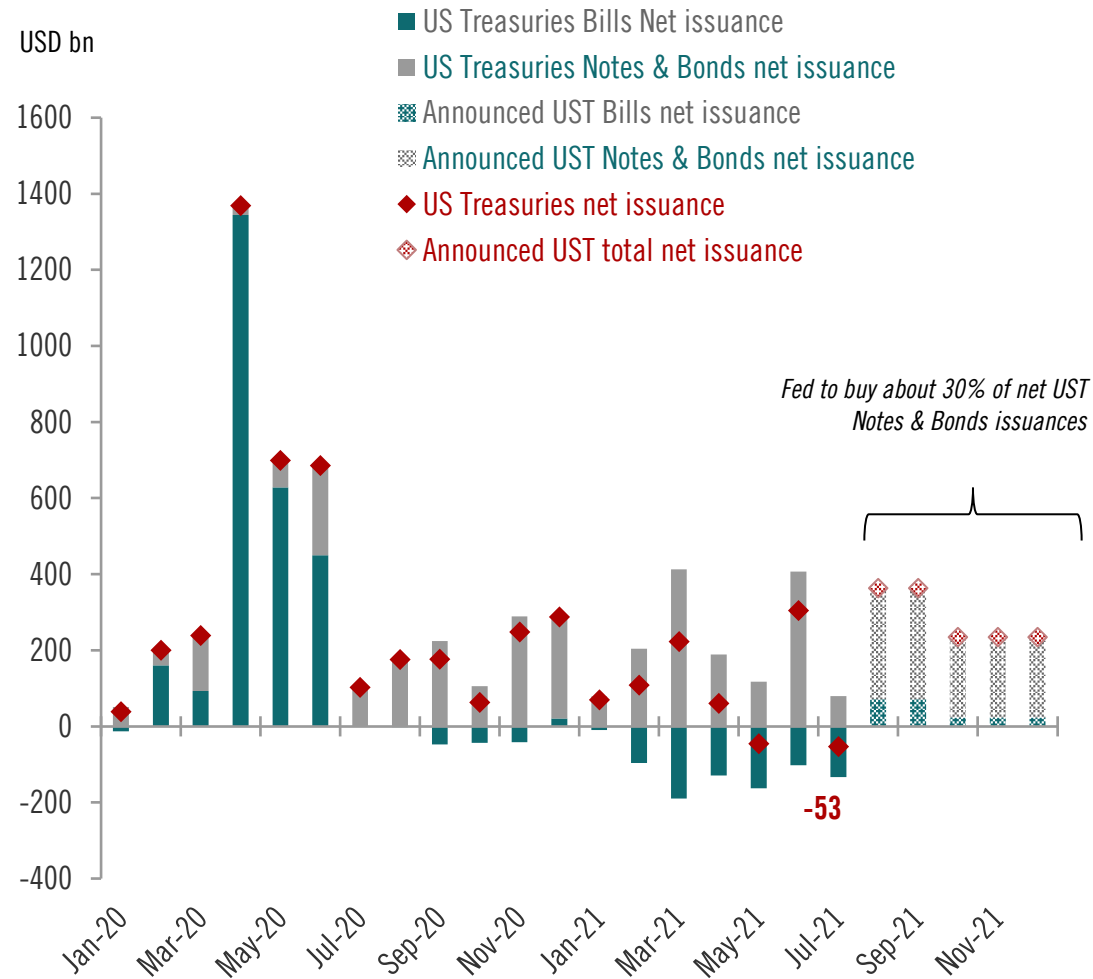
Source: National Bureau of Economic Research, Empirical Research Partners Analysis, 26.08.2021



Stocks most correlated with the performance of the Treasury bond market, relative forward P/E ratio

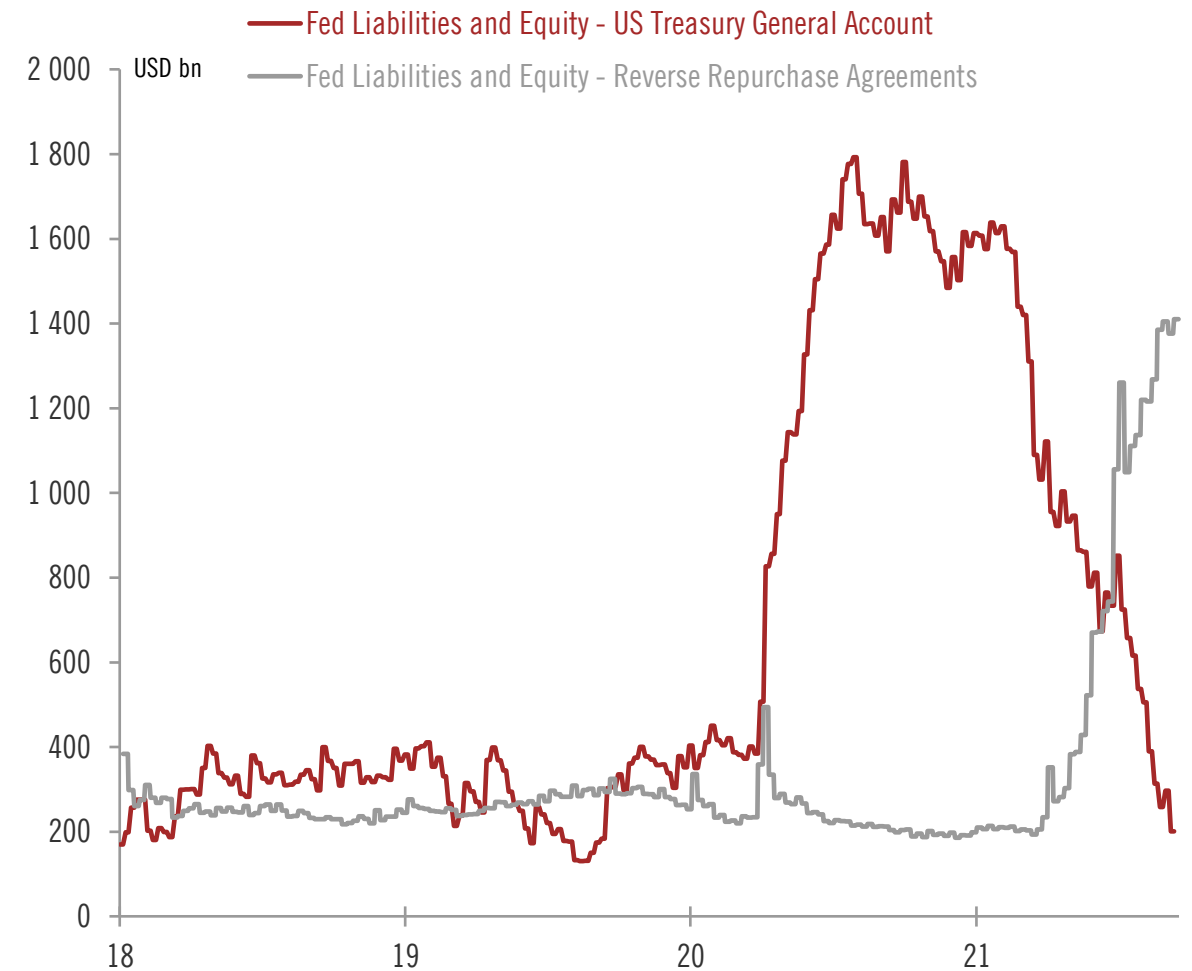
Source: National Bureau of Economic Research, Empirical Research Partners Analysis, 26.08.2021

Limited net issuance of US Treasuries until the debt ceiling is raised



US Treasuries net issuances breakdown

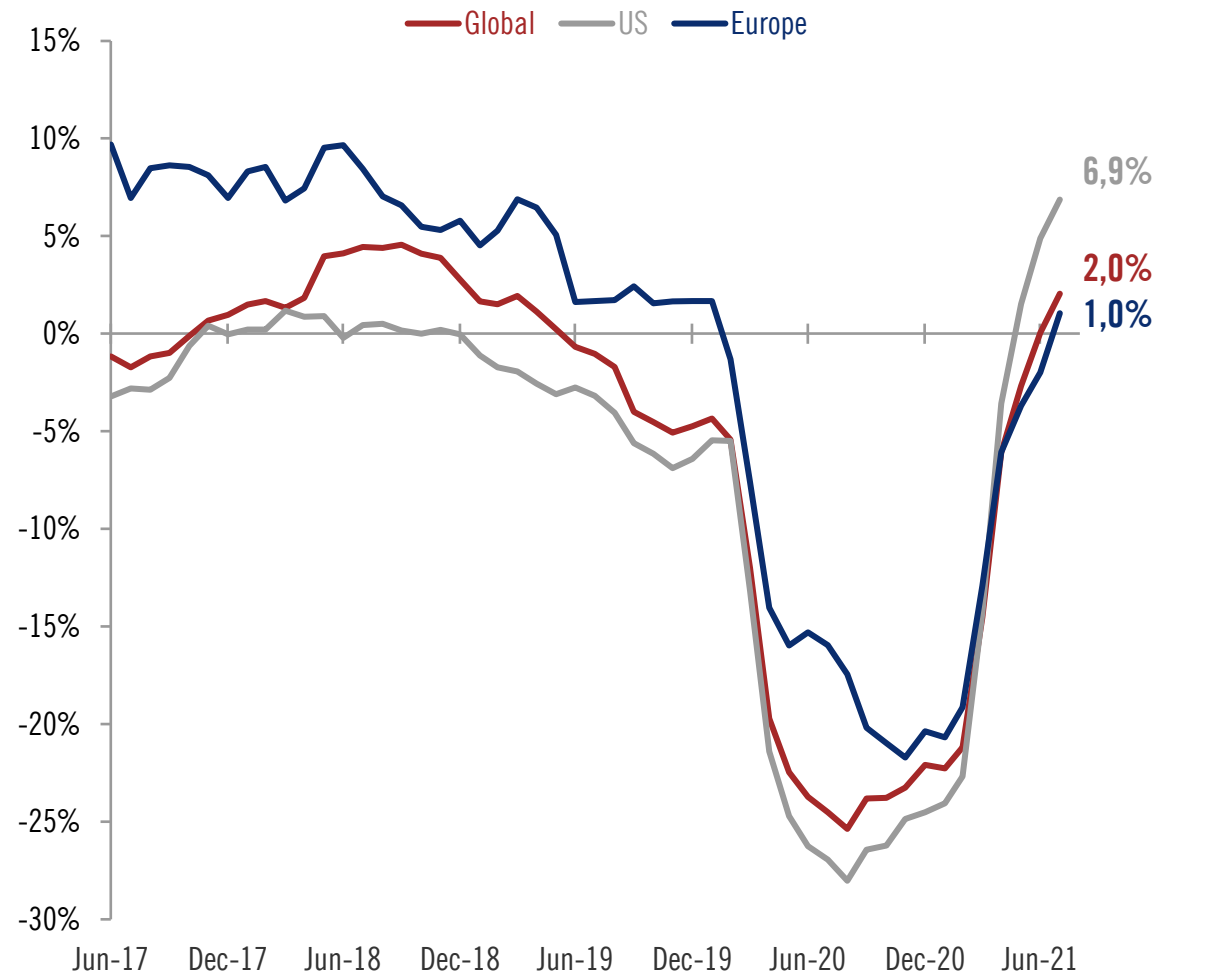
Fuente: Pictet WM - AA&MR, US Treasury, SIFMA, 16.09.2021



Fed balance sheet

Fuente: Pictet WM - AA&MR, Factset, 16.09.2021

The wave of rating downgrades is turning into a wave of upgrades

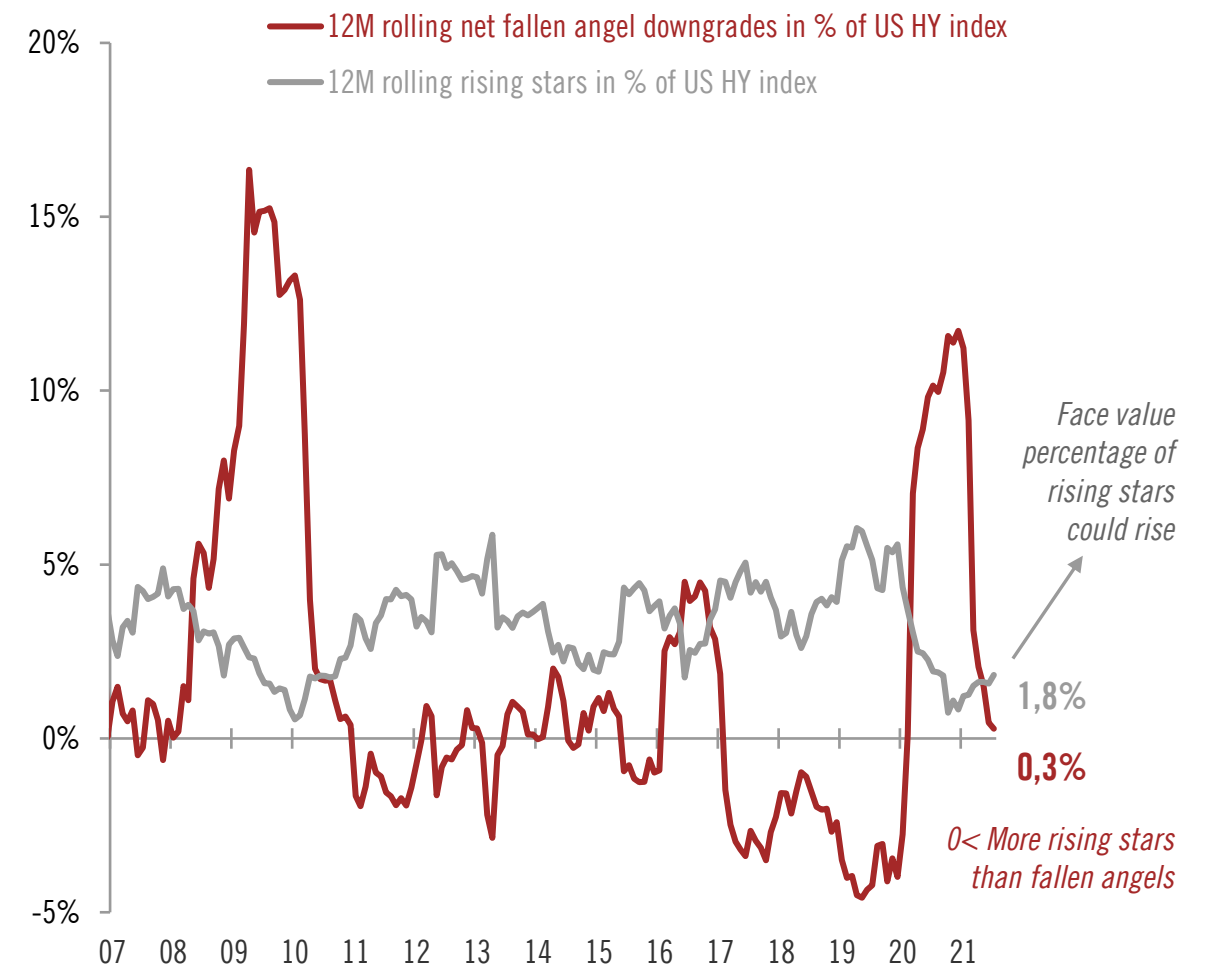


Rating Drift = (notch upgrades - notch downgrades) / rated issuers

HY: High Yield

Source: Pictet WM - AA&MR, Moody's,
25.08.2021

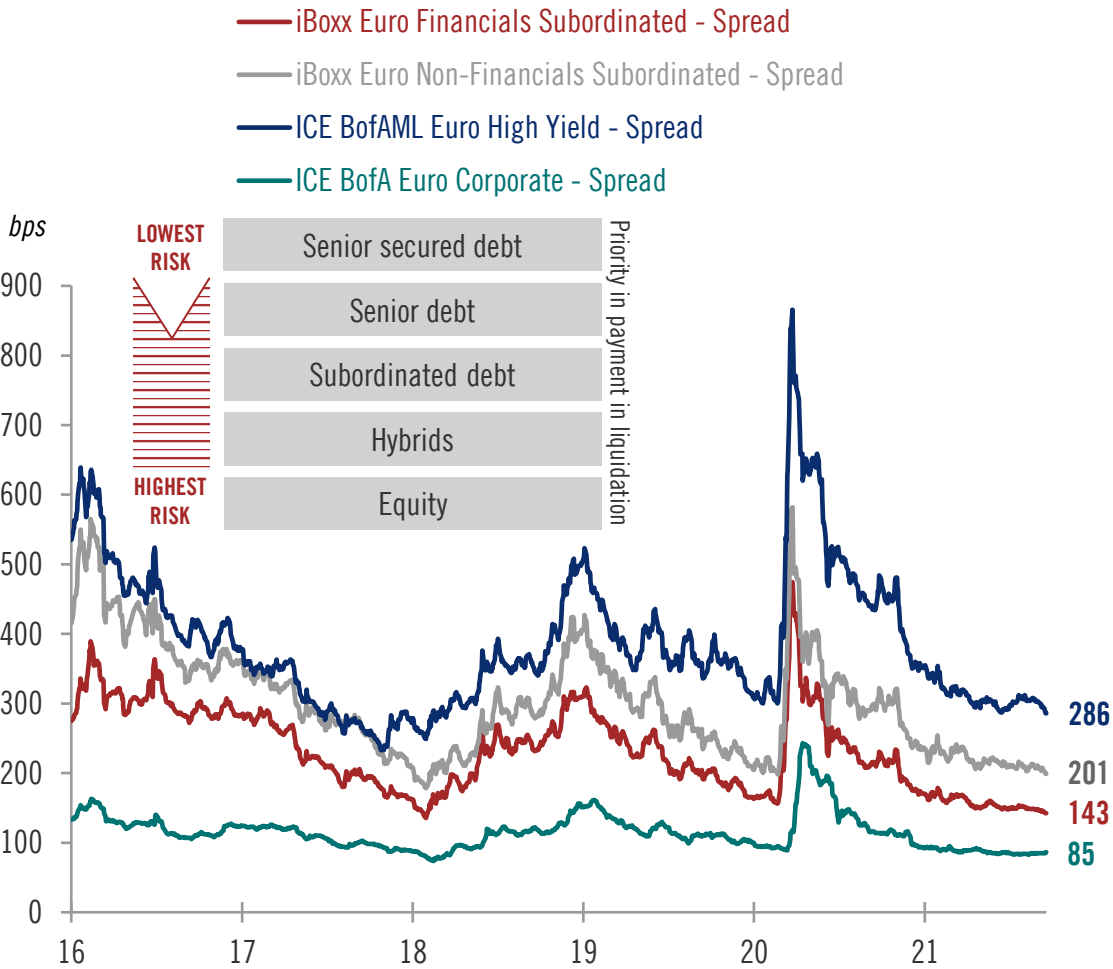
Corporate credit rating drift



Source: Pictet WM - AA&MR, BofAML,
25.08.2021

Corporate credit rating migration

Prefer to go down the capital structure and be selective



Euro corporate bond spreads

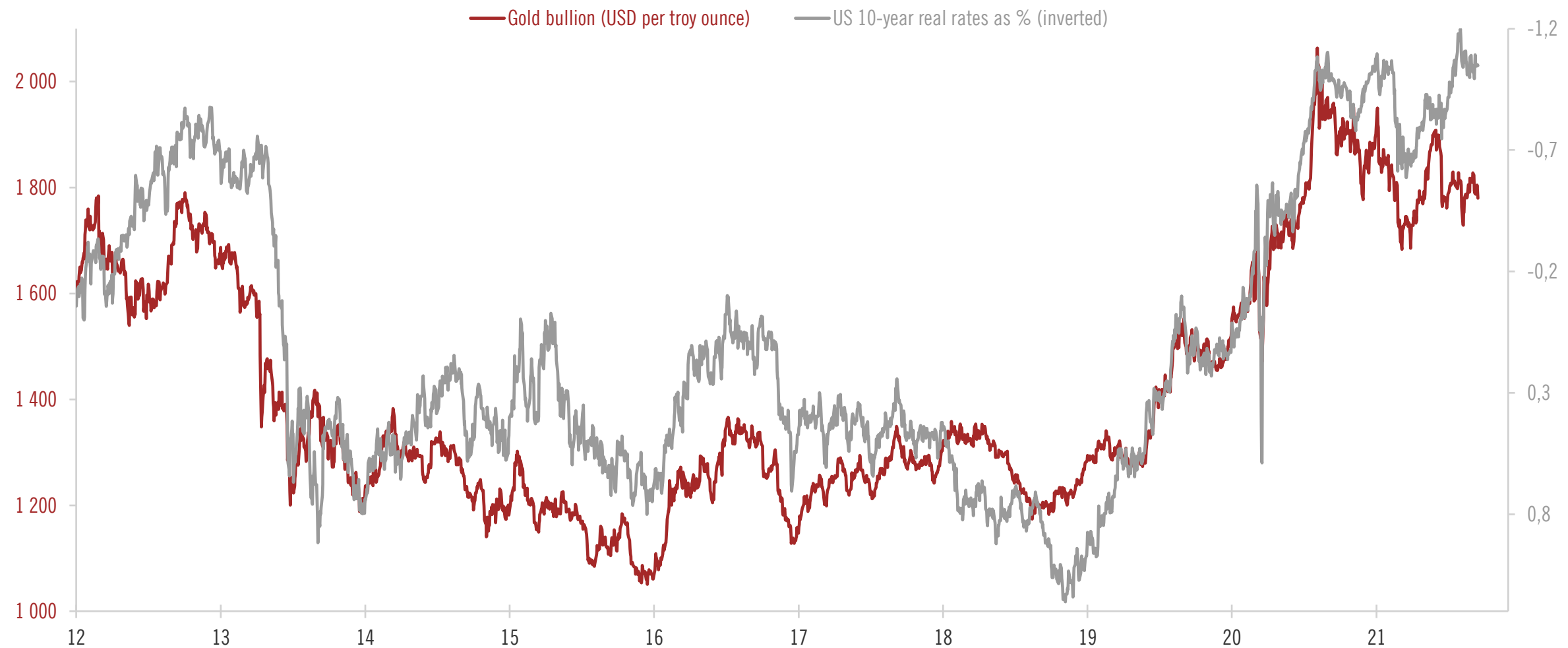
Fuente: Pictet WM - AA&MR, factset
17.09.2021



Evergrande vs. Huarong bond yields

Fuente: Pictet WM - AA&MR, factset
23.09.2021

Recently, gold has failed to react to lower US 10-year real rates

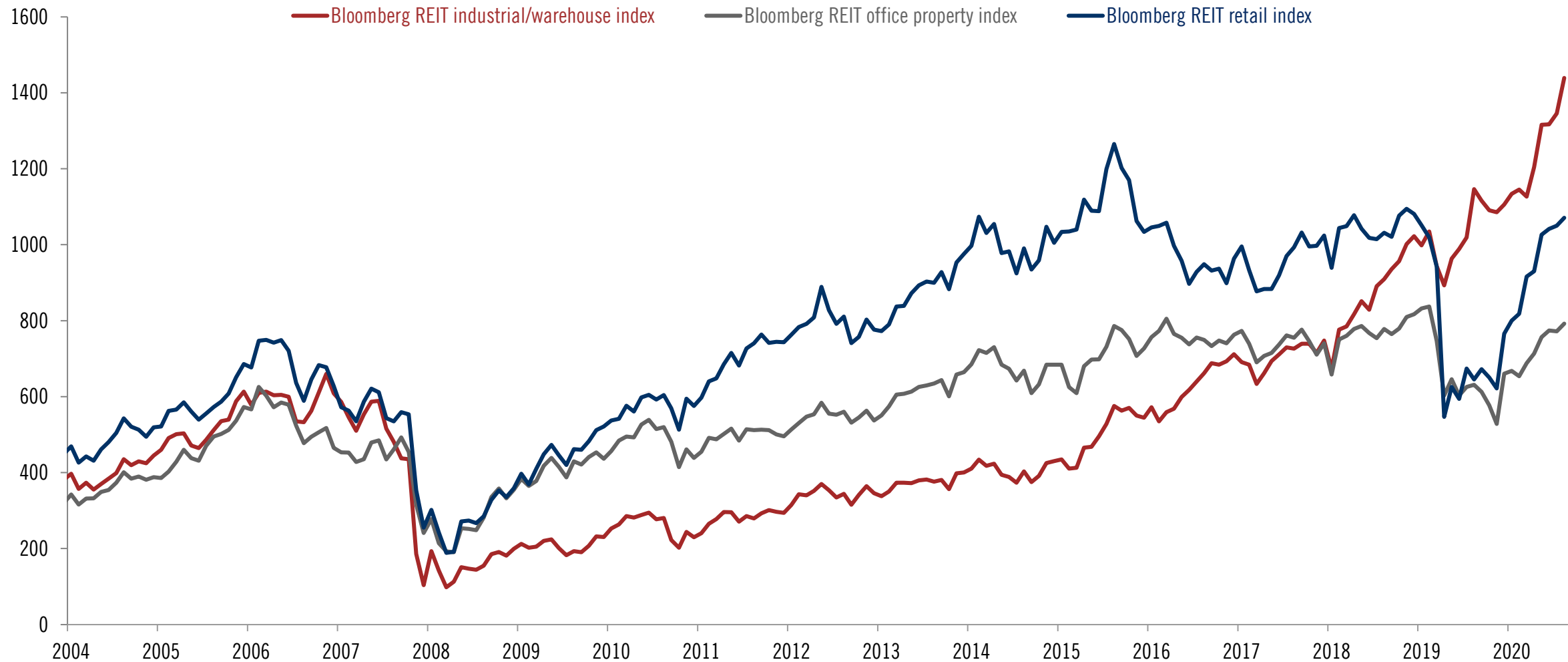


Gold vs.10-year US real rates

Source: Pictet WM - AA&MR, Bloomberg, 16.09.2021



REITs as an attractive asset class to diversify asset allocation



Past performance should not be taken as a guide to or guarantee of future performance.

Bloomberg REIT industrial, office, retail index, total return

REIT: Real-Estate-Investment-Trust
Source: Pictet CIO Office, Bloomberg, 25.08.2021



Conclusion

Conclusions

PRICING POWER
COMPANIES

GREEN MARSHALL
PLAN

CREDIT TRILOGY

PRIVATE ASSETS

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