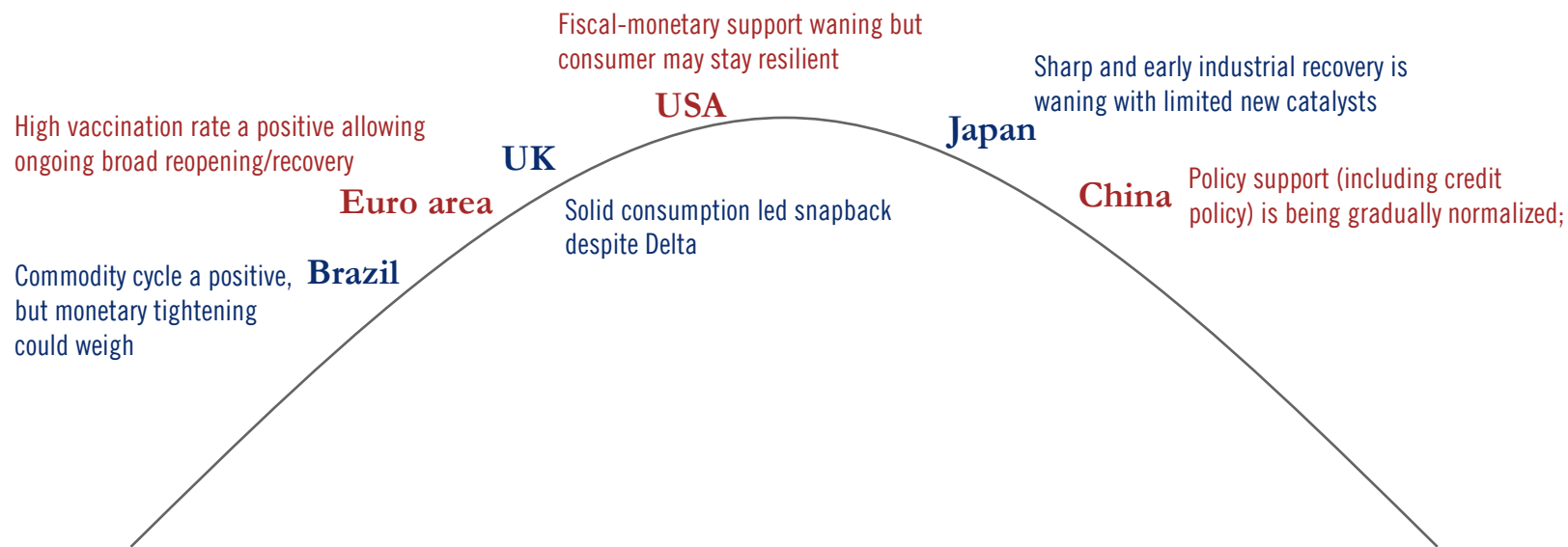






# Macroeconomic background

# US momentum may gradually wane while Europe blossoms



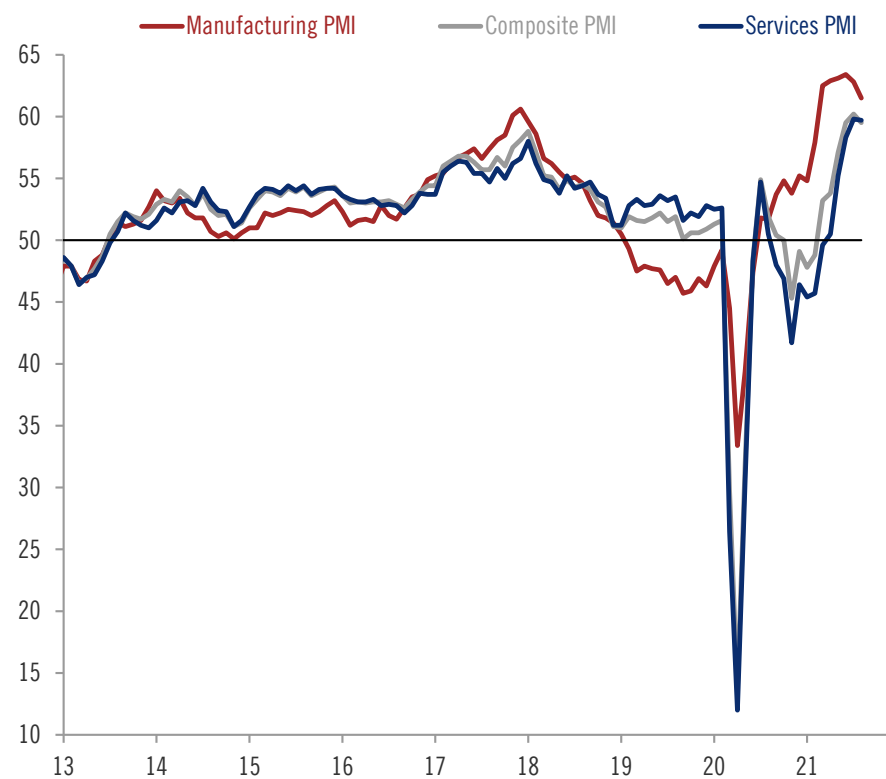
Our macro momentum score = vaccination/pandemic control x policy support x industrial edge

Our stylised macro momentum mapping for the top economies

Source: Pictet WM – AA&MR, September 2021

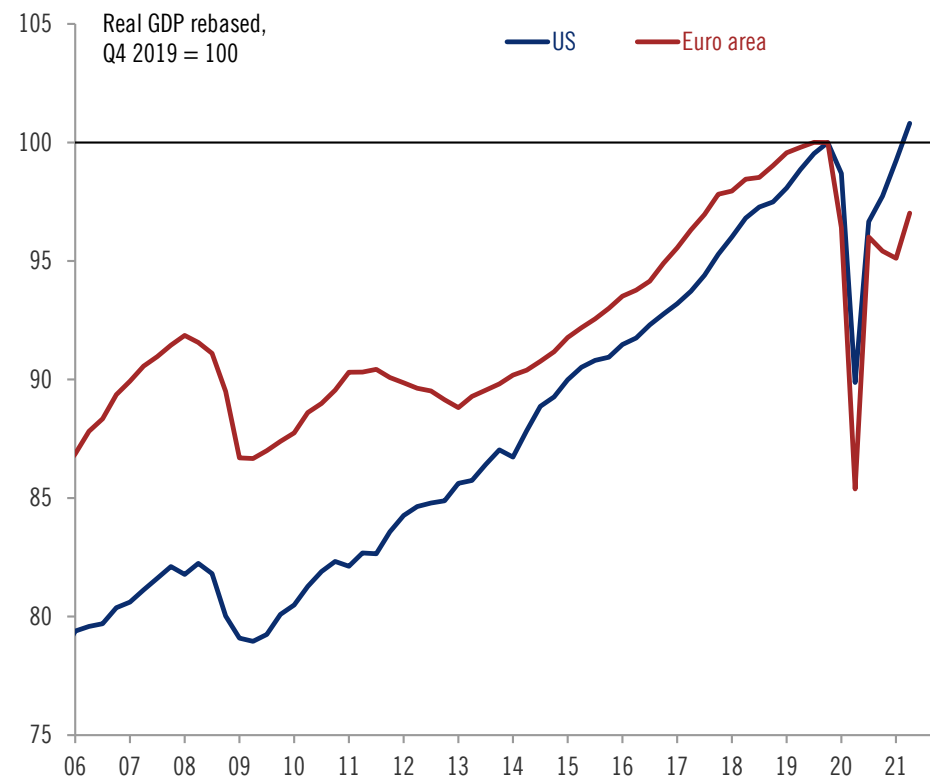


## Euro area | Outlook remains on track amid Delta risk



**Euro area: PMI survey**

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

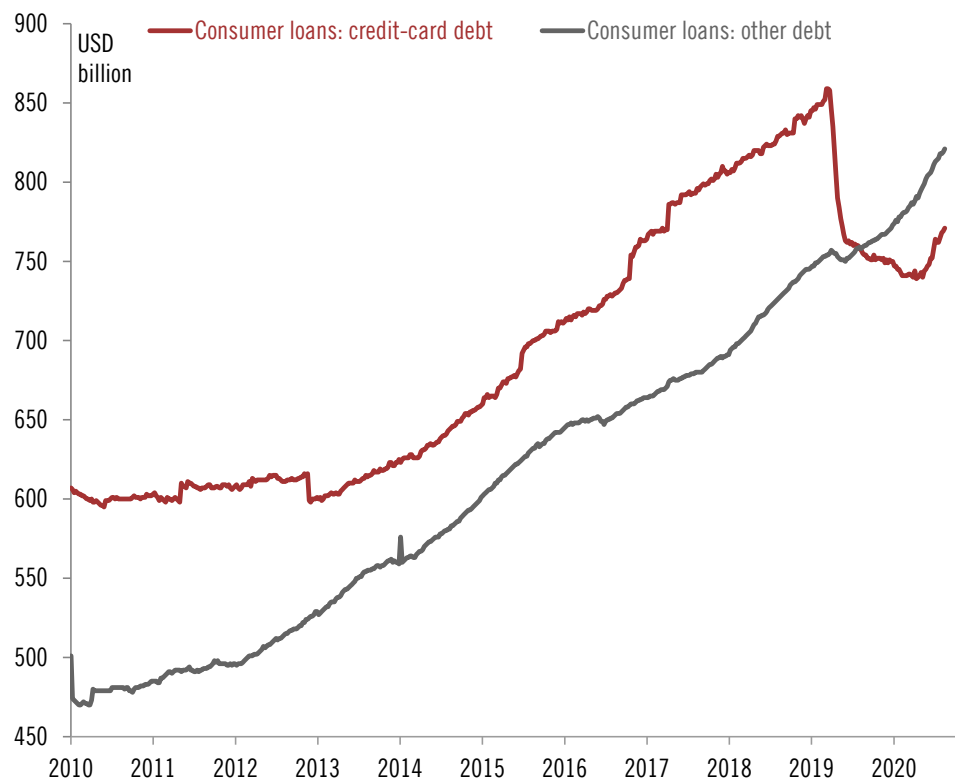


**Euro area and US: real GDP**

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

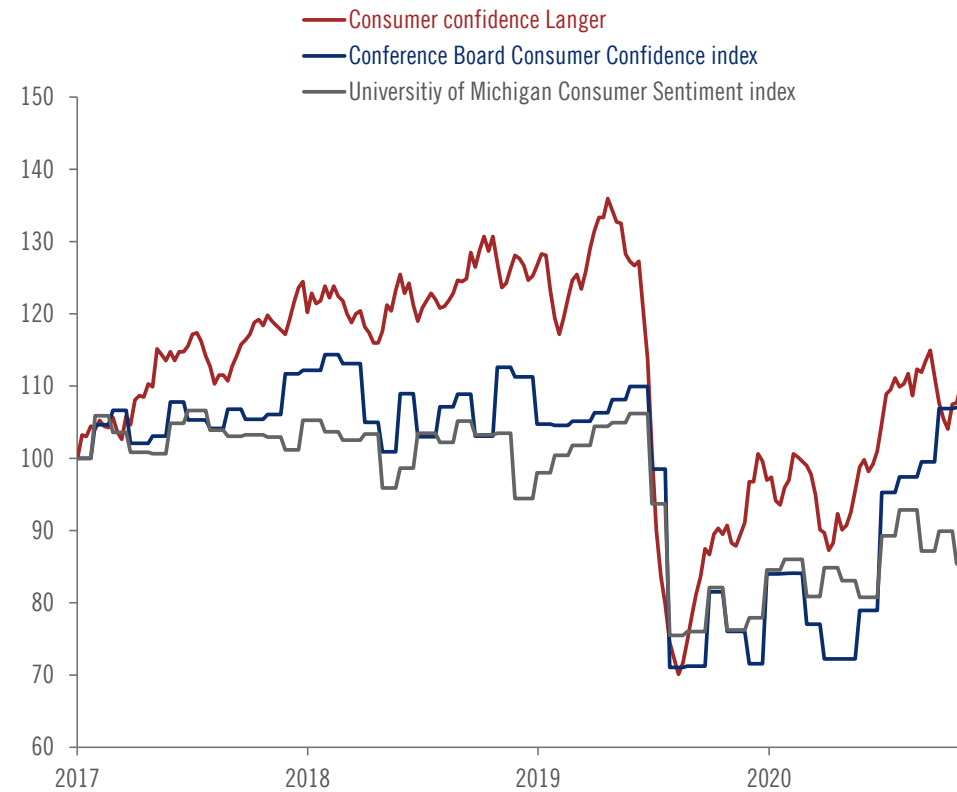


## A likely resilient US consumer ahead



Commercial banks' lending: consumer loans

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



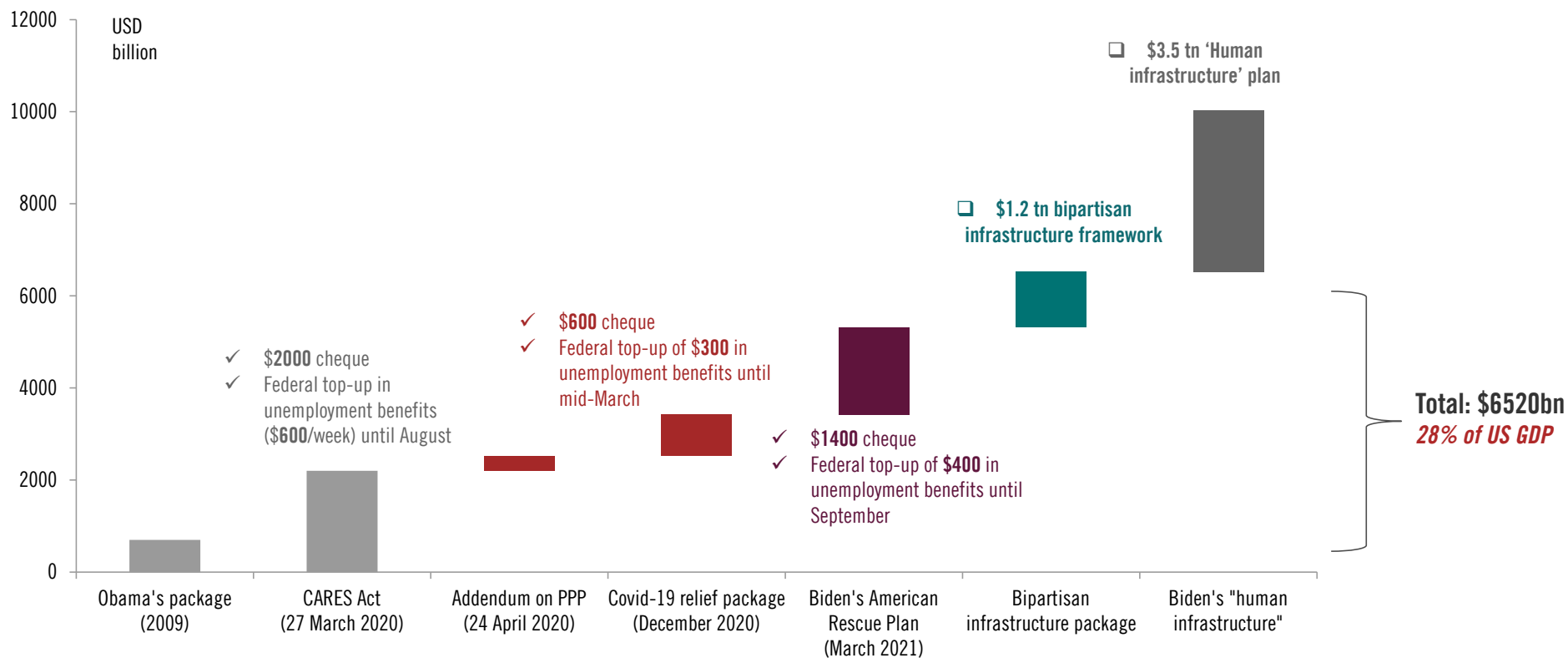
Selected consumer confidence indices

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





## Fiscal policy | Still several hurdles in Congress



How the fiscal plans stack up in the US so far

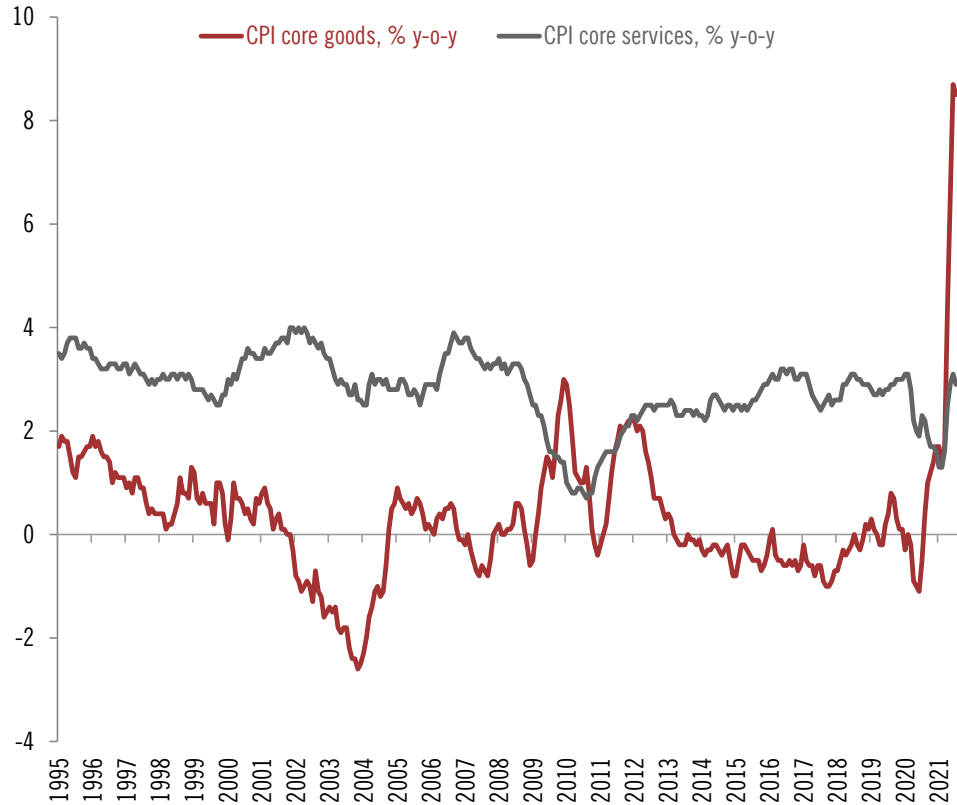
PPP: Purchasing Power Parity

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



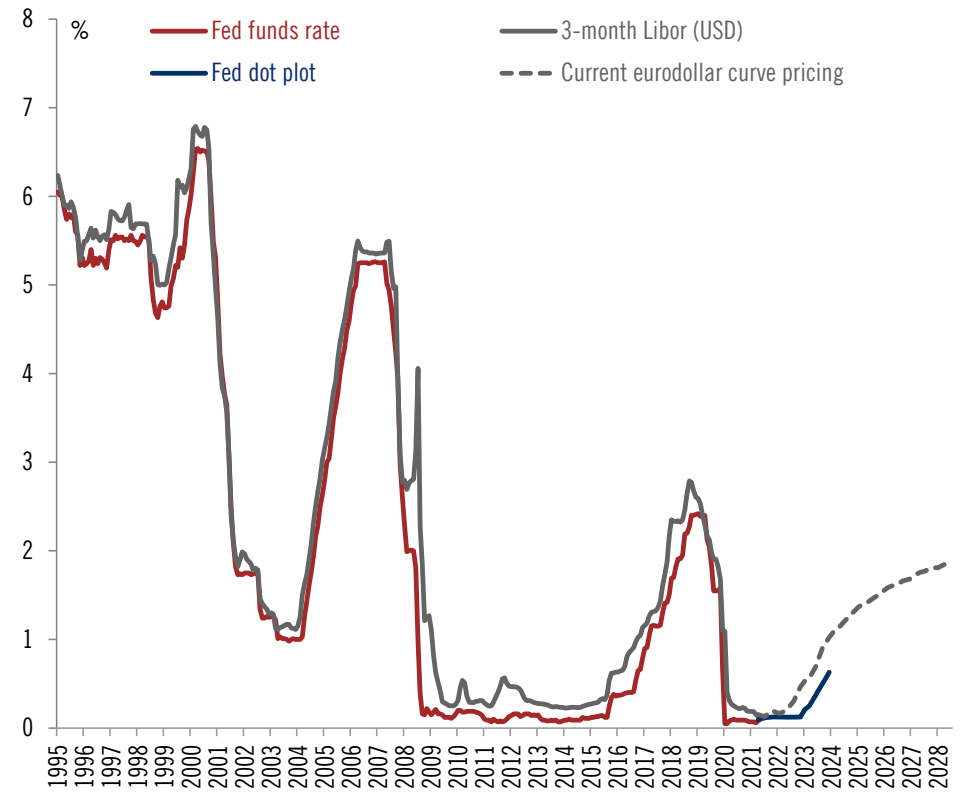
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# Inflation | upside risks due to bottlenecks



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

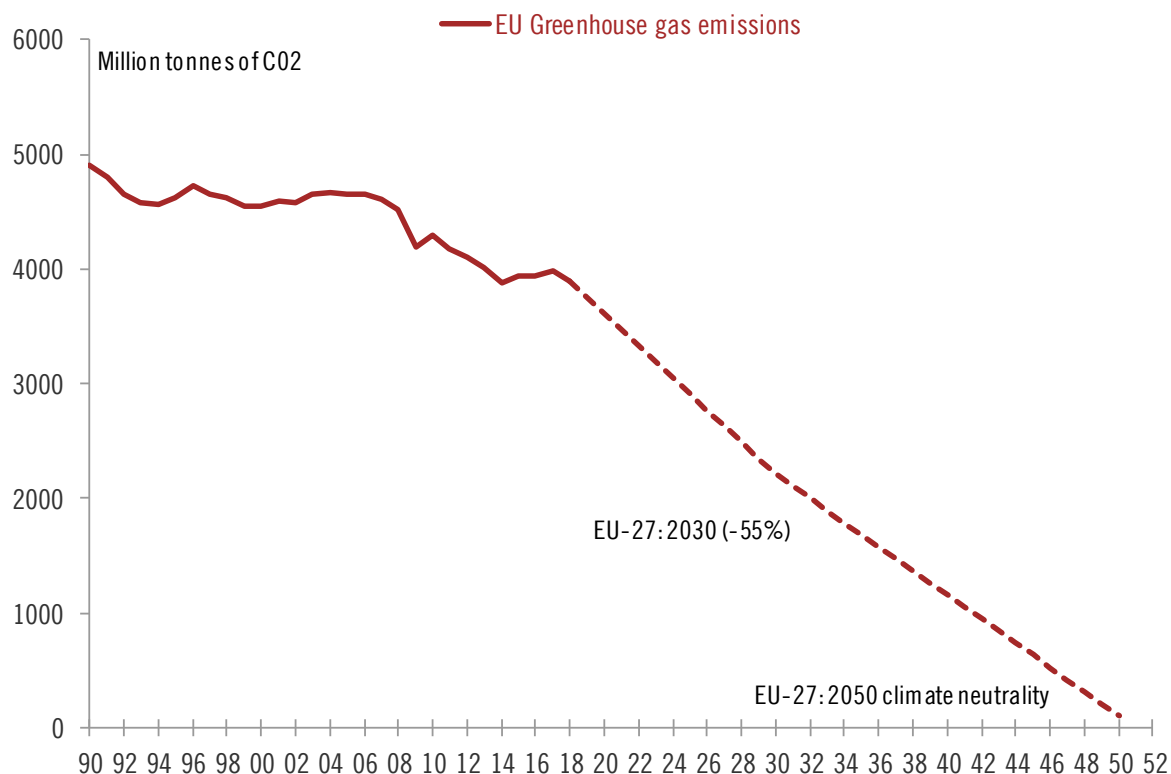
CPI: Consumer Price Index  
Source: Pictet WM-AA&MR, Factset, 25.08.2021



**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

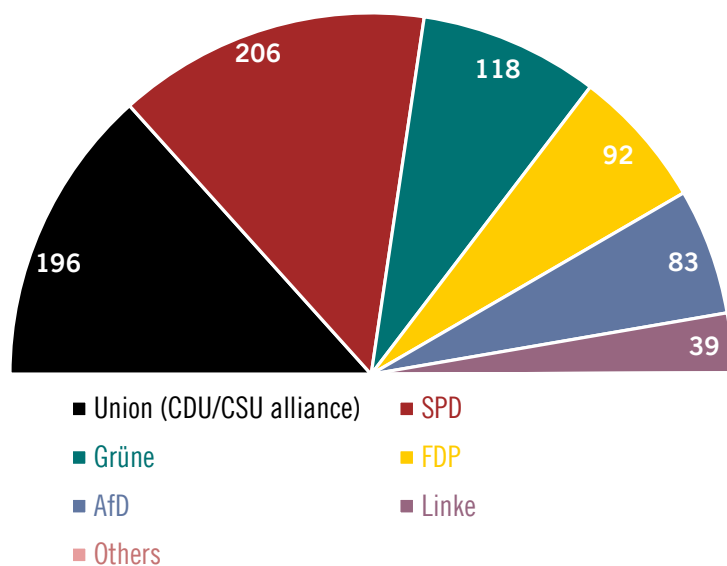
**EU27: Greenhouse gas emissions with Commission's targets**

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

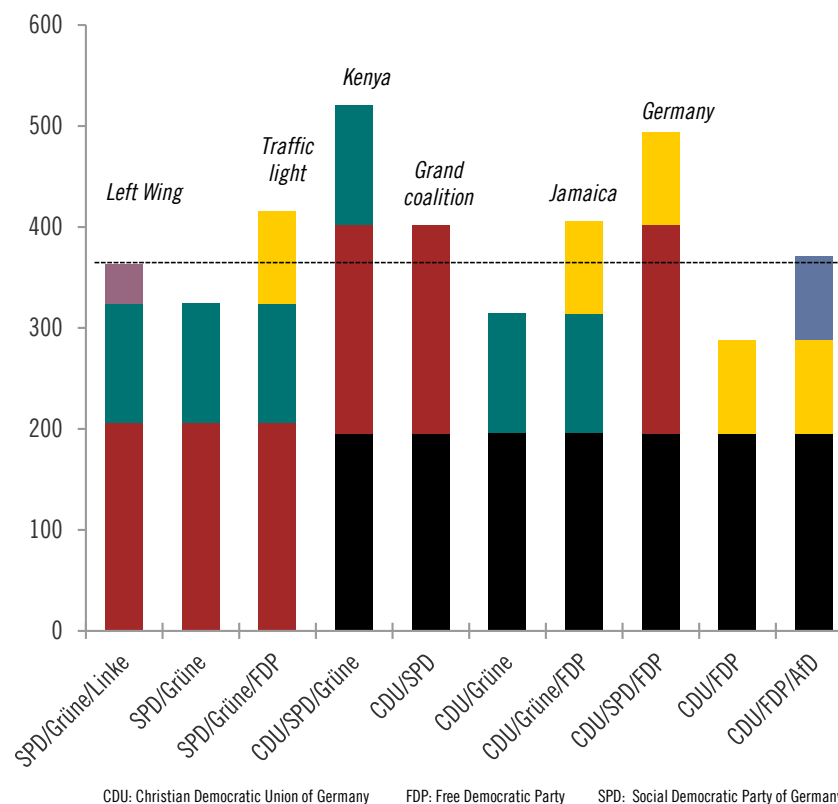




# German's election | tough coalition talks lie ahead



Total seats: 735 (368 seats for majority)



CDU: Christian Democratic Union of Germany FDP: Free Democratic Party SPD: Social Democratic Party of Germany

## Germany: federal election results 2021 – seats

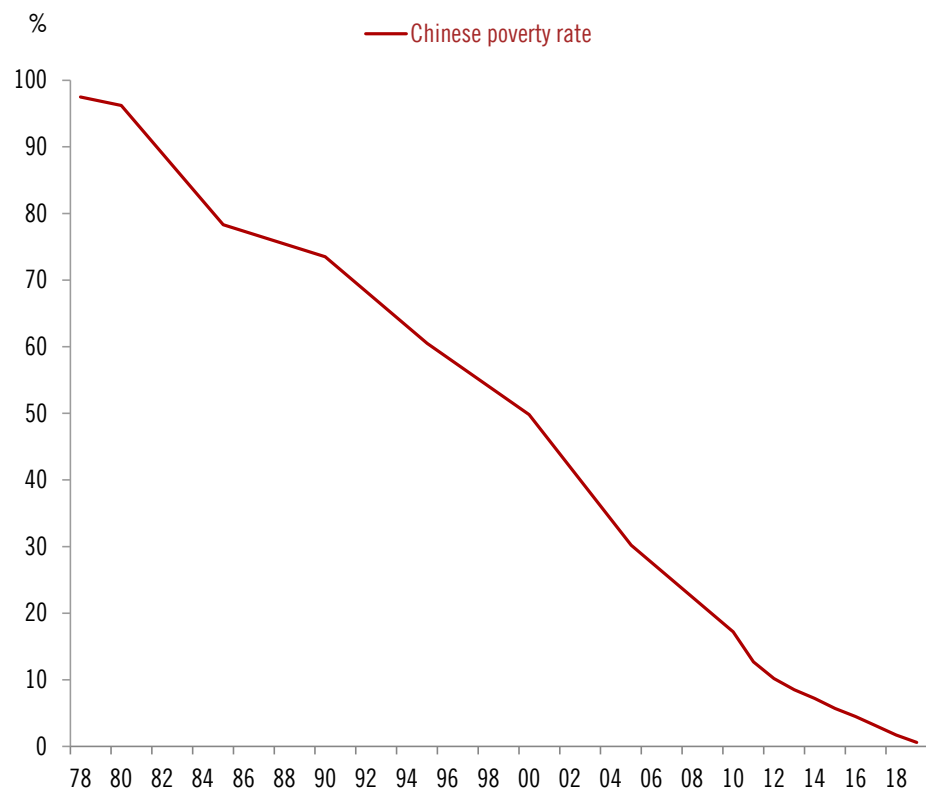
Source: Pictet WM - AA&MR (based on provisional results), 27.09.2021

## Germany: possible coalitions – seats

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

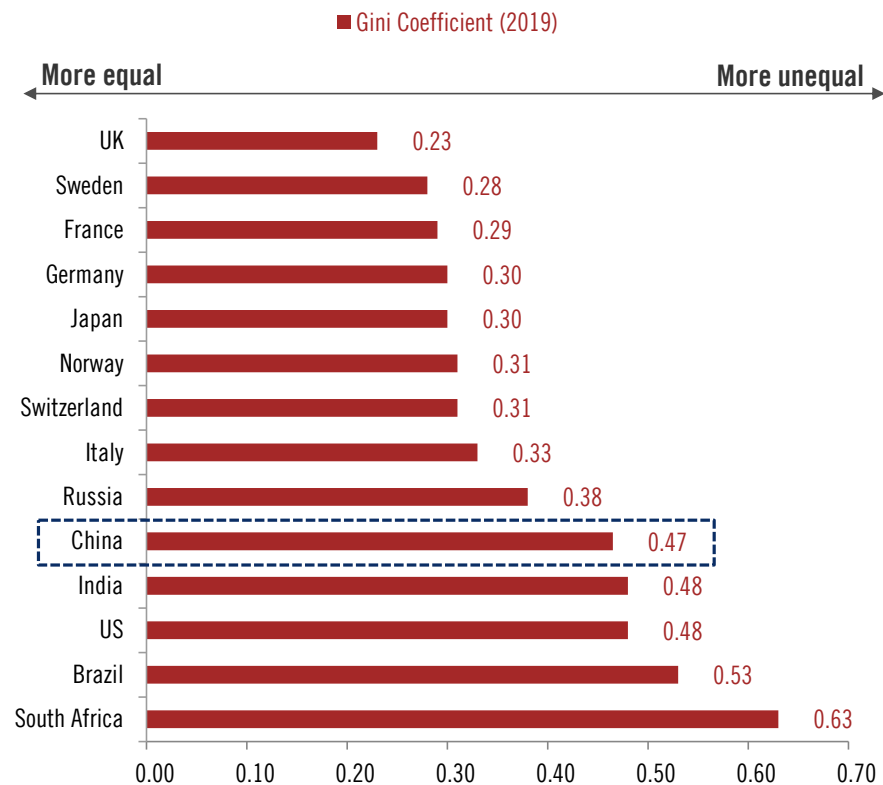


# China | After eliminating poverty, focus shift to 'common prosperity'



China: poverty rate

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



Gini Coefficients of selected countries (2019)

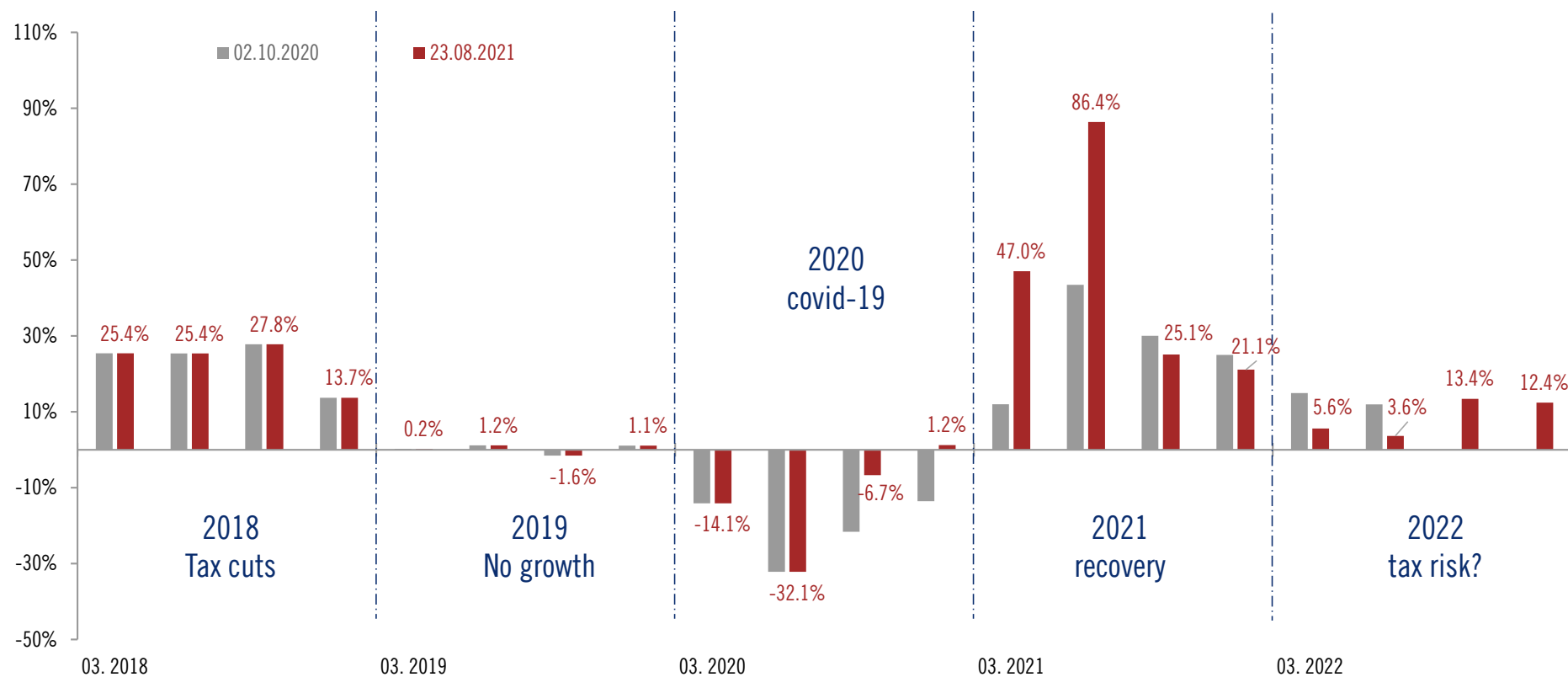
Source: Pictet WM - AA&MR, Wind, 26.08.2021



# 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

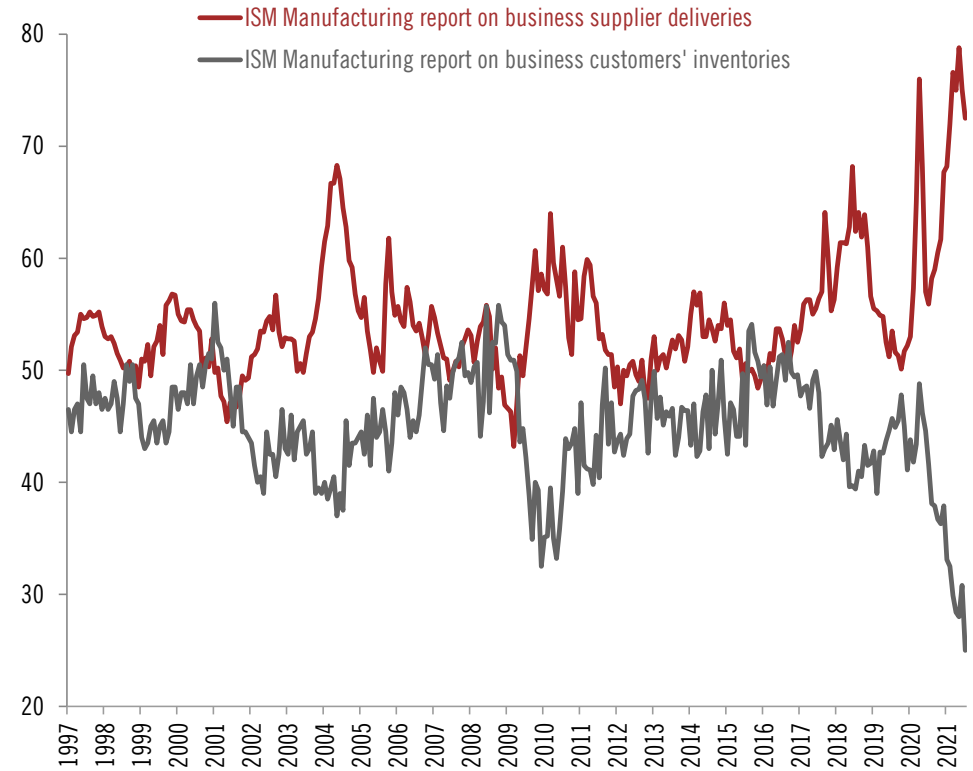


# Supply bottlenecks justify our focus on companies with pricing power



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

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



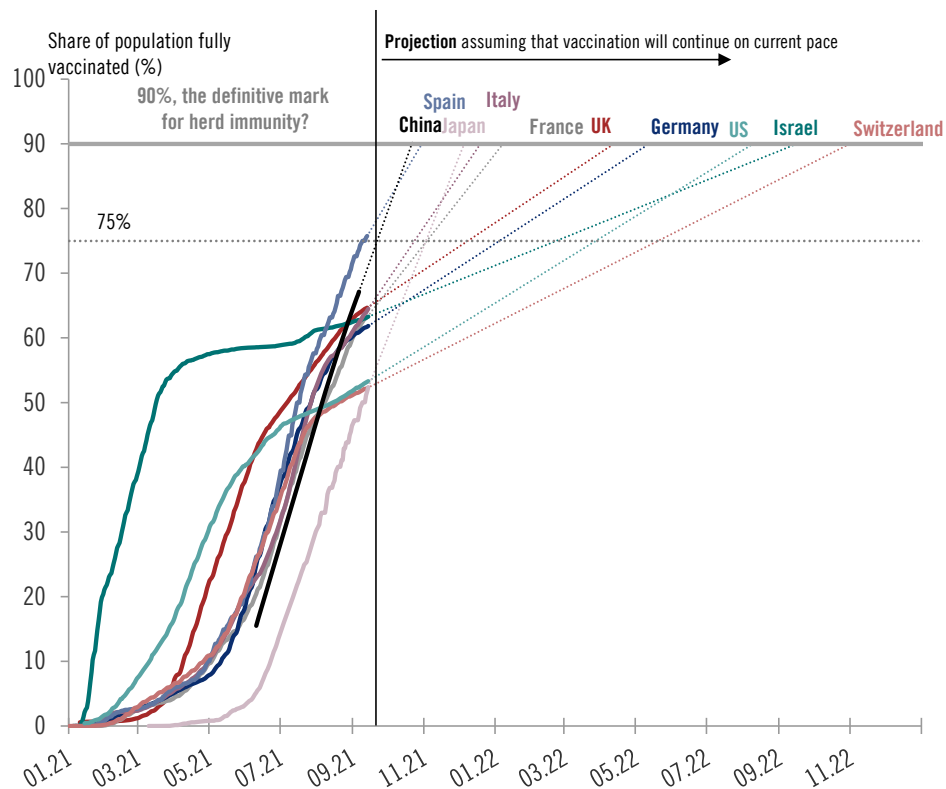
ISM manufacturing report on business supplier deliveries and customers' inventories

ISM: Institute for Supply Management

Source: Pictet CIO Office, Bloomberg, 25.08.2021

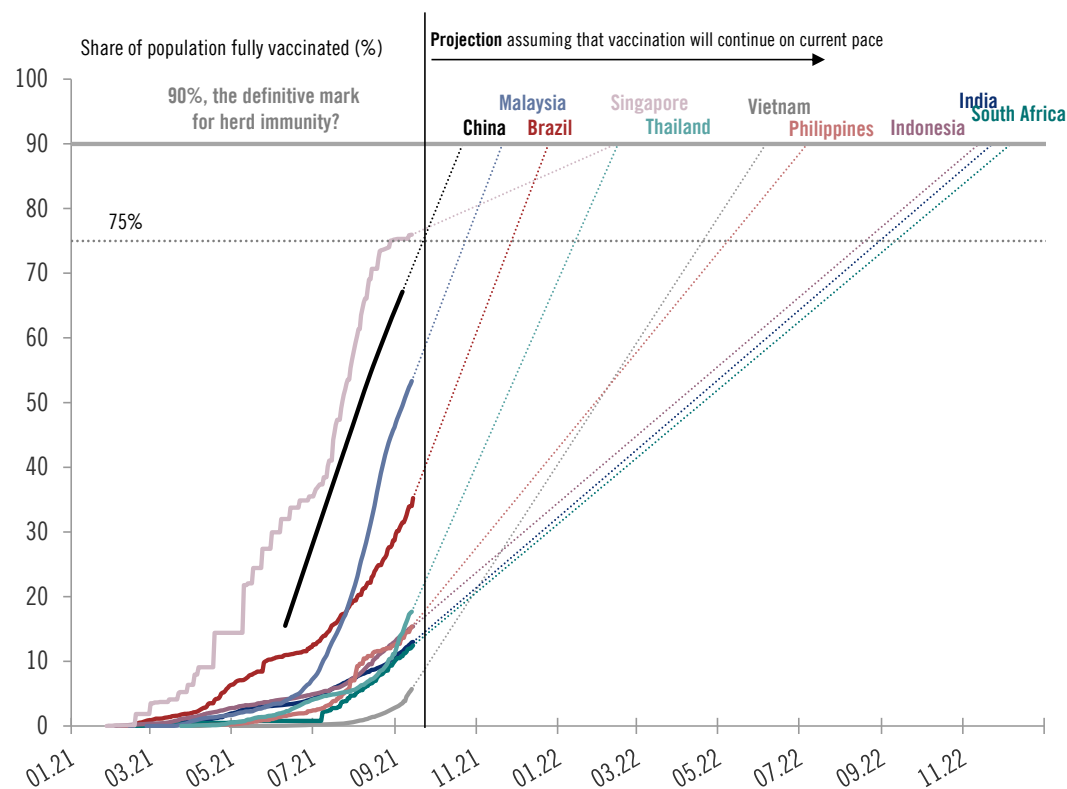


# Covid 19| Herd immunity predicted timing



**Advanced economies: share of people fully vaccinated**

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



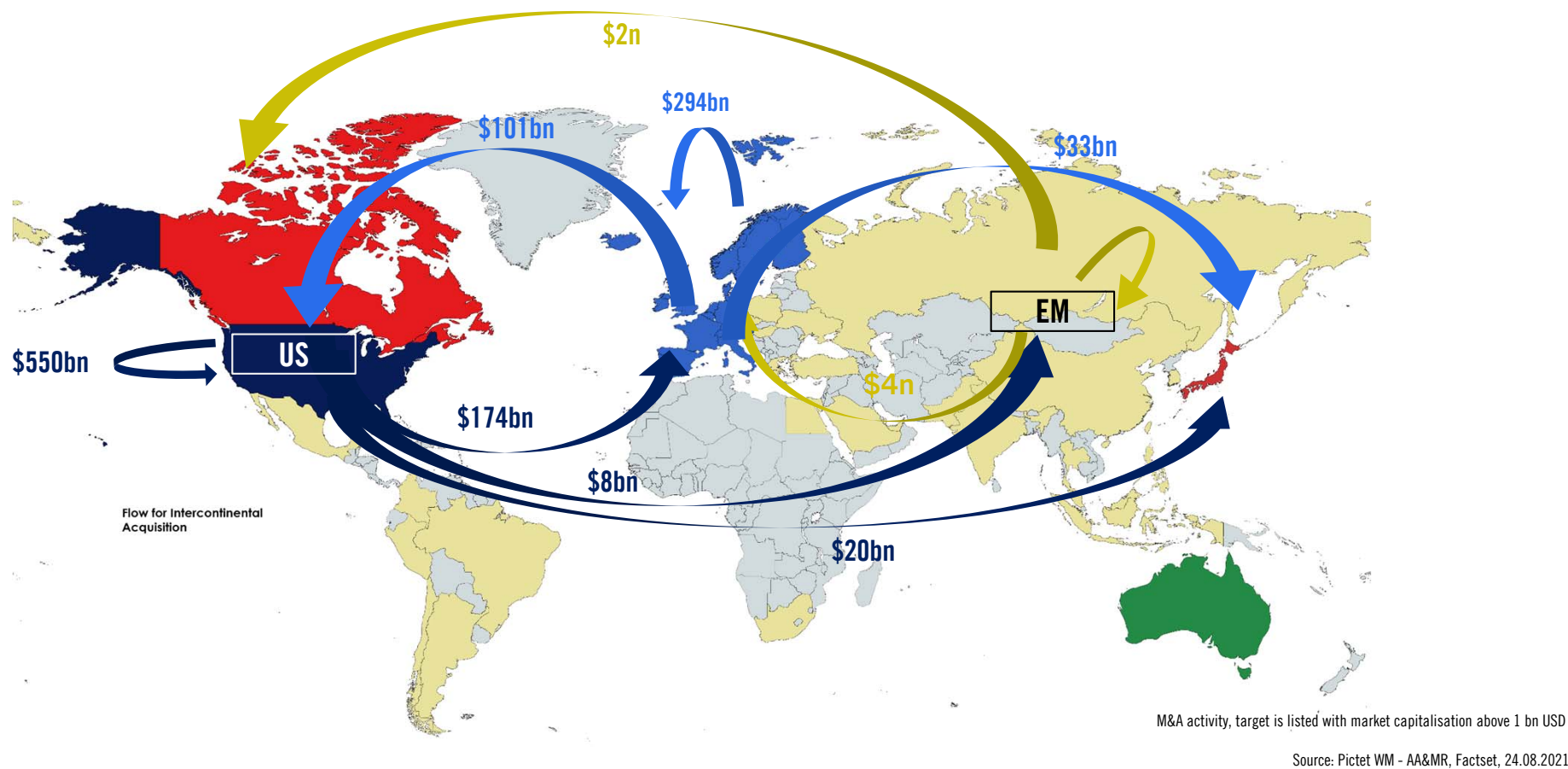
**Emerging economies: share of people fully vaccinated**

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

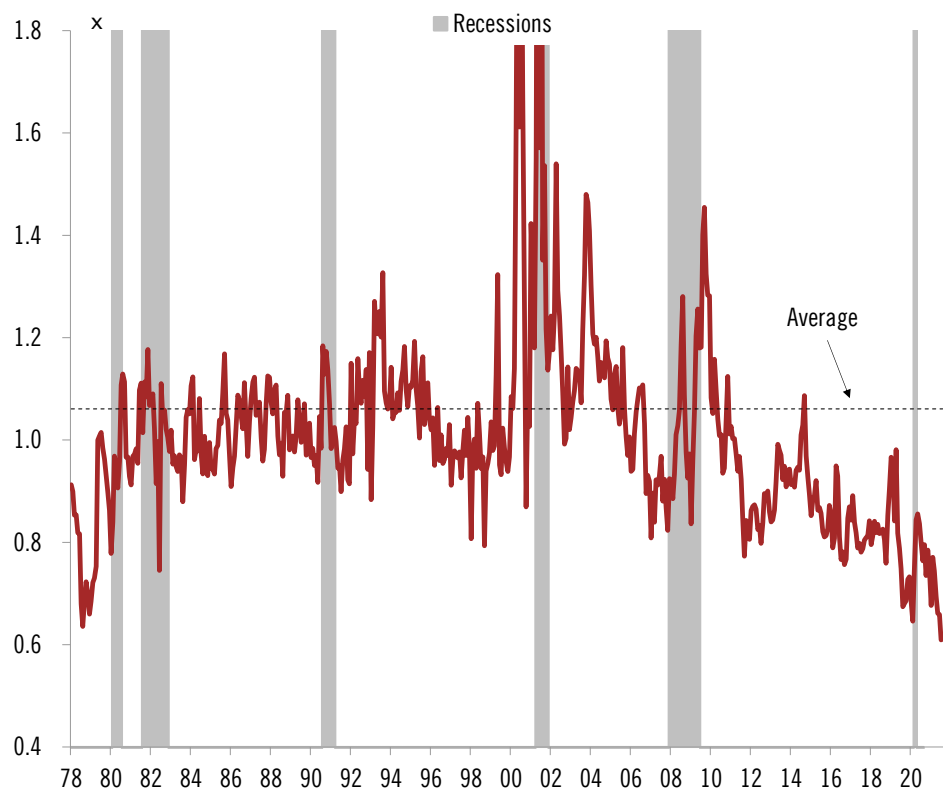




## YTD flows for cross-continental acquisition coming back in 2021

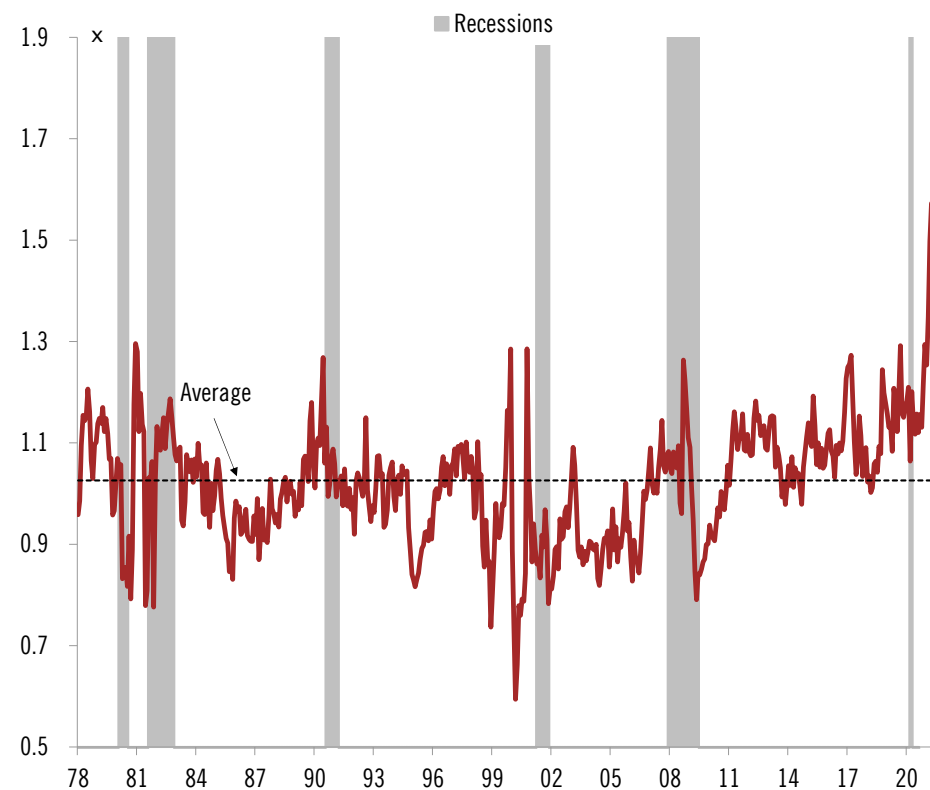


## Cost of an inflation hedge in the equity market is low



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

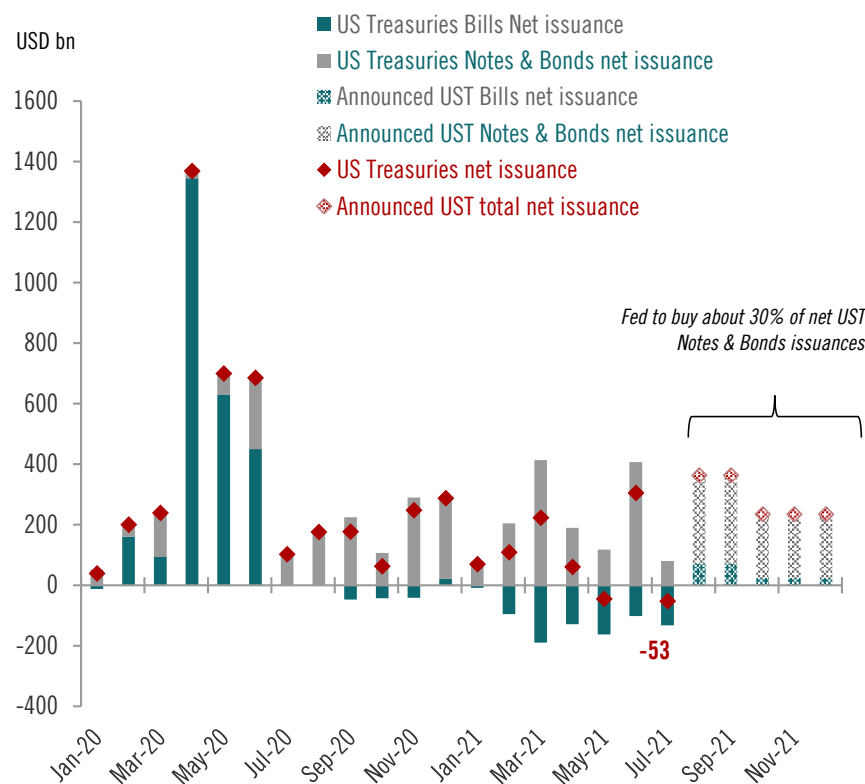
Source: National Bureau of Economic Research, Empirical Research Partners Analysis, 26.08.2021



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

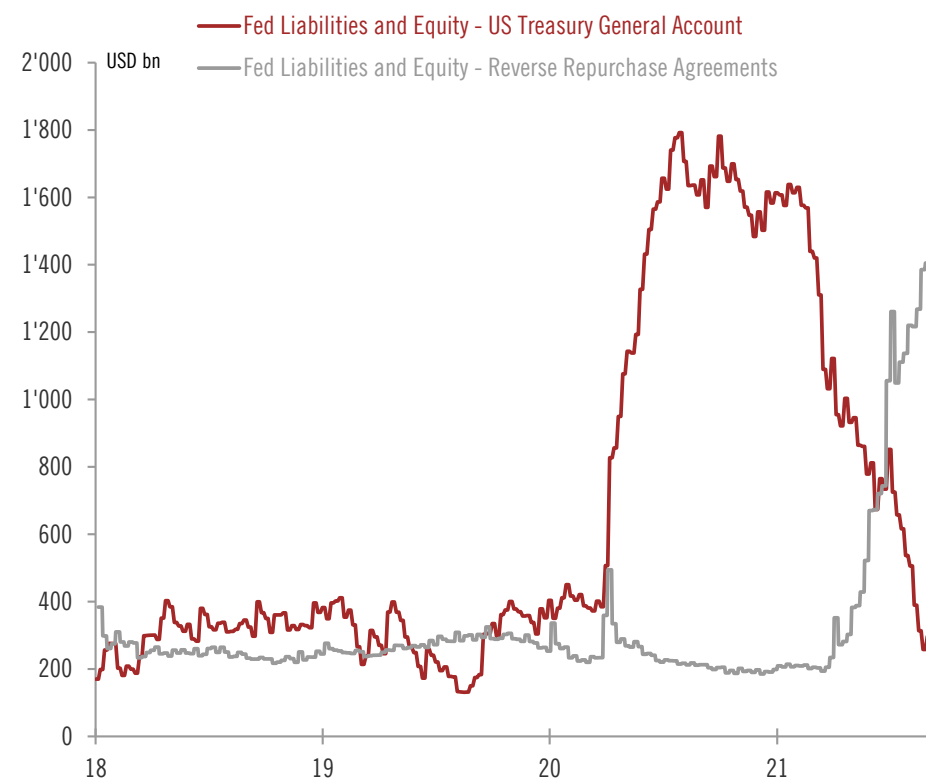
Source: National Bureau of Economic Research, Empirical Research Partners Analysis, 26.08.2021

# 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



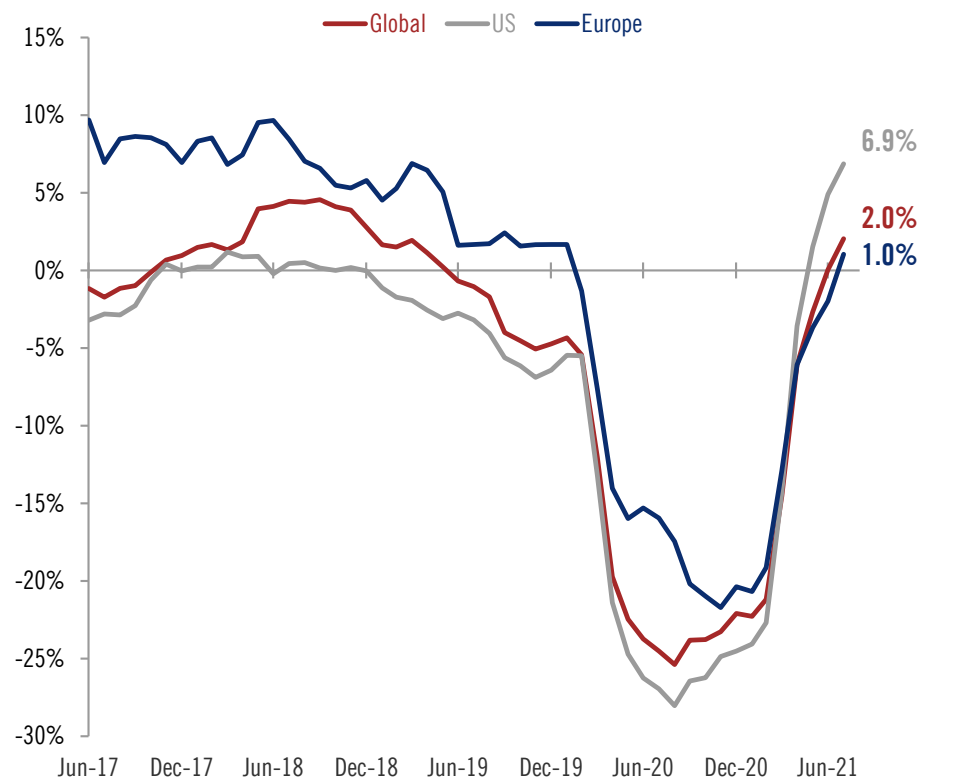
Fed balance sheet

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





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

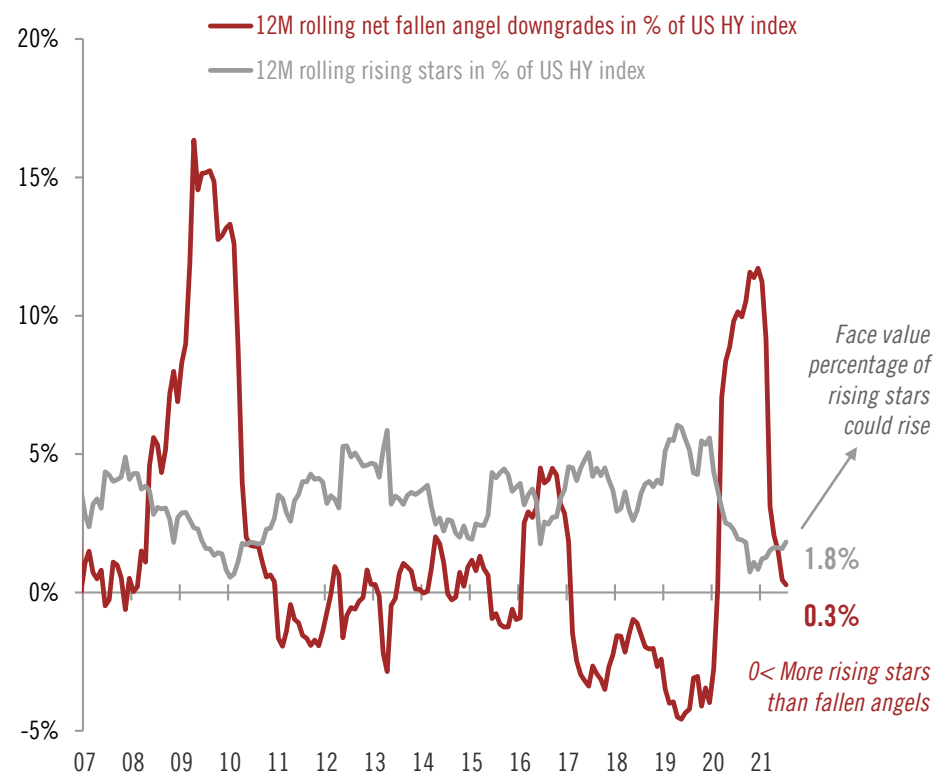


Rating Drift = (notch upgrades - notch downgrades) / rated issuers

HY: High Yield

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

## Corporate credit rating drift

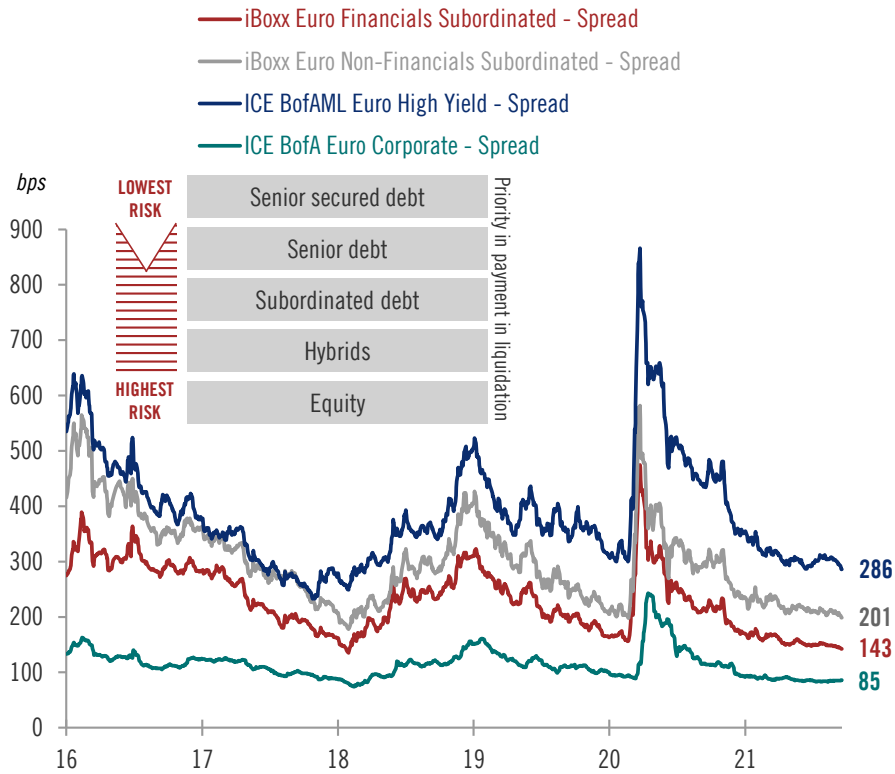


Source: Pictet WM - AA&MR, BofAML,  
25.08.2021

## Corporate credit rating migration

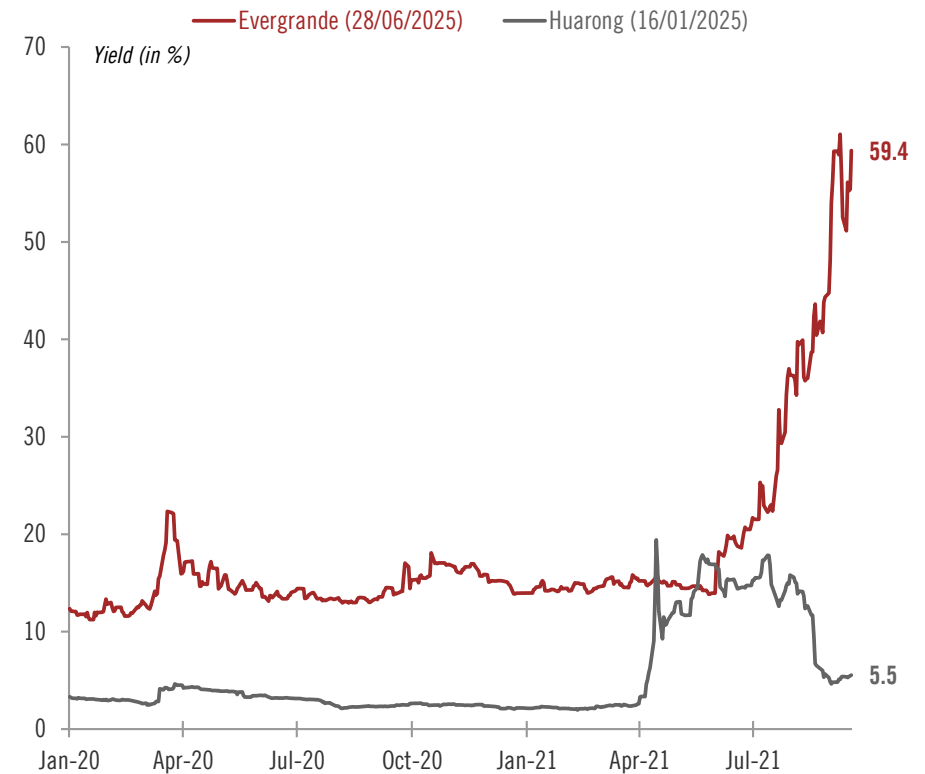


# Prefer to go down the capital structure and be selective



Euro corporate bond spreads

Fuente: Pictet WM - AA&MR, factset  
17.09.2021

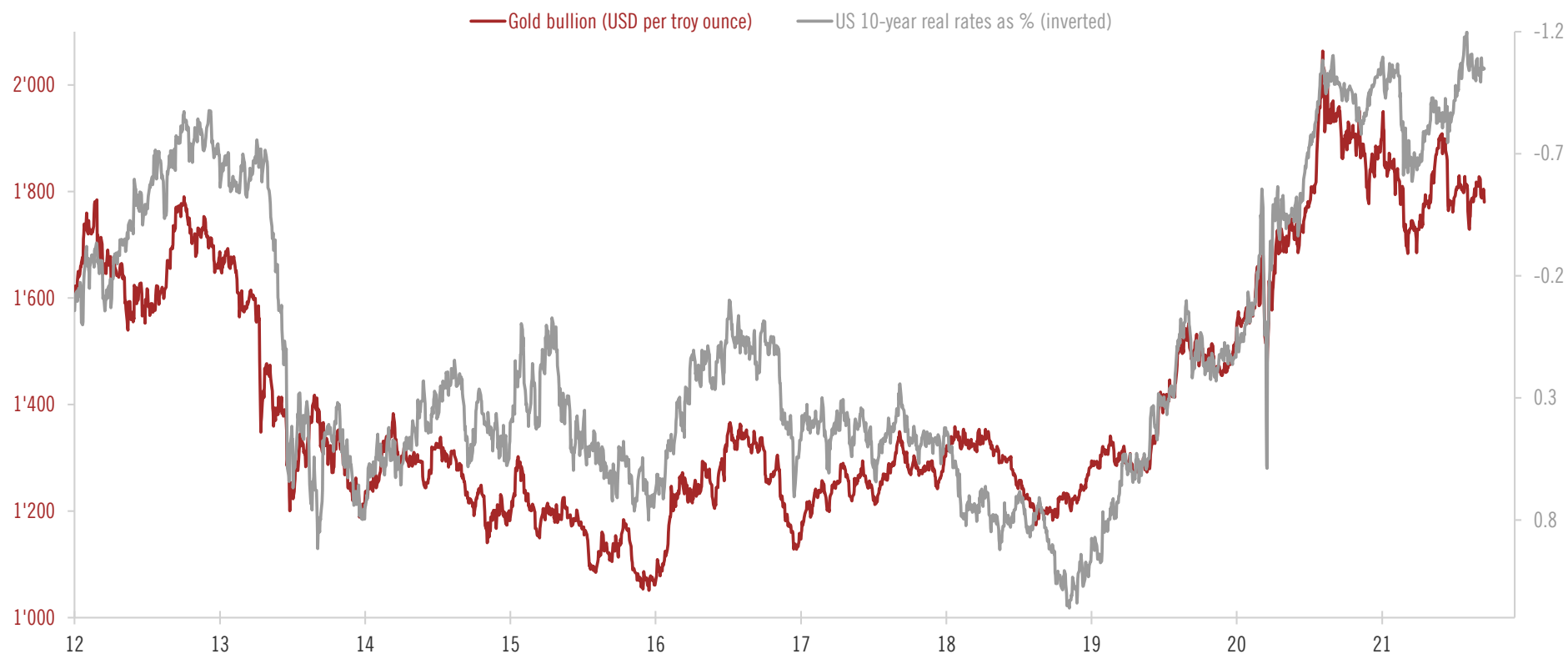


Evergrande vs. Huarong bond yields

Fuente: Pictet WM - AA&MR, factset  
23.09.2021



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

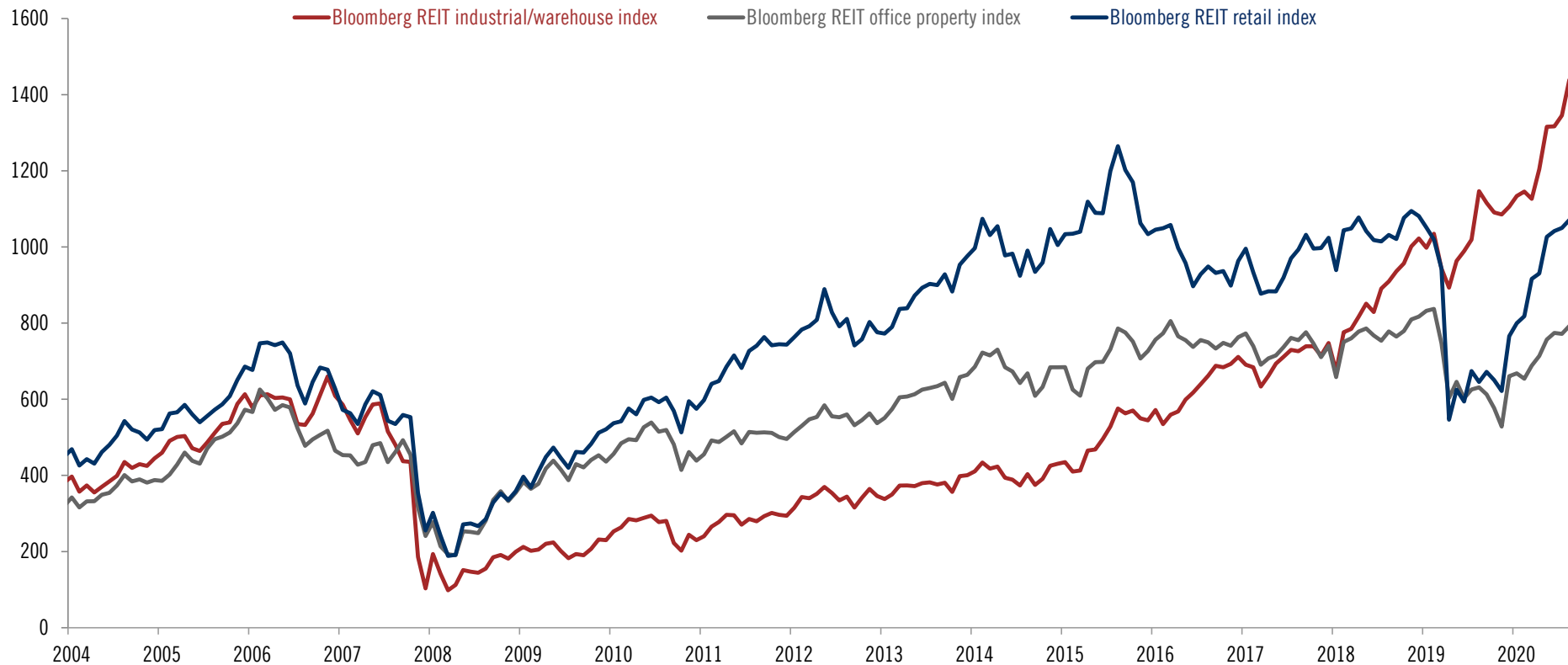


### Gold vs. 10-year US real rates

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



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## Valuation is easing slowly led by cyclical sectors



12-month forward price to earnings ratio

Fuente: Pictet WM - AA&MR, factset  
30.09.2021



12-month forward price to earnings - US  
sector group

Fuente: Pictet WM - AA&MR, factset  
30.09.2021



# Conclusion

## Conclusions

PRICING POWER  
COMPANIES

GREEN MARSHALL  
PLAN

CREDIT TRILOGY

PRIVATE ASSETS



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