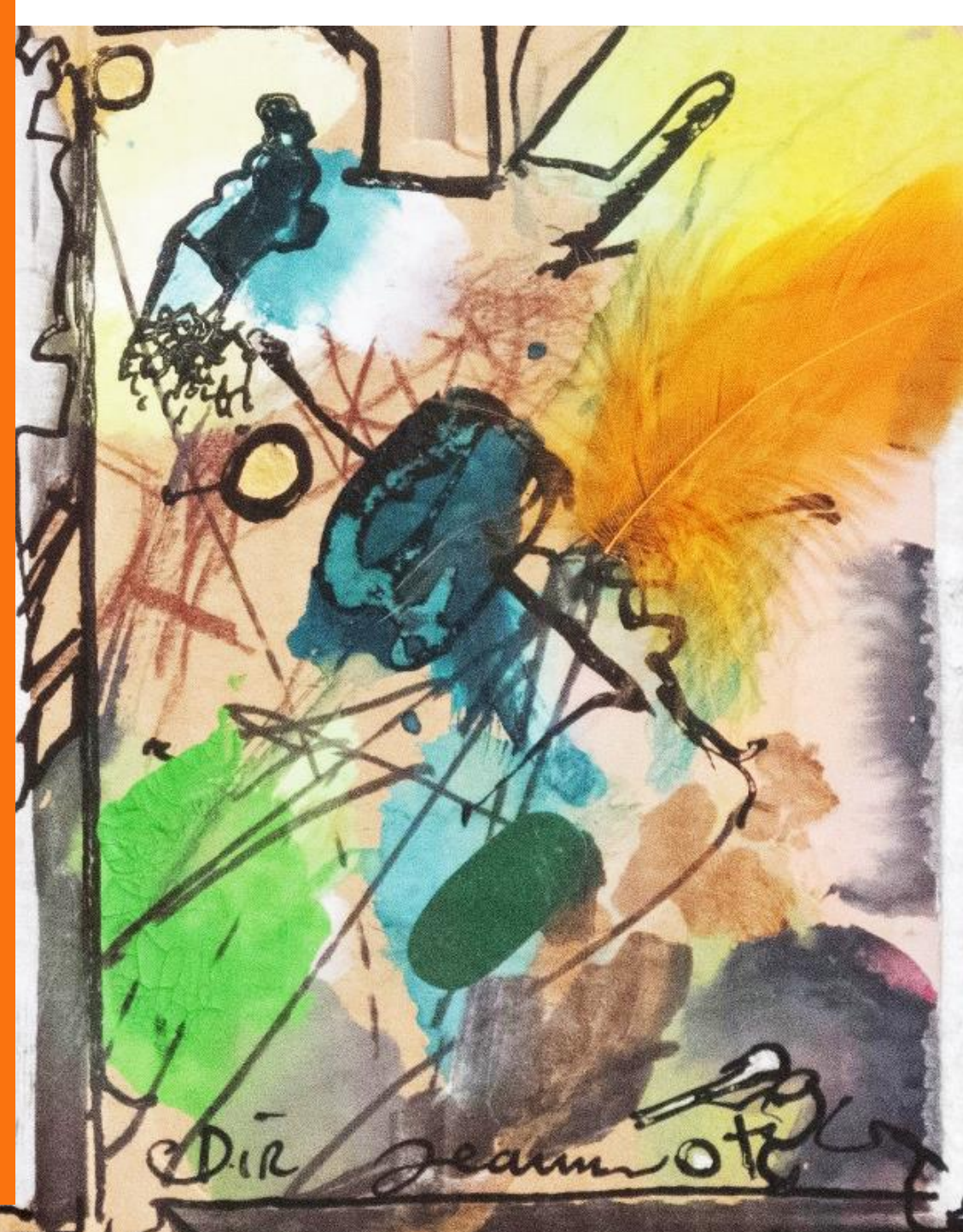




RESEARCH

QUARTERLY INSIGHT

4th Quarter 2022





Pandemonium, Jean Tinguely
1981. Oil, gouache, watercolor and felt pen on board
CBH Compagnie Bancaire Helvétique Private Collection
Photo: P. Bitz

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Asset Allocation

		Neutral	Underweight	Overweight	Change
CASH	\$	5%		15%	
	€			30%	
Cash	\$	5%		15%	6%
Cash	€			30%	6%
CORE BONDS	\$	50%		36%	
	€			21%	
Government 1-5Y	\$	15%	10%		
	€		0%		
Government 5-10Y	\$	10%	5%		
	€		0%		
Investment Grade 1-5Y	\$	15%		18%	
	€			18%	
Investment Grade 5-10Y	\$	10%	3%		
	€		3%		
SATELLITE BONDS		0%		4%	
High Yield 1 - 5 years				2%	
EM Hard currency				0%	-4%
EM Local currency				0%	
Senior loans				0%	
Convertible				2%	
EQUITIES		40%		34%	
North America		17%	15%		
Europe		8%	5%		
Asia Pacific & Japan		4%	3%		
China		2%		3%	
Emerging Markets		3%	2%		
Global		6%		6%	
OTHERS		5%		11%	
Gold		2%		0%	-2%
Other investments		3%		11%	

Past performance is not a reliable indicator of future performance and should not be solely relied upon.

Executive Summary

Slowing economic momentum, surging inflation, tighter monetary policy, and heightened geopolitical tensions have roiled financial markets in Q3. Globally, we see inflation peaking in coming quarters, albeit we expect disinflation to be a painfully slow process. Upstream inflationary pressures are cooling down, but wages are starting to press upward with tight labor markets. This will make the life of central bankers difficult as they try to return inflation to their target, irrespective of the cost to economic growth, even if that means pushing the economy into recession. Economic activity in many developed countries is set to contract, while China should gather a more positive momentum. Uncertainties are here to stay, with energy shortages in Europe, COVID cases in China, and geopolitical developments to spur bouts of volatility in Q4.

We do not yet call for peak inflation in the US, as it will take time for the Fed to cool down the labor market and control wage growth. Rents have not yet peaked despite the weakening housing market, and when they do, it will take months to be translated into CPI numbers. As long as we are not confident that inflation has peaked, we expect financial conditions to tighten even more, as the Fed might be forced to hike more aggressively and for longer than currently expected. In this context, we believe US sovereign yields could stay elevated and eventually continue grinding higher.

The European macro context is somewhat different and gloomier. The largest source of headline inflation comes from energy prices, which have surged as Russia suspends gas flows to Europe through the Nord Stream gas pipeline in retaliation to its involvement in the Ukrainian war. While the quick filling of storage capacities and rationing policies have alleviated some of the pressure on gas prices, the inflationary and growth impact will depend upon weather conditions during the winter. This dire situation compounds an already slowing economic momentum, and as the ECB tightening begins to bite, the consensus is that the Eurozone will contract over the next two quarters. The magnitude of the contraction is hard to predict, however, as it will be influenced significantly by the fallout of the Ukrainian conflict and the depth of the energy crisis.

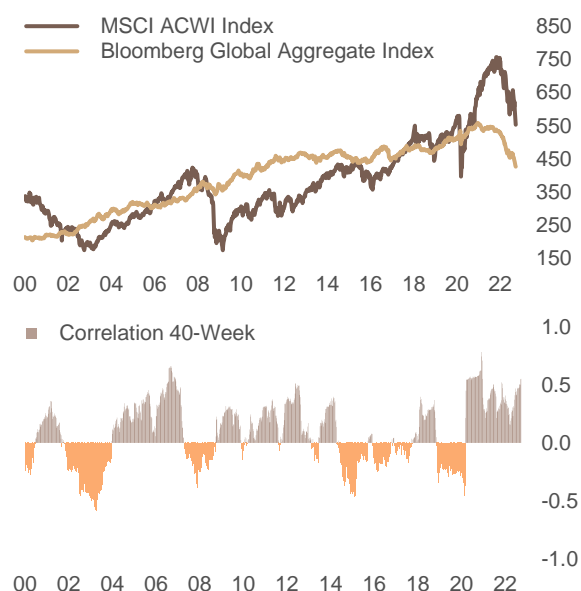
This translates to our cautious tactical asset allocation. While we reduced the duration gap in Q3, we maintain a duration shorter than the benchmark as we have no confidence that we have yet reached peak yields in this cycle. We remain wary on credit globally, even though valuation is attractive, as it could catch up equity on the downside given the souring of macro conditions. We close our overweight on emerging debt.

We maintain an underweight in equity, as we do not call for the bottom of the bear market just yet. Uncertainties are everywhere, from inflation to central banks to growth and to geopolitics. Earnings expectations are too high in our view given the macro backdrop, and we doubt profit margins can remain stable as companies face more

difficulties keeping their pricing power going forward. Sentiment is depressed, and we expect this to persist as earnings will likely continue to be revised downward. From a technical analysis perspective, the downtrend remains in full force, and relative strength is found in defensive sectors and styles. We continue to favor US stocks despite their higher valuation and growth tilt.

Though we acknowledge that the cycle is stretched, we remain mildly optimistic about the US dollar. The greenback is expensive, but it is still the mighty king of safe havens. The corollary is that we remain cautious on EUR, GBP, and JPY given idiosyncratic factors and our recessionary outlook. We expect gold to weaken as real yields surged, although its defensive and real asset properties should cushion the downside. We reduce our exposure to the yellow metal to zero for the time being.

Equities vs. Bonds – Positive Correlation Regime



Macroeconomic Outlook

United States

US headline inflation printed at 9.1% in June, the highest level since 4Q 1981, and subsequently declined to 8.5% in July and 8.3% in August. Have we thus seen the peak of the inflationary cycle? While that is a possibility, taming inflationary pressures from multi-decade highs will be a stubbornly slow process in our view. Although the August CPI declined on a year-on-year basis, it still surprised by being higher than expected and showing a progression of 0.1% on a month-on-month basis. More importantly, the last two CPI prints show that the drivers of US inflation are shifting from goods to services. The slowing increase of global commodities, coupled with improvements for supply-chain bottlenecks, have alleviated some upward pressure on goods inflation. Furthermore, lower PPI, import prices, ISM prices paid, and used car prices all suggest that this trend will persist. However, we also see signs that goods inflation might remain sticky, as corporate profit margins still run high despite increasing unit labor costs. This suggests that businesses retain a lot of pricing power and are comfortable passing on higher costs to consumers rather than cutting costs, a rare occurrence during an economic slowdown.

For the monetary policy outlook, core inflation is more important in our view. While core goods prices have decelerated from 10.7% at the end of 2021 to 7.1% in August, core services inflation accelerated from 3.7% to 6.1% on a year-to-date basis, and it will remain sticky as long as the labor market remains tight and wage growth continues to accelerate. The issue is that core services contribute much more to the core CPI basket, and ca. 40% of core CPI is contributed by shelter only (owner's equivalent rent and rent of primary residence). Even though we see the momentum of rent slowing down in the coming months after peaking above 7% in 1H2023, it will likely take several quarters to flow through CPI data.

US Shelter Inflation & Atlanta Fed Wage Growth



Thus, although we expect US headline inflation to gradually start declining at some point next year, we

suspect that core inflation will remain high for longer than expected as wage and rent inflation, both already running above 6%, could worsen in the near term. And with core inflation remaining far above the Federal Reserve's comfort zone, the Fed is a long way from pausing, and rate hikes could well extend to 2H2023.

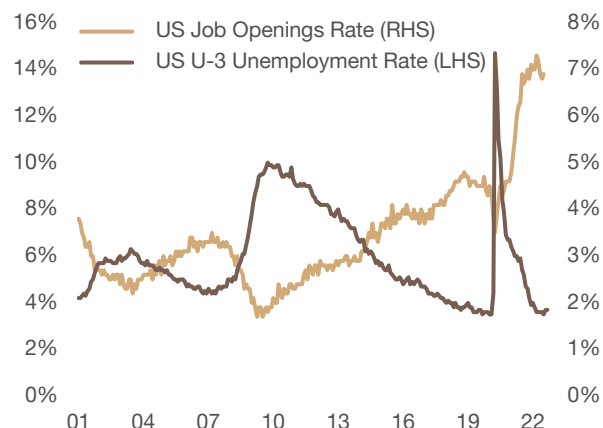
After realizing that it was behind the curve, the Fed showed its determination to fight inflation by increasing the Fed fund rate by 3% since March, even at the cost of short-term growth. In our opinion, Chair Jerome Powell and the FOMC are committed to keeping rates high for as long as inflation remains above the Fed's 2% target. After dovish hopes got cold-showered at the Jackson Hole symposium, and following the upside surprise in the August CPI inflation print, the market repriced for a somewhat longer and more aggressive Fed tightening cycle and now expects the Fed funds rate to end the year at 4.25–4.50% after delivering two more hikes (75 bp in November, 50 bp in December). During its last September meeting, the Fed delivered the expected 75 bp hike and again confirmed its hawkish stance. FOMC's members remain determined to bring down inflation, and the new "dot plot," which presents Fed officials' year-end expectations for the Fed fund rate, now shows a median of 4.375% for the end of this year, 4.625% for the end of 2023, and 3.875% for the end of 2024. Market pricing shows that the consensus is the Fed will end its tightening cycle in March with a terminal rate of 4.5–4.75%.

The Fed is not explicitly forecasting a recession, but the rhetoric of officials indicates that they think the rosy scenario of a soft-landing is unlikely, as it has revised down its growth outlook for 2022 to a meager 0.2%. In his Jackson Hole speech, Fed Chair Powell emphasized that the Fed's priority is to reduce inflation and warned that efforts to do so would induce economic pain. He also declared that "no one knows whether this process (monetary tightening) will lead to a recession or if so, how significant that recession would be." Indeed, as policy needs to be more restrictive and probably extend for a longer duration, the unemployment rate should increase sharply; hence, the chances of a soft landing are clearly diminishing. In our view, the path of the Fed's monetary policy depends on core inflation, and as wages and rents have not yet peaked, we expect core inflation to remain elevated in coming quarters. The Fed will thus keep hiking in the first half of 2023, and we believe it could be forced to extend the hiking cycle to a terminal rate of 5% in 2H2023.

For the Fed to bring inflation closer to its 2% target, it needs to cool down the labor market in order to limit wage growth. The fact is that the US market remains very tight, with non-farm payrolls back to their pre-COVID highs and the unemployment rate at 3.7%. The job opening rate remains at a record high (6.9%), and labor supply remains low, since the US economy is still missing the workers that would naturally be added to the workforce via population growth. Moreover, we do not expect the participation rate to increase sustainably—recent studies show that some 2 million–4 million Americans could be out of work due to "long Covid" sequels. To cool wage growth closer to a level consistent with its 2% price target, the Fed thus needs to focus more on cooling demand rather than

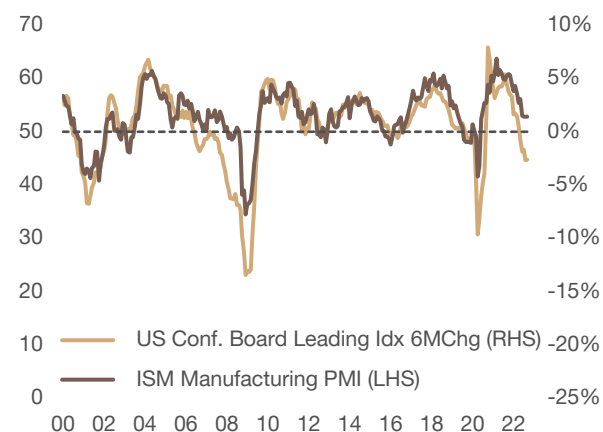
counting on a larger labor supply. The Fed now expects the unemployment rate to reach 4.4% in 2023 and 2024, but many economists say this is a conservative expectation. The core question is thus whether the Fed can engineer a soft landing or whether it will push the US economy into a recession. In our view, the Goldilocks scenario of a robust labor market without spiraling wages is unlikely to happen. Olivier Blanchard, world-renowned macroeconomic expert, sees no chance of job openings declining without a large increase in unemployment.

US Job Openings & Unemployment Rate



After the post-COVID rebound, the US economy is slowing down markedly, and economists have sharply revised their GDP growth estimates this year. They now expect the US economy will grow by 1.6% in 2022 (vs 3.9% at the start of the year) and by 0.8% next year (vs 2.5% at the start of the year). Economic data show that business and consumer sentiment are deteriorating sharply, while hard data have so far remained relatively strong, likely supported by excess savings among households and the pricing power of corporations. Such resilience may not last, however, as tightening financial conditions are beginning to bite. As the US economy faces the worst inflationary shock in decades, consumers' purchasing power is being dented, and the collapse of consumer confidence suggests they are feeling squeezed.

US Leading Economic Index & ISM Manufacturing PMI



Nevertheless, with such a strong labor market, the likelihood of a severe recession seems minimal for Q4, as it might take some time for the Fed's induced tighter financial conditions to send the unemployment rate higher. Also, healthy corporate profits bode well for the resilience of the US economy in the short-term. Still, in our view, the chance of the US economy contracting in the second half of next year is high.

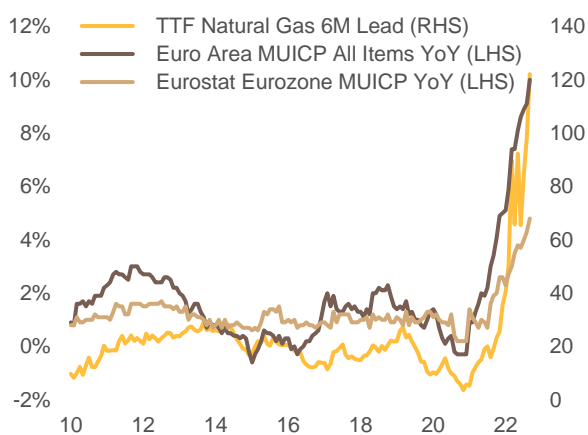
Eurozone

The inflation picture is different in Europe with respect to the situation in the US. The energy crisis, a direct consequence of the Ukrainian conflict, remains the primary contributor to Euro-area headline inflation as the old continent is highly dependent on Russian gas imports (45% of the EU's gas imports). More specifically, about 40% of recent headline inflation can be attributed to energy prices, which surged by more than 50% on a yearly basis. As a consequence, Euro-area headline inflation climbed to 10% in September, the 15th consecutive monthly increase and the highest ever since the creation of the European Union. Normally, the surge in natural gas prices should continue to pass through to consumers, pushing Eurozone prices further upward in the coming months. However, we expect that EU member states will somewhat shield households by capping energy prices with targeted policies, which will stabilize energy bills going into 2023 and alleviate the energy contribution to headline inflation. In September, core inflation increased by 0.5% to 4.8%, but it remains 1.8% below the level of core inflation in the US. While the tightening of the labor market is putting upward pressure on wages in some parts of the bloc, we expect that weaker aggregate demand will take some of the heat out of the labor market. That being said, core inflationary pressures are broad-based, stemming from both goods and services, and Germany's core CPI should continue its ascent, as some transport price-dampening policies expired in September and as the minimum wage has been increased. Hence, we expect underlying price pressures to remain elevated in the near term.

The ECB increased its Main Refinancing Operation rate by 75 bp to 1.25% during its last meeting, and the market expects the policy rate to be at 2.00% at the end of 2022 after a 75 bp hike in October and a 50 bp hike in December. The consensus is that the ECB will end its hiking cycle next summer at a terminal rate of 2.75–3.00%. Given all-time high inflation and the expectation that core prices could continue to surge in the next few months, we believe there is a fair chance that the ECB will ratchet up its game and hike more aggressively and for longer than expected, as it is still some distance behind the curve in fighting inflation compared to the Fed. However, experts agree that the ECB will ultimately have to tighten less than the Fed to combat inflation, as the labor market in the Euro-area is less overheated than in the US. Like the Fed, the ECB is trapped between soaring inflation and a weakening economy and is also willing to sacrifice growth to tame inflation. We acknowledge that natural gas prices have eased somewhat as Europe fills its gas storage capacity quickly before the winter. We also see as a positive development that the EU has elaborated

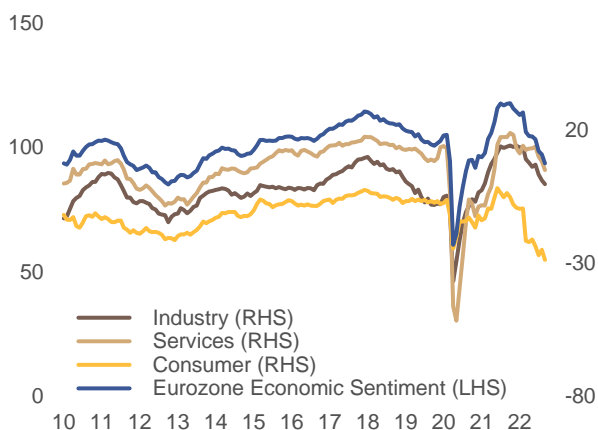
plans to reduce consumption by 15–20%. In addition, imports are shifting to liquefied natural gas, and industries are switching to using more oil. However, according to experts, even with all these recent positive developments, the storage capacity will be consumed in 10 weeks with normal winter conditions. Member states and the EC have tried to diversify gas providers (Nordic countries, Middle East, Algeria), but the lack of infrastructure increases the challenge of ensuring a regular supply of energy over the next six months. That means that the energy crisis is far from being solved and that it could worsen significantly during the winter. Bloomberg economists have estimated that the burden on the European economy will range between -1% to -5% depending on weather conditions and rationing.

Euro-Area Inflation & Natural Gas Prices



In 1H2022, the Euro-area economy showed resilience despite surging inflation squeezing purchasing power and dropping confidence. The reason is that the negative growth shock from the war and inflation has been somewhat compensated by the positive growth effect of the reopening of European economies. Going forward, the situation appears bleaker for the Eurozone, as some key leading indicators, such as the Manufacturing Purchasing Manager Index (PMI) dropped below pre-pandemic levels and are indicating the economy is already contracting.

EU Economic Sentiment Surveys



As a sign that demand is slackening, the new orders sub-index fell while inventories rose sharply. The economic downturn is compounded by the negative growth impact of the ongoing energy crisis, and the European economy is now expected to contract over the next six months.

It is clear that recession risk is mounting in Europe and risk is skewed towards a more severe and protracted downturn, but this recession will owe more to the ongoing energy crisis than to BCE actions, unlike in the US, where the most likely cause of a near term recession is Fed actions required to slay inflation.

China

Beijing recently announced a \$160 billion infrastructure stimulus package to shore up the economy, and there is scope for further monetary policy supports going into year-end in our view. Moreover, at the 20th Chinese Communist Party Congress in October, new economic stimulus and relaxation of healthcare policies could be announced to further revive the economy. Strategically, China will focus on its “Internal circulation” (i.e. domestic consumption) as its main development strategy with “external circulation” (i.e. international trade and investment) as a supplementary strategy. We also see regulatory uncertainty and de-listing risk of Chinese ADRs decreasing as there has been a resolution between the US and China over financial reporting and accounting rules.

On the negative side, we anticipate that the geopolitical struggle between the US and China will not abate anytime soon, and that the zero-COVID policy will continue to detract global investors in the near future. The outlook for China is thus uncertain as it is difficult to predict how the positives will balance the negatives.

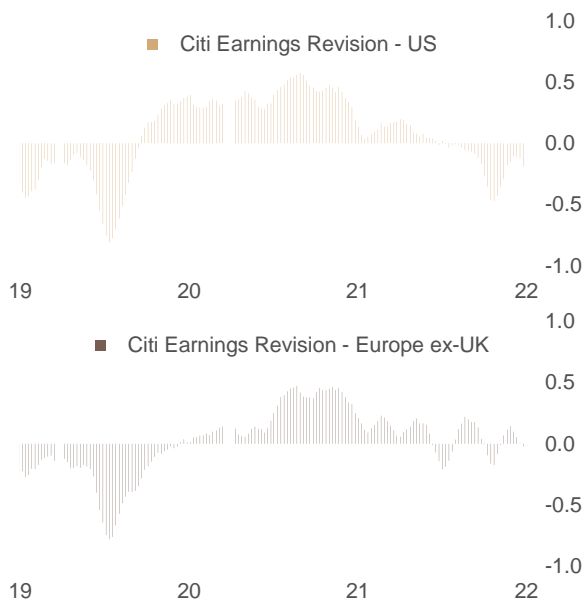
Equity

The macro backdrop has deteriorated for global equities in Q3. Lingering uncertainty over growth, inflation, and monetary policy will likely maintain volatility at a high level. While headline inflation might be close to peaking, we fear that core inflation could remain elevated for a while and force central banks to extend their tightening cycle. This, in turn, would push yields further up, weigh on economic momentum, and eventually lead to contraction, higher unemployment, and depressed consumer and business sentiment.

From a corporate perspective, while the post-COVID expansion in profit margins might have peaked in Q1 this year, they have so far remained quite resilient. That might explain why equity analysts remain optimistic and expect positive EPS across all regions, albeit with high dispersion. Among developed markets, earnings growth in the next twelve months is expected at 11% in Switzerland, 7% in the US, 6% in the Eurozone, and 4% in the UK. However, given the uncertainties related to growth, inflation, and central banks’ reaction function, we believe that earnings expectations are too ambitious and that EPS growth will continue to be revised downward and further weigh on sentiment. The US EPS revision ratio remains negative but seems to have troughed in July, while we fear that the

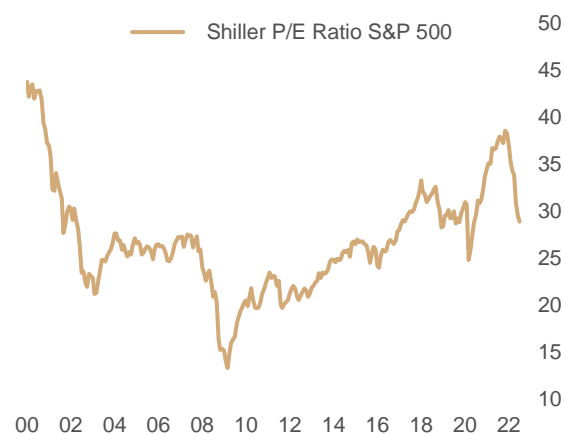
European EPS revision ratio (hovering around 0) could plunge into the red substantially in the coming quarters. The emerging markets EPS continues to be revised downward more than any other region.

Earnings Revision (US & Europe ex-UK)



From a valuation standpoint, global stocks have sharply de-rated since the start of 2021 in the wake of increasing real rates. Quantitative models show that real yields and breakeven rates have recently been the top drivers of the US equity market, and we see this trend persisting. Indeed, in our view, rising yields significantly contributed to the selloff in the first half of the year, notably hitting growth stocks. As a case in point, the valuation compression (12M Forward PE) for the S&P 500 over the last twelve months is the fourth largest since 1975. Nevertheless, long-term valuation metrics, such as the Shiller PE or Tobin'Q ratio, are not yet at bargain-value level.

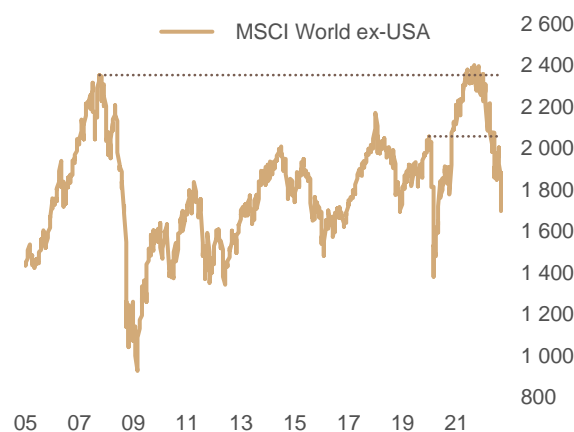
Shiller PE Ratios S&P 500



The US market remains the most expensive in absolute terms, but that might be justified given that it is also the most profitable regional equity market. The valuation case for European equities is compelling, as they stand at the deepest discount ever vs US equities on some metrics. Still, we refrain from overweighting Europe, as valuation is not enough of an incentive given the dire macro outlook for Europe.

Global equities ex-US already topped in June of last year, while US stocks peaked in early January this year. From a technical analysis angle, most equity indices are in a sustained downtrend with significant drawdowns. Recent upswings have only been bear market rallies this year, and we still need to see a cluster of signals that the market is carving out a bottom. Short-term sentiment indicators are stretched and might again reach panic level and eventually trigger another bear market rally. However, from a longer-term perspective, we do not observe the typical “wash out” in sentiment indicators, such as the VIX, that generally coincides with the end of a bear market.

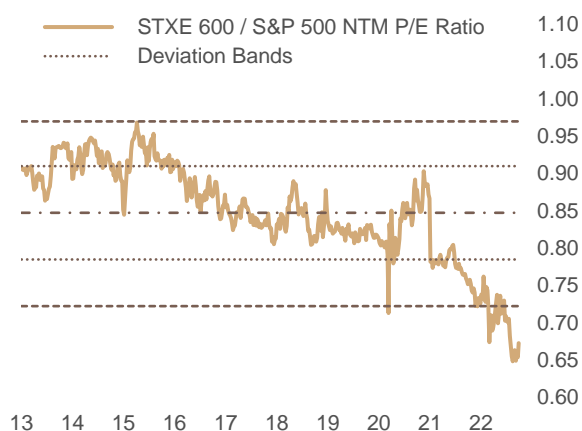
MSCI World ex-USA



Sentiment for European equity is extremely bearish, resulting in global investors having their biggest underweight ever on the region. Put a different way, European stocks appear to many to be “uninvestable.” The Ukrainian war and its consequences, mainly the energy crisis, is at the core of this pessimistic view for the European equity market. Interestingly, the Stoxx Europe 600 has been a little more resilient than the S&P 500 this year, as the maximum drawdown was ca. 6% shallower for Europe. Yields have increased by the same magnitude in absolute terms in Europe and in the US, but the higher sensitivity of the US equity markets to rates probably explains this. In addition, FX was a supportive factor for the European equity market, whereas it was a drag for US stocks. Going forward, we refrain from increasing our exposure to the European equity market for three reasons. First, macro conditions are direr in Europe than in the US, as the likelihood of a recession is higher. Second, European earnings growth estimates seem to be decoupled from economic conditions and will likely be revised downward more significantly. Third, in our view, the recent development in the Ukrainian war suggest that the situation will get worse first before eventually

improving. That is likely to continue being a strong headwind for European assets in general.

Europe vs US Equity Relative Valuation



We also remain cautious on emerging equities as long as we do not confidently see the top for US yields and the dollar. Earnings continue to be revised downward for emerging markets equities, and the outlook for Chinese monetary, fiscal, and regulatory policies is uncertain. It is hard to evaluate how the negatives—zero COVID policy, liquidity squeeze from the property market meltdown—could be balanced by positives, such as more monetary and fiscal policy supports. That being said, China market valuations have pulled back to more reasonable levels, with the MSCI China now trading below long-term average at 11x forward PE.

Given our outlook for inflation, the Fed, and yields, we remain cautious on growth stocks highly sensitive to interest rates. We favor less-cyclical sectors, such as staples, utilities, and healthcare, as the economic slowdown could lead to a contraction in some regions. We are mildly optimistic about the energy sector, because fundamentals and valuations remain supportive. Last but not least, companies in the defense sector could be well supported due to heightened geopolitical risks.

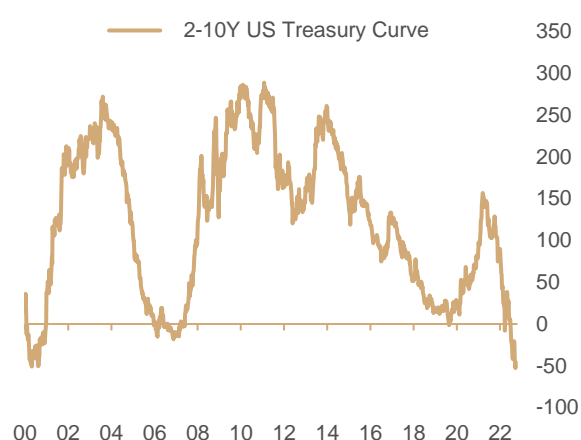
Fixed Income

With high inflation levels and central banks frontloading their interest rate upward adjustment in order to regain control of price stability, it is difficult to envision a strong rebound of fixed income assets over the short-term. For US Treasuries, the front-loaded rate adjustment of the Fed will push rates higher at the short end of the yield curve, while recessionary risks are likely to put downward pressure on long yields later in 2023.

The 2-year yield has broken above 4%, opening the way for a test of the 4.5–5.0% level, whereas the 10-year yield briefly touched 4% at the end of September, leading the trend to 4.5% eventually. Consequently, we expect the US yield curve to remain inverted. The outlook is very similar for Europe since we anticipate a further flattening of the government yield curve, as the ECB will ramp up its

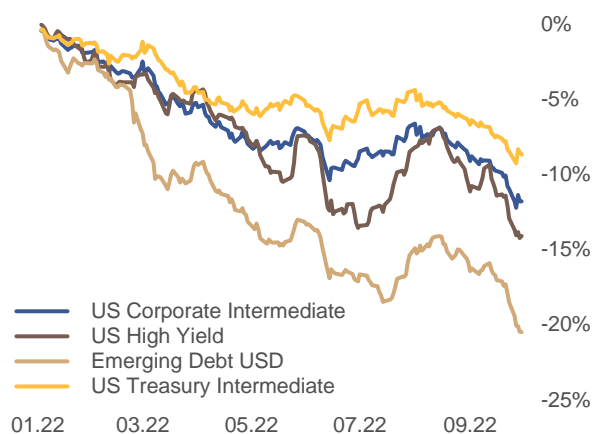
tightening and recession risks will reduce upward pressures at the long end of the curve.

2/10-Year US Treasury Curve



In this environment, and as long as a clear turnaround on inflationary pressures has not been reached, we believe that a relatively short duration approach is still warranted. Admittedly, no one knows exactly when and where the top in yields will be reached, and as long as government bond yields keep rising, only a gradual increase in duration exposure is warranted. We expect there will be more opportunities later in 2023 to increase duration exposure more meaningfully.

Fixed Income Sub-Asset Classes YTD Performances

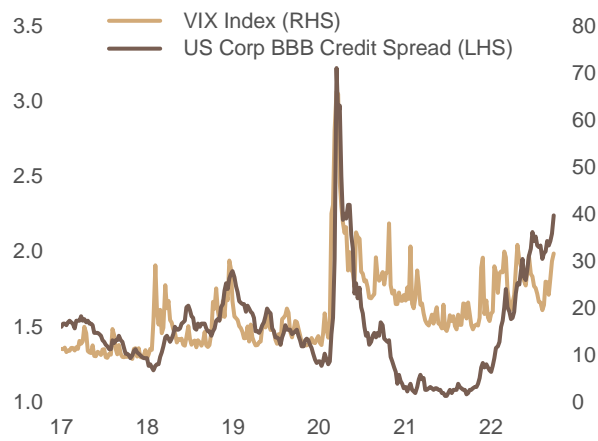


Credit

Considering the unprecedented amount of macro uncertainties clouding the outlook, and given the current market's dynamic, we think that moving up in credit quality is warranted for Q4. Specifically, we favor the crossover (bonds rated BBB-BB) credit spectrum in USD-denominated bonds, while we prefer the low investment-grade spectrum for Euro-denominated papers since growth dynamics are more at risk in Europe. We find floating-rate instruments attractive, as they are more immune to interest rate increases thanks to their coupon-resetting features. However, we would focus on high-

quality floating-rate bonds, since their prices can fall anyway if credit risks increase. As high yield bonds tend to be less correlated with the interest rate cycle and much more with the economic cycle, they are more at risk should a recession materialize. Hence, even though they offer compelling valuation, the asset class could remain volatile in the current environment considering its higher beta. We would focus on US high yield, which seems to us to be more immune to markets' vagaries compared to their European counterparts, and target relatively good-quality (BB rated) issuers.

VIX Index & US BBB Credit Spreads



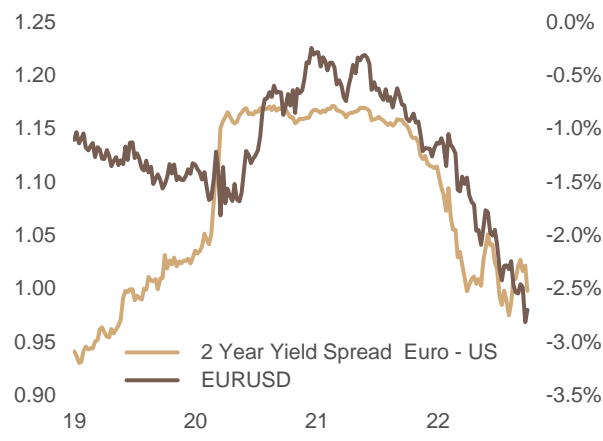
We adopt a cautious stance on emerging debt; empirically, they have suffered substantially during risk-off movements in financial markets, likely due to funds flows. Moreover, emerging bonds have historically performed badly during phases of Fed tightening and a strong greenback. Being a very heterogeneous asset class, we would only target the strongest countries and corporate issuers—that is, those with low refinancing risks, less dependence on outside financing, and decent credit metrics. Looking at subordinated financials, while valuation is very compelling, this is somewhat justified by the increased extension risks, as markets reprice the probability of these bonds being called at their first call date. We think investors should target subordinated bonds issued by stronger systemic banks and insurances that have relatively short call dates and higher coupon reset levels and that lose their equity-capital component features if not called.

Forex

Since August, EURUSD has decoupled from interest rate differentials and from relative monetary expectations. In the current environment, we believe that the top two drivers of EURUSD are the relative growth outlook and global risk aversion. Both are providing a strong tailwind to the greenback. While we acknowledge that the dollar cycle is getting stretched from an historical and valuation perspective, we refrain from positioning for the peak of the dollar at this juncture given the exceptional circumstances we are living through. In our view, the recipe for the dollar peak is made of three main ingredients. First, the outlook for the global economy needs to turn the corner and

reaccelerate. Second, inflation, monetary policy, and yields must also stop climbing and peak in the US. Third, risk assets, especially equities, need to trough, and volatility needs to abate. The final piece of the puzzle would be to see positive improvements regarding the Ukrainian war.

EURUSD vs. Euro-US 2-Year Yield Differential



On the other side of the equation, the euro is plagued by idiosyncratic issues, such as the drag on growth of the war and the energy crisis, massive capital outflows, and renewed stress on peripheral sovereign yields. On top of that, high energy prices on the international market have turned a solid trade surplus in the Eurozone into a substantial trade deficit. The pound is in disarray and touched its lowest ever in the wake of the new government fiscal package, which has been received with great skepticism. Japan is the only developed country that did not join the tightening party; it slumped to a 24-year low in September, beaten down by a widening yield differential with the US.

US 2-Year Real Yield vs Gold \$



Forex Consensus Forecasts

Major Currencies

		Q4-22	Q1-23	Q2-23	Q3-23	Q4-23
EURUSD	0.98	0.98	1.01	1.02	1.04	1.06
EURCHF	0.97	0.96	0.97	0.98	0.99	1.00
EURGBP	0.88	0.87	0.87	0.88	0.87	0.88
EURJPY	142	138.0	137.0	137.5	136.0	137.0
EURNOK	10.67	10.10	10.00	9.80	9.80	9.65
USDCAD	1.38	1.32	1.32	1.30	1.29	1.27
USDCHF	0.99	0.98	0.98	0.97	0.96	0.95
USDJPY	145	140.0	138.0	135.0	130.0	130.0
USDCNY	7.12	7.00	7.00	7.00	6.95	6.82
GBPUSD	1.12	1.14	1.14	1.16	1.19	1.20
NZDUSD	0.56	0.60	0.62	0.63	0.64	0.65
AUDUSD	0.64	0.68	0.69	0.70	0.71	0.73

Other Currencies

		Q4-22	Q1-23	Q2-23	Q3-23	Q4-23
USDMXN	20.1	20.3	20.4	20.4	20.5	20.6
USDBRL	5.41	5.3	5.3	5.2	5.2	5.2
USDARS	147.3	165.0	190.1	212.3	234.2	260.0
USDTRY	18.53	20.0	21.0	21.6	23.0	22.6
USDILS	3.57	3.5	3.5	3.5	3.4	3.4
USDHKD	7.85	7.9	7.9	7.8	7.8	7.8
USDINR	81.3	80.0	80.0	80.0	80.0	80.0
USDRUB	60.1	62.0	65.0	68.0	72.5	77.5
USDPLN	4.95	4.9	4.9	4.7	4.5	4.3

The table above provides an overview of market forecasts for major currencies. It is composed of dozens of individual forecast providers and delivers a consensus forecast. These consensus forecasts represent a median number and all forecasts evaluated correspond to calendar quarter-end dates.

Future forecasts do not guarantee future performance and should only be used for indicative purposes.

Market Performances

	Name	QTD *	YTD**	2021	2020	2019	2018	2017
Cash	Dollar 3m Total Return	0.5%	0.5%	0.1%	1.0%	2.5%	2.4%	1.1%
	Euro 3m Total Return	-0.1%	-0.4%	-0.7%	-0.5%	-0.4%	-0.4%	-0.4%
Government bonds	US 3-5	-3.4%	-9.1%	-2.0%	6.2%	5.3%	1.5%	1.0%
	Eurozone 3-5	-3.2%	-8.7%	-1.2%	1.3%	1.9%	0.1%	0.1%
	US 7-10	-5.5%	-15.7%	-3.1%	10.0%	8.5%	0.9%	2.6%
	Eurozone 7-10	-5.7%	-17.5%	-2.9%	4.5%	6.7%	1.4%	1.3%
Corporate bonds IG	USD Corp 1-5	-1.9%	-7.4%	-0.5%	5.4%	7.0%	1.0%	2.6%
	EUR Corp 1-5	-2.1%	-8.6%	-0.1%	1.1%	2.8%	-0.5%	1.2%
	USD Corp 5-10	-4.7%	-17.0%	-1.5%	9.7%	14.3%	-1.7%	5.6%
	EUR Corp 7-10	-4.9%	-22.6%	-2.0%	4.4%	10.9%	-2.4%	4.2%
Corporate bonds HY	USD Corp 1-5	-0.6%	-14.1%	5.0%	5.8%	13.9%	-1.8%	7.0%
	EUR Corp 1-5	-0.3%	-14.7%	3.4%	2.3%	11.3%	-3.8%	6.9%
	USD Corp 5-10	0.8%	-9.4%	4.7%	-2.0%	9.1%	-1.9%	7.6%
	EUR Corp 5-10	-0.9%	-20.9%	2.2%	2.8%	13.2%	-4.4%	8.0%
EM bonds (in \$)	Hard currency	-4.1%	-20.5%	-1.7%	6.5%	13.1%	-2.5%	8.2%
	Local currency	-5.0%	-13.5%	-1.6%	5.3%	9.5%	-3.4%	14.3%
	Chinese Yuan	-4.0%	-7.2%	8.7%	9.3%	2.8%	3.0%	5.0%
Others	S&P Leverage Loan Index	1.4%	-3.3%	5.2%	3.1%	8.6%	0.4%	4.1%
	Global Convertible	-1%	-17%	3%	26.5%	18.2%	-1.2%	7.2%
Equities	North America	-5%	-26%	25%	19%	29%	-6%	19%
	Europe	-5%	-19%	22%	-5%	22%	-13%	7%
	Japan	-3%	-9%	11%	7%	16%	-17%	18%
	Asia Pacific	-12%	-28%	-3%	17%	16%	-16%	29%
	Developed Markets	-7%	-26%	20%	14%	25%	-10%	20%
	China	-14%	-18%	-11%	23%	38%	-21%	32%
	Latin America	1%	-4%	-13%	-16%	14%	-9%	21%
	Emerging Markets	-12%	-29%	-5%	16%	15%	-17%	34%
Other investments	HFRX Alternative	1%	-4%	4%	7%	9%	-7%	6%
	VIX	10%	84%	-24%	65%	-46%	130%	-21%
	G7 Currency Volatility	20%	115%	-15%	23%	-34%	21%	-36%
	DJ Global Commodity	-5%	12%	27%	-4%	5%	-13%	1%
	Gold	-8%	-9%	-4%	25%	18%	-2%	14%
	Industrial metals	-8%	-17%	30%	16%	5%	-21%	28%
	Agriculture index	-1%	12%	27%	16%	0%	-13%	-12%
	WTI Oil	-25%	6%	55%	-21%	34%	-25%	12%
Currencies (vs. \$)	Dollar Index	7%	17%	6%	-7%	0%	4%	-10%
	EM Currency Index	-6%	-8%	-9%	-6%	-1%	-11%	6%
	Euro	-7%	-14%	-7%	9%	-2%	-4%	14%
	British Pounds	-8%	-17%	-1%	3%	4%	-6%	10%
	Swiss Francs	-3%	-8%	-3%	9%	1%	-1%	5%
	Japanese Yen	-6%	-20%	-10%	5%	1%	3%	4%
	Chinese Yuan	-6%	-11%	3%	7%	-1%	-5%	7%

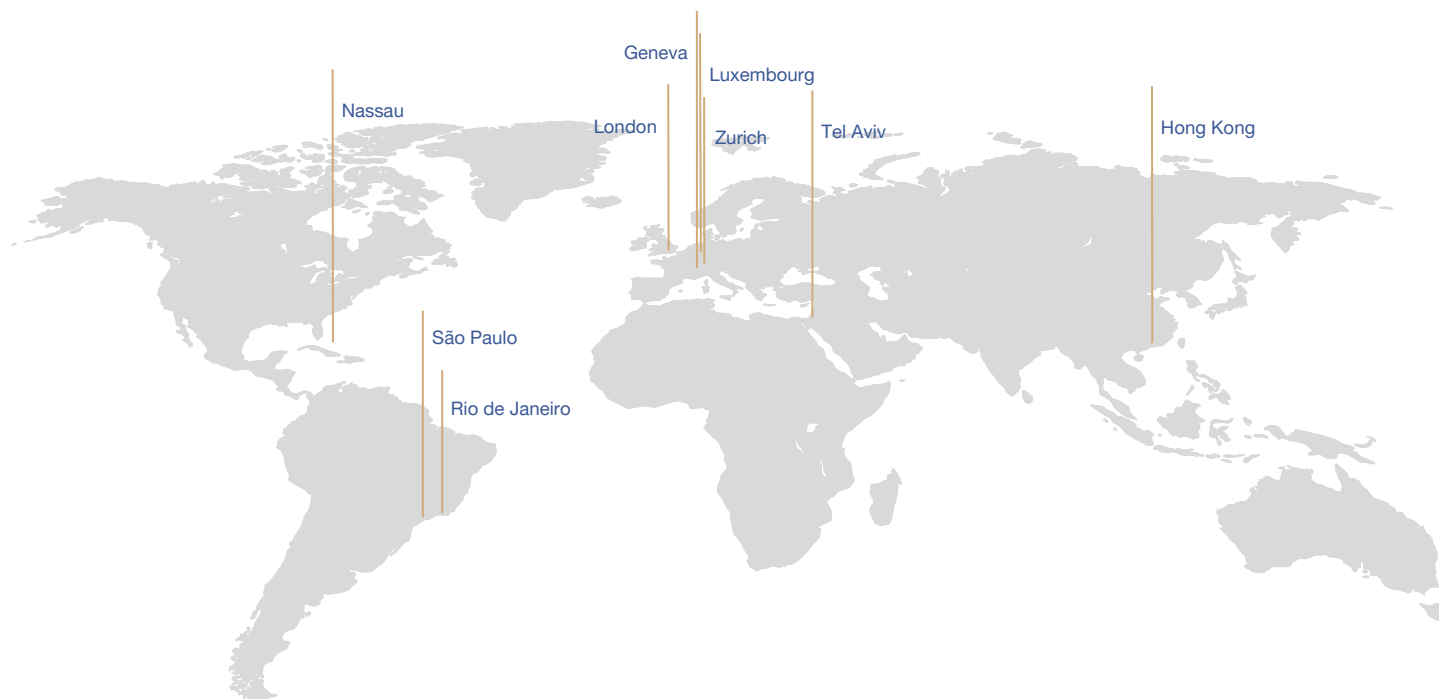
* Quarter to date

** Year to date

Past performance is not a reliable indicator of future performance and should not be solely relied upon.

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