

# FLASH BOURSIER

## SLOWDOWN IN SERVICES INDUSTRY SPOOKS MARKETS

**Highlights:**

**Souring  
growth  
outlook**

**Reassuring  
job numbers  
out of the US**

### Overview

Financial markets last week continued to ebb and flow in response to the usual considerations. Concerns over the state of global economy were relieved alternately by signs of possible breakthroughs on China-US trade talks, then by the belief that central banks will rush to the rescue, whatever happens.

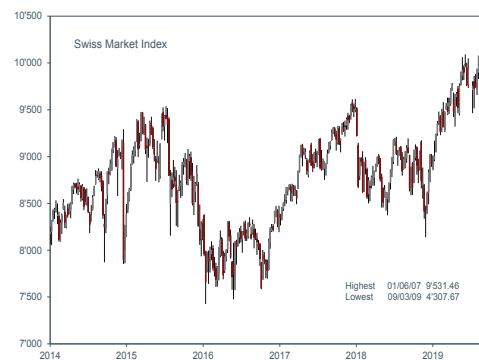
Last week was rough for equity markets, driven down by evidence pointing to a brutal deterioration in the global outlook for economic growth. The latest set of manufacturing PMIs sharpened fears of a recession.

Globally, the manufacturing PMI is situated at 49.7 – a whisker below the line marking expansion. Now the signs of slowing output are starting to contaminate the services sector as well. The release of the ISM US non-manufacturing PMI, which plunged to 52.6, put the wind up investors, even though such a reading is perfectly compatible with GDP growth of 1.5-2% in the US during the third quarter. Once again, hope of even looser monetary policies, featuring another rate cut by the Fed the next time it meets, restored stability to stocks, which were able to recoup some of their losses last week.

Fed chief Jerome Powell made some reassuring noises, admitting that a risk hangs over

growth, but that the economy is still in fine form. Non-farm payrolls, released on Friday, provided further relief to investors as job creation clocked in only slightly below estimates at +136,000. Moreover, the rate of unemployment dipped by -0.2 of a percentage point to 3.5% – its lowest level in 50 years. The most calming influence came from the pedestrian wage growth (+2.9% year on year), signalling that inflation is still ticking along short of expectations and thus allowing the Fed to continue cutting rates.

Trade talks are due to resume between China and the US on Thursday and Friday, with the visit of vice-premier Liu He to Washington. There seems to be slightly more urgency in the mood, although rumours have suggested that the Chinese have scaled back the scope of any potential agreement.



The SMI continues to trade above resistance at 9500 points despite the downswing by shares globally. We foresee resumption of the uptrend heading to 10400 points.

### Key data

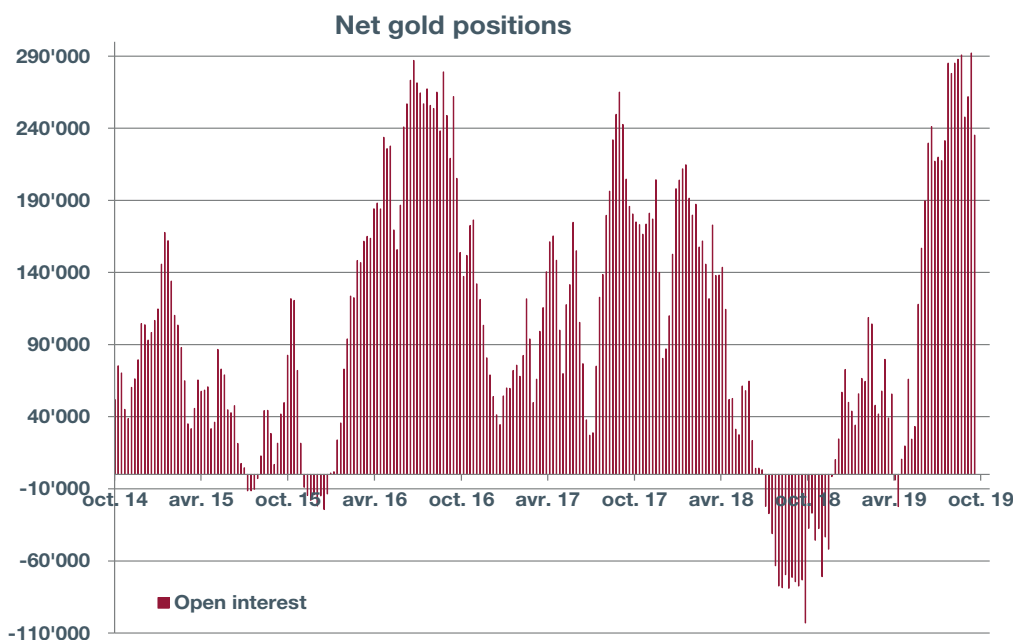
	USD/CHF	EUR/CHF	SMI	EURO STOXX 50	DAX 30	CAC 40	FTSE 100	S&P 500	NASDAQ	NIKKEI	MSCI EMERGING MARKETS
<b>Latest</b>	1.00	1.09	9'827.72	3'446.71	12'012.81	5'488.32	7'155.38	2'952.01	7'982.47	21'410.20	996.58
<b>Trend</b>	➔	➔	⬇	⬇	⬇	⬇	⬇	➔	➔	⬇	⬇
<b>%YTD</b>	1.45%	-3.08%	16.59%	14.84%	13.77%	16.02%	6.35%	17.76%	20.30%	6.97%	3.19%

(Daten vom Freitag vor der Publikation)



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## THE LURE OF GOLD



Gold seems to be a favourite with investors at the moment, judging by the high level of net positions in recent weeks (see above chart).

The metal has plenty of advantages that are winning over market participants, starting with its haven status. When financial markets are gripped by turbulence and the risks rise, the normal reaction – as during a storm – is to find a safe haven. In times when investors are dialling down their positions in equities, gold is a decent alternative to cash.

Making gold increasingly attractive today are the negative yields blighting holdings of CHF and EUR. The main drawback to have gold

as opposed to cash was that it did not pay interest. These days, the opportunity cost of having gold in portfolios has even swung negative for investors reasoning in Swiss francs or euros.

Another advantage relative to conventional currencies is that the value of gold cannot be tampered with by central banks. Devaluations aimed to kick-starting economies can even be positive. For example, dollar depreciation automatically nudges up the price of gold per troy ounce, quoted in dollars.

Exposure to gold can be obtained efficiently through exchange-traded funds (ETFs).

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