

Overview

Last week ended positively for Europe as stock pared their losses from the previous week, yet the context remains highly uncertain. In contrast, Wall Street indices dipped further into the red, with all sectors except oil & gas closing lower.

Stock prices swung back and forth in response to daily news from the armed conflict between Russia and Ukraine. There was also some reaction to the ECB meeting on 10 March.

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The ECB last week opted to accelerate the pace of unwinding the extraordinary asset purchases in place since 2015. However, it also hinted that the period between the ending of the stimulus and the first interestrate increase could be lengthy. In short, the central bank is facing a dilemma between fighting inflation and not hampering the economic recovery.

It has also revised its 2023 GDP growth forecast for the Eurozone down to 2.8%. The Fed meeting this Wednesday could be the starting gun for the first increase in its benchmark policy rate in this current cycle. The consensus is looking for a quarter-point rise. The yield on five-year Treasury bonds has advanced above 2% for the first time since May 2019.

Fears of recession are growing as economic sanctions against Russia and soaring oil prices foster a mood of uncertainty, in turn undermining household and business confidence.

It is estimated that an oil price of USD 125 per barrel would sap the purchasing power of US households by 0.25%, all else being equal. But the fact remains that consumer spending generally evolves through adjustments to savings. And since the savings rate is currently high, the potential hit is limited.

Investors have piled into safe havens like gold, the Swiss franc and the dollar

The Chinese market has today been knocked by a sharp correction, with the tech sector falling by 8% as Covid-19 cases increase. The cities of Shenzhen and Shanghai are partially locked down to curb the contagion. In Europe, equity indices are off to a good start.

The downswing in crude oil and other commodity prices plus the prospect of talks between China and the US, on the one hand, and Moscow and Kiev, on the other, are encouraging investors. The hope is that China, which is strategically neutral, can act as a mediator.





Key data

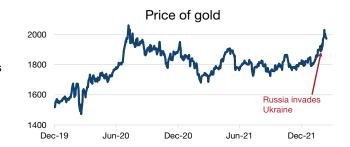
	USD/CHF	EUR/CHF	SMI	EURO STOXX 50	DAX 30	CAC 40	FTSE 100	S&P 500	NASDAQ	NIKKEI	MSCI Emerging Markets
Latest	0.93	1.02	11'495.69	3'686.78	13'628.11	6'260.25	7'155.64	4'204.31	12'843.81	25'162.78	1'085.66
Trend	•	•	•	•	•	•	•	•	•	•	•
YTD	2.49%	-1.65%	-10.72%	-14.23%	-14.21%	-12.48%	-3.10%	-11.79%	-17.90%	-12.60%	-11.88%

(values from the Friday preceding publication)

Piling into the gold haven

The gold price peaked last week near USD 2070, close to its all-time high dating from August 2020, then fell back below its resistance at USD 2000. The Russian-Ukrainian conflict has led investors to retreat into gold – a traditional safe haven in times of financial market turbulence.

In addition to geopolitical instability, expectations of rising Jun-20 inflation and negative real rates are supporting the price, which has encountered a sharp increase in demand this month, hoisting inflows into gold-backed ETFs to almost USD 11 billion year to date.



Some analysts think that the uptrend is not over, even though geopolitical tensions have in the past only pushed the price of gold upwards for a short time. Inflation and sanctions against Russia are the main reasons for continued appreciation. Moscow – deprived of its foreign currency reserves, held abroad – has suggested that all of Russia's gold production could be kept within its borders.

This could prompt other central banks and governments to reconsider the place of gold in their foreign exchange reserves, which would help maintain the price of investors' preferred haven.

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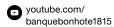
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