

The week in seven charts



Chart #1
The SNB surprises the markets.
The Swiss franc depreciates against the euro.
[Read more on page 2](#)

Image source: iStock

Swiss franc drops against Euro/Dollar as SNB surprises markets

The SNB unexpectedly cut rates, resulting in a drop for the Swiss franc versus the Euro and Dollar and the S&P 500 hits record high as FED signals future cuts in 2024. Each week, the Syz investment team takes you through the last seven days in seven charts.

Charles-Henry Monchau
Chief Investment Officer

Chart #1

The SNB surprises the markets. The Swiss franc depreciates against the euro

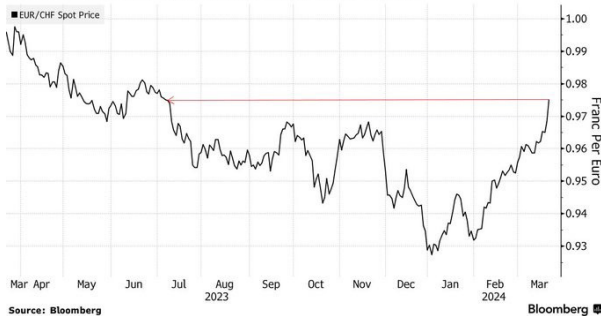
The Swiss National Bank (SNB) took the financial markets by surprise last week when it lowered its key interest rate to 1.50% (from 1.75% previously). The SNB thus becomes the first major central bank to cut interest rates, following the global rate hike cycle of 2022/23. The decision is based on positive developments on the inflation front. The measures taken over the past two years by the SNB to combat and contain inflationary pressures have proved effective.

The SNB has revised its inflation projections downwards, to 1.4% for 2024 (from 1.9% previously) and to 1.2% and 1.1% for 2025 and 2026 respectively. These projected inflation rates are in the middle of the SNB's inflation target range (0% to 2%).

As inflation is expected to stabilise well within the target range, the SNB has decided to adjust the level of short-term rates to avoid maintaining an overly restrictive stance that could weigh on economic activity. The press release explicitly mentions that this decision "supports economic activity". The SNB also raised its forecast for GDP growth in 2024 for the Swiss economy to "around 1%", compared with "0.5% to 1%" in December.

Following this announcement, the Swiss franc retreated against the dollar and the euro (see below).

Swiss Franc Tumbles After SNB Cuts Rates



Source: Bloomberg

Chart #2

The Federal Reserve more accommodating than expected

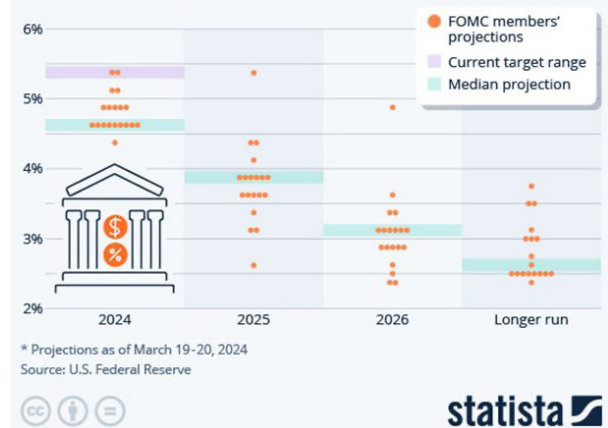
As expected, the Fed kept its benchmark interest rates unchanged. The main news is that the Fed's median rate forecast for 2024 (the so-called "dots") remains unchanged. The Fed continues to forecast three rate cuts (-75 basis points) for 2024. The median rate forecast by Fed members for the end of 2024 is 4.6% (previously 4.6%). The Fed now expects only 2 rate cuts in 2025 and fewer in 2026.

The Fed has raised its growth and inflation projections. The projected change in real GDP for 2024 is now 2.1%, compared with 1.4% in its December statement. Core inflation (PCE) projections have also risen, from 2.4% to 2.6%. The Fed states that inflation "has declined but remains elevated". The Fed is not planning a rate cut until it is "more confident" that inflation is approaching the 2% target.

Our view: the Fed's two objectives, maximum employment and stable prices, are (almost) perfectly met. The Fed can now take a break and wait for the next set of macroeconomic figures before possibly cutting rates, potentially in June.

Fed Projections Suggest Three Rate Cuts in 2024

FOMC members' projections for the appropriate target level of the federal funds rate at the end of the specified year*



Source: Statista

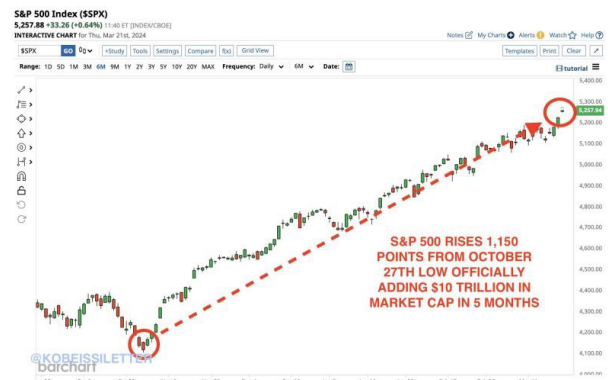
Chart #3

The S&P 500 index continues to rise

Following the announcement by the US Federal Reserve, equity markets rallied, with the S&P 500 surpassing 5,200 points for the first time in its history.

The reason? The Fed revised its growth and inflation projections upwards but maintained the number of rate cuts anticipated for the 2nd half of the year. This is the best-case scenario for equity markets.

The market capitalisation of the S&P 500 has risen by \$10 trillion (+28%) since its low point on October 27 2023. This means that the index has gained \$10,000 billion in 97 trading days, or \$103 billion a day since October 27. In other words, the S&P 500 has added around 4 times Apple's market capitalisation in just 5 months.

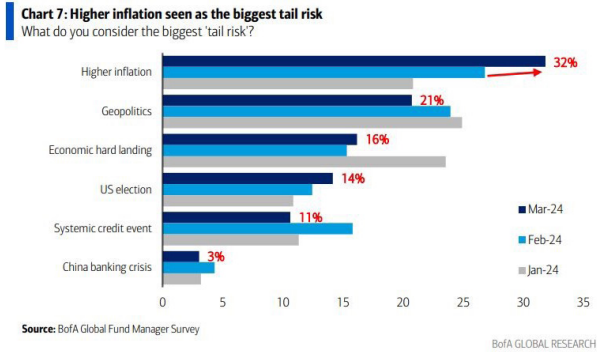


Source: The Kobeissi Letter

Chart #4

Inflation remains the main concern for portfolio managers

Rising inflation is considered the most important risk according to BofA's latest survey of fund managers. This is followed by geopolitics, the risk of a hard landing for the economy, then the U.S. elections.



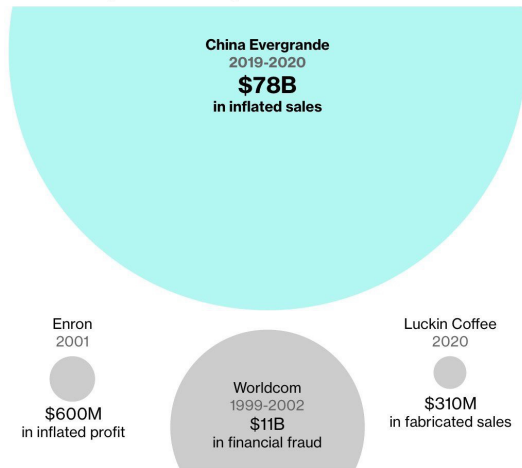
Source : BofA

Chart #5

Evergrande, the biggest financial fraud in history

China has accused real estate giant Evergrande of committing a fraud worth a total of \$78 billion, making it the biggest case of financial fraud in history, eclipsing those of Enron, WorldCom and FTX, and even surpassing Bernie Madoff's \$68 billion...

Major Accounting Scandals by Numbers



Source: News reports

Source: Barchart

Chart #6

The surge of AI-generated fraud

Deepfakes of videos, photos and audio recordings have become widespread on various internet platforms, aided by technological advances in major language models such as Midjourney, Google's Gemini or OpenAI's ChatGPT.

With the right quick set-up, anyone can create images that sound real, or make the voices of politicians, c-suites or artists say whatever they want. While the creation of a deepfake is not a criminal offence per se, many governments are nevertheless moving towards stricter regulation of the use of artificial intelligence to ensure that the parties involved are not harmed.



Source: Statista

Chart #7

Aramco's gigantic profits

Oil giant Saudi Aramco generated profits of \$121 billion in 2023, an amount greater than the combined profits of Meta, Nvidia, Visa, Tesla, Mc Donald's and Costco.

Despite these record profits, Aramco is by far the least common mega-cap in the portfolios of international fund managers.

SAUDI ARAMCO INSANE PROFITS



Source: Markets & Mayhem

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