BARRELLING AHEAD

Highlights:

Asian benchmarks are up sharply

US jobs data beat expectations

Overview

Stock markets leapt forward at the opening this morning, riding the momentum seen last week when the main benchmarks already racked up solid gains. Asian indices were up sharply, with Japan's large exporters led by the auto and technology sectors, in particular, benefiting from the yen's slight depreciation against the dollar.

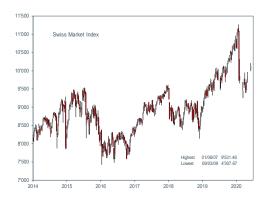
On balance, however, data concerning the spread of Covid-19 seem alarming, with many countries experiencing high numbers of new infections, especially the US but also India and Brazil. New restrictive measures have been introduced in several regions, although widespread business shutdowns like those in March and April are quite unlikely. As a consequence, it looks as though consumer spending will not be affected much. Investors are focusing more on other factors. In particular, hopes of a quick economic recovery are gaining ground again in view of recent macro data. The development of vaccines is moreover progressing rapidly, fuelling optimism and whetting appetites for risk assets.

In bond markets, spreads continue to narrow. The yield on Italian 10-year government issues fell to 1.22%. Debt markets have been bolstered greatly by the flood of liquidity that

the main central banks have injected into the financial system to avert a panic.

The minutes of the Fed's June meeting show that the US central bank's governors discussed the next steps to be taken, indicating that they are not ready to end their supportive measures.

In economic news, America's employment figures were much better than expected, with a jump of 4.8 million new jobs created in June despite the spread of Covid-19 infections. The national jobless rate eased to 11%. In Europe the downturn in service industries abated. Factory orders in Germany rose 10% month on month in May. This is encouraging, even though the total is still down nearly 30% year on year. China's services PMI stood at 58.4 at end-June, a historic high.

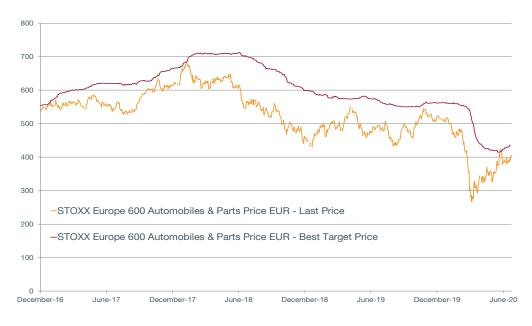


The SMI has held up well above 10,000 points. Our current scenario calls for the index to continue building on that level towards 10.500.

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 | 0.95 | 1.06 | 10'125.84 | 3'294.38 | 12'528.18 | 5'007.14 | 5'935.98 | 3'130.01 | 10'207.63 | 22'306.48 | 1'033.09 |
| Trend | • | • | • | • | | • | • | • | • | • | • |
| %YTD | -2.25% | -2.08% | -4.63% | -12.04% | -5.44% | -16.24% | -21.30% | -3.12% | 13.76% | -5.71% | -7.32% |

STOXX 600 AUTOMOBILES AND PARTS



The Coronavirus pandemic has seriously affected the global auto industry. Vehicle and parts manufactures are still not working at full capacity. As a result, the market could be further impacted by delayed shipments for a number of reasons including the financial difficulties faced by suppliers and assembly-line disruptions. All this comes atop numerous pre-existing challenges in the automobile sector such as compliance with CO2 emissions standards and the massive investments needed to develop electric cars.

With economies reopening, demand for vehicles is starting to bounce back, mainly in China, the US and France. Moreover, fears

of contracting the Coronavirus on trains and buses are likely to spur additional sales.

The Stoxx Europe 600 Automobiles and Parts index has already roared back 50% since bottoming out in March. A positive signal can be seen in analysts' stock price targets, which are turning back up after being revised downwards for months. On average, these shares are trading at a large discount, at 0.71 times their historical book value. Based on earnings forecasts for 2021, the sector's P/E ratio of 10.7x is attractive. These rather depressed valuation multiples provide scope for a recovery.

Authors:

Julien Stähli, Head of discretionary management, MBF Boston University

Jean-Paul Jeckelmann, CIO, CFA

Françoise Mensi, Ph.D in Economics

Pierre-François Donzé, M. Sc. in Economics

Valentin Girard, CFA, MScF Université de Neuchâtel

Karine Patron, MScF Université de Neuchâtel

Contact:

Banque Bonhôte & Cie SA 2, quai Ostervald 2001 Neuchâtel / Switzerland T. +41 32 722 10 00

T. +41 32 722 10 00 contact@bonhote.ch www.bonhote.ch

facebook.com/ banquebonhote

n linkedin.com/company/ banque-bonh-te-&-cie-sa

twitter.com/ alexnvincent

instagram.com/ banquebonhote

youtube.com/ banquebonhote1815 This document is provided for your information only. It has been compiledfrom information collected from sources believed to be reliable and up to date, with no warranty as to its accuracy or completeness. By their very nature, markets and financial products are subject to the risk of substantial losses which may be reflected in this document is not a reliable indicator of future results. Nothing contained in this document should be construed as professional or investment advice. This document is not an offer to you to sell or a solicitation of an offer to buy any securities or any other financial product of any nature, and the Bank assumes no liability whatsoever in respect of this document. The Bank reserves the right, where necessary, to depart from the opinions expressed in this document, particularly in connection with the management of its clients' mandates and the management of certain collective investments. The Bank is a Swiss bank subject to regulation and supervision by the Swiss Financial Market Supervisory Authority (FINMA), It is not authorised or supervised by any foreign regulator. Consequently, the publication of this document outside Switzerland, and the sale of certain products to investors resident or domiciled outside Switzerland may be subject to restrictions or prohibitions under foreign law. It is your responsibility to seek information regarding your status in this respect and to comply with all applicable laws and regulations. We strongly advise you to seek independentlegal and financial advice from qualified professional advisers before taking any decision based on the contents of this publication.