



**“The Neue Bank
traffic light is still
yellow/amber”**

**Our Opinion
September 2022**

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Dear Readers

On page 4, in the article “The crucial question” we show which indicators currently speak in favour of and against a recession.

Looking for advice and support on financial matters? Our investment advisors look forward to hearing from you and will be happy to talk to you personally.

We wish you a pleasant read.
Your Advisory Team

“The Neue Bank traffic light is still yellow/amber”

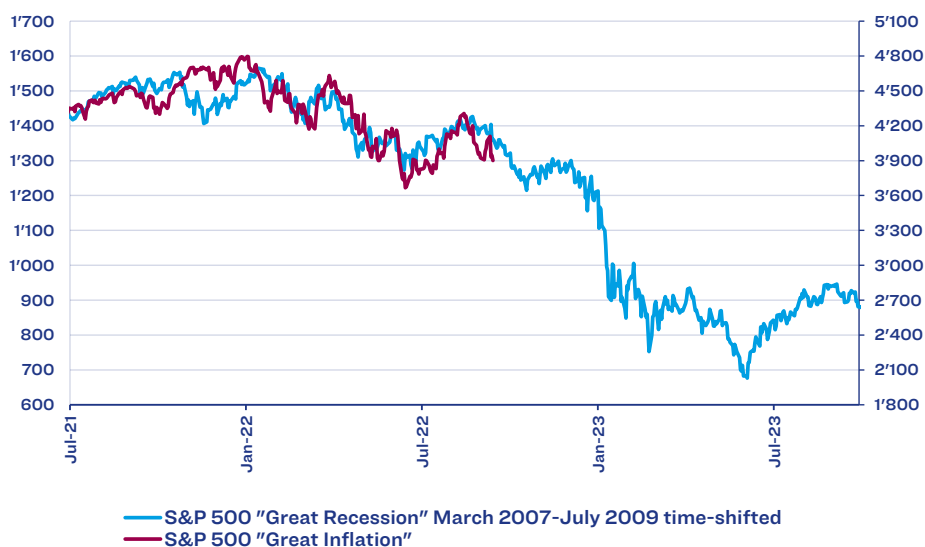
Neue Bank traffic light

- strongly bearish
- bearish
- neutral
- slightly bullish
- bullish
- strongly bullish

Equities

We are often asked why the Neue Bank traffic light is not yet red, even though there has already been a significant market correction. In fact, we’ve already passed through a significant setback – but as the chart below shows, the setback in 2008 during the Great Recession (analogous to the Great Depression of 1929) was even more pronounced.

Comparison of 2008 slump with current situation



Source: Bloomberg, Neue Bank AG

It’s often forgotten that statistically speaking, a correction of more than 10% occurs in significantly more than every second year. But because not even every fifth year exhibits negative performance, it is always important to keep in mind that declining prices may also be just a dip in an upward trend. What is the situation now? Our traffic light is still yellow/amber. Several key figures that influence the traffic light have already reacted (otherwise the traffic light would be green). Because the traffic light takes different data into account, it is possible and intended that not all signals occur at the same time, but rather that in the ideal case, some indicators react already before a possible turning point, leading to a reduction of equity exposure. Other indicators are

intended to confirm a bear market after the peak has occurred, triggering a further reduction in equity investments. We have not yet received this confirmation. A look behind the scenes does show, however, that not much is missing by some measures, and that the traffic light signal might soon turn to red.

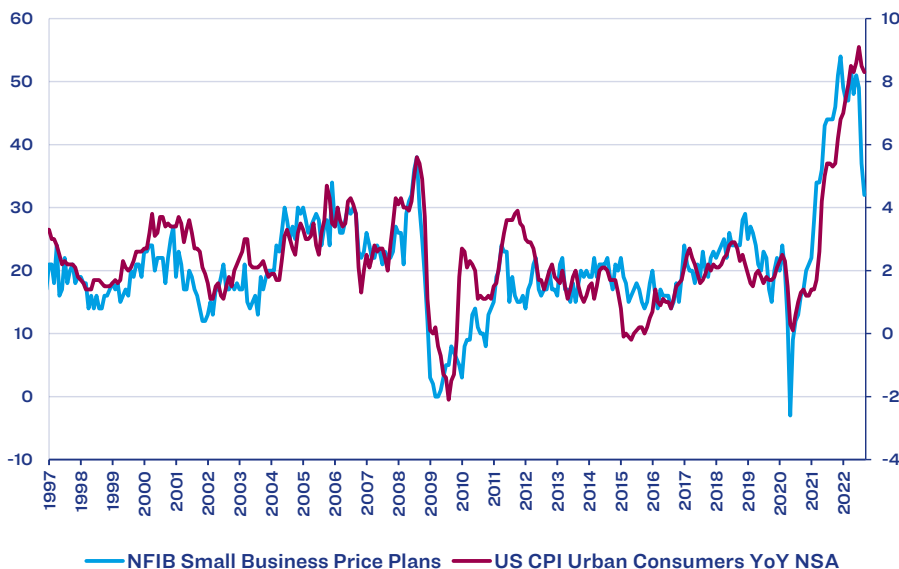
Economy

Although the purchasing managers' indices for manufacturing have declined significantly, they do not point to a recession in all regions. In the United States, for example, the level is still above 50, signalling positive growth. Other economic data look worse, however. Our economic indicator for the United States also predicts a recession.

Bonds

The inflation trend is still one of the main topics on the financial markets. When the latest US inflation figures were higher than expected, this once again shook up the financial markets. As always, investors are looking for suitable indicators from which future developments might be derived. These include the NFIB small business price plans, which may indeed have a certain predictive power. In the chart below, we compare them with the US consumer price index.

Has US inflation peaked?



Source: Bloomberg, Neue Bank AG

As the chart shows, the progression of the two lines is quite similar, and it is easy to see how the price plans of small businesses always react a few months in advance. This is the case now as well, indexing a decline in inflation to the 4% range. Nevertheless, further interest rate hikes by the US Federal Reserve are expected. How quickly the situation in Europe eases also largely depends on the extent to which the winter can be survived without energy shortages. Due to the rise in inflation, inflation-linked bonds have lost significantly less this year than conventional bonds with the same maturity. We believe diversification into inflation-linked bonds is generally advisable. In fact, we already further increased that exposure at the end of 2021. We advise against choosing long maturities, however, given that the duration effect otherwise clearly outweighs inflation protection.

Currencies

Alongside the EUR/CHF, the GBP/CHF also tended to weaken in recent weeks and months. Since the beginning of the year, the British currency has lost more than 11% against its Swiss counterpart. Thanks to our currency indicator, we already hedged GBP equity positions in CHF portfolios at the end of last year. The long-term trend of GBP against CHF is also clearly negative. In the 1970s, the exchange rate was still over 10.00, but it has since fallen to 1.10. This clearly shows how strongly investments in foreign currencies can influence investment performance. A clearly defined currency strategy and tactics are therefore indispensable.

Alternative investments

In this asset class, investments are sought that develop independently of the equity and bond markets.

“In addition to the core investments in microfinance and catastrophe bonds, the satellite investment in a broad commodity basket also generated positive returns.”

Especially in years like these, when both broad equity and bond indices are declining, it helps if some investments can make a positive contribution regardless of these developments. This is true of all three alternative investments used in our PRIMUS-ACTIVE mandates. In addition to the core investments in microfinance and catastrophe bonds, the satellite investment in a broad commodity basket also generated positive returns.

PRIMUS–ACTIVE

With the PRIMUS-ACTIVE mandate, we offer you the opportunity to invest your assets according to traditional insights of well-known portfolio theories. We place particular emphasis on broad diversification, both in the strategic definition of asset classes and in the selection of securities. We also take into account that the financial markets are subject to long-term cycles and trends, and we strive to use these fluctuations to your advantage. The client advisors of Neue Bank AG look forward to showing you the special features of this asset management solution in a personal consultation.

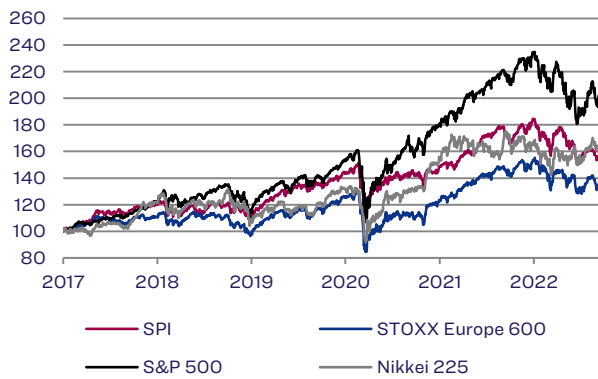
Key performance indicators for PRIMUS–ACTIVE Balanced in EUR¹

	31.08.2022	2021	2020	2019	2018	2017
PRIMUS-ACTIVE Balanced	-9.71%	17.62%	4.37%	16.50%	-3.07%	6.65%
Peergroup	-12.17%	8.85%	3.40%	12.14%	-7.19%	4.36%

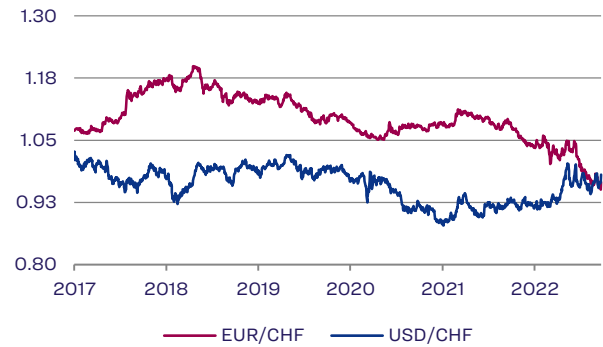
¹ Past performance is not an indicator of future performance and offers no guarantee of success in the future. The presentation of performance is gross without taking into account your individual tax liability. The net performance is lower due to fees. You can also find Our Opinion on our website: www.neuebankag.li S.E.&O.

Market data

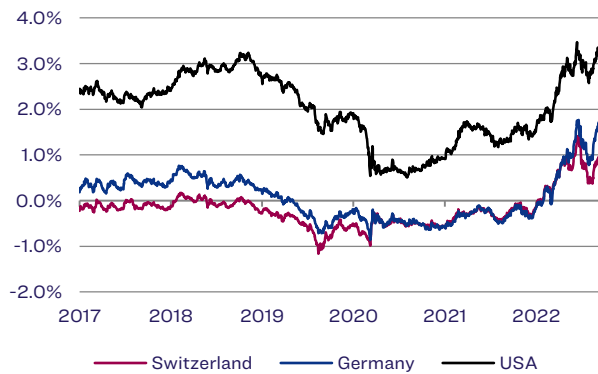
Stock market (indexed)



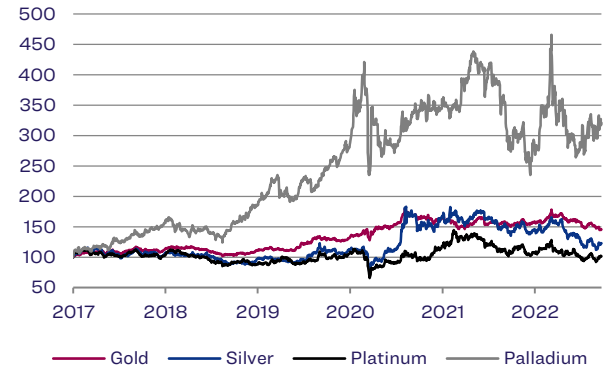
EUR/CHF and USD/CHF



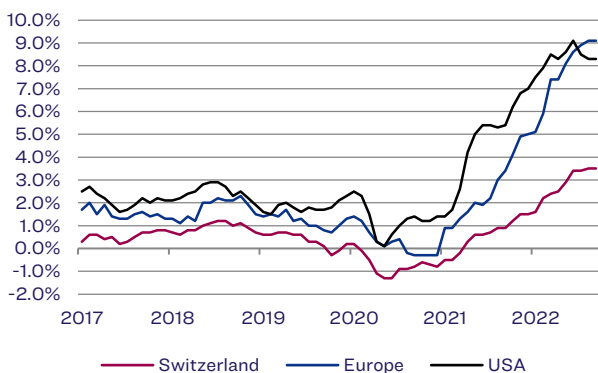
10-year government bond yield



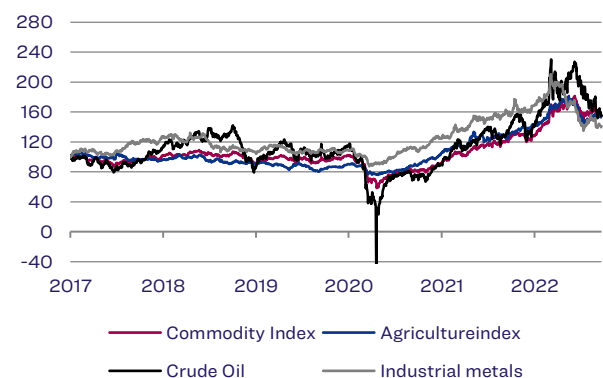
Precious metals (indexed)



Inflation rate



Raw materials (indexed)



The price developments are shown over 5 years.

You can reach us at

Neue Bank AG

T +423 236 08 08

F +423 236 07 35

info@neuebankag.li

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