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The European economies are still in good shape, with the euro-zone benefitting from reduced political uncertainty and high levels of business and consumer confidence. We think that this strong performance will continue.

EU Economy

While consumer spending growth looks set to slow from its recent strong pace, the conditions are ready for an acceleration in investment, particularly given Economists’ view that the ECB will keep interest rates at a low level for a long time yet. Outside the single currency area, performance has been somewhat mixed, with the UK showing some signs of Brexit blues. But strong growth and mounting inflationary pressures in Sweden suggest that the Riksbank will be the first of Europe’s major central banks to raise interest rates.

The outlook for the euro-zone remains bright, with a combination of low interest rates, high business confidence and easing political risk boding well for investment in particular.

After a long period of steady growth, the Eurozone recovery seems to have stepped up a gear. The Composite PMI suggests that quarterly growth at least matched Q1’s pace of 0.6% in Q2. And the Economic Sentiment Indicator of the EC Survey, which is now at a decade high, paints an even more positive picture.

Sentiment in the manufacturing sector is particularly buoyant. And with investment still well below its pre-crisis level as a share of GDP, there is plenty of scope for a recovery in this area. Diminished political uncertainty, particularly following the French election, should help to spur growth against a backdrop of persistently low borrowing rates and high equity prices.

Consumer spending growth is slowing as most economists had anticipated due to the effects of higher inflation. But normally inflation has passed its peak and generally high levels of consumer confidence and steady falls in unemployment suggest that spending growth will ease rather than stall.

With global demand in good health and the euro exchange rate still at a pretty low level, we believe the message from surveys of export orders that export growth is set to rise. Net trade should therefore boost GDP growth over the next year or so, although that support is likely to fade in 2019 as the euro appreciates and growth slows elsewhere.

The era of aggressive fiscal tightening has thankfully passed, at least for the region on average. But with Germany wedded to balanced budgets and the EC pressuring others to limit borrowing, a fiscal stimulus is unlikely.

Monetary policy should remain supportive. While we expect the ECB to taper its asset purchases next year, weak core inflation should prevent it from raising interest rates until 2019. And we suspect that it would normalise policy even more slowly if upward pressure on the euro or bond yields intensified.

Despite the speculation about the ECB’s future monetary policy, we still consider the region to be attractive.

The EU’s economy is enjoying a cyclical tailwind that should last at least throughout the summer. We also assume that investors’ discussion about the gradual reduction of the central bank’s bond purchasing program is still premature. There is likely to be at least a break in the sustained inflation trend toward the ECB’s target of almost 2% in the coming months because of the ongoing decline in the price of oil.
**FOREX**

Despite concern for lower inflation numbers in G10 countries, central bankers continue to push forward with normalisation policies, most notably from the ECB, Canada and the Bank of England.

<table>
<thead>
<tr>
<th>Currency</th>
<th>Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHF</strong></td>
<td>The Swiss economy appears to learn how to deal with the appreciation of CHF. The export growth is no longer linked only to chemical and pharmaceutical sectors but to a broader range of products. In though Switzerland unemployment rate at 3.1% and inflation of 0.5% in May give us the feeling that deflation has been overcome, central bank governor Jordan keep the same monetary policy, meaning negative interest rates and interventions to cap CHF appreciation. USD/CHF should be strongly supported on 0.95 and should rebound toward 0.97.</td>
</tr>
<tr>
<td><strong>EUR</strong></td>
<td>Euro is pursuing its rally all across the board following the Draghi’s “Sintra speech” where he gave hints of an exit from the ultra-expansionary monetary policy. The break of the EUR/USD above the 1.15 now opens the way to 1.1736, 1.15 being the support to watch. Draghi should adopt a more conciliatory tone in his next speech as ECB remains very cautious and does not believe that everything is fine or the EUR.</td>
</tr>
<tr>
<td><strong>GBP</strong></td>
<td>The news flow around the BoE and UK has cooled recently even though the debate on whether the BoE should tighten its policy amid growing inflation is raging. The news flow relate to the start of the second round of the Brexit negotiations will probably lead the evolution of the currency in the next days / week. Cable is supported by hopes of a rate hike and technically at the level of 1.3030. On the upside a close above 1.3150 will open the way toward 1.3440. The main risk for GBP being the political internal situation.</td>
</tr>
<tr>
<td><strong>USD</strong></td>
<td>The USD is under pressure as Senate Republicans are losing votes for the health care bill and now don’t have enough votes to bring it in a procedural vote, raising the prospect of further delay to tax cuts and infrastructure spending announced by President Trump. On the back of these news the DXY dollar Index has fallen to its lowest level since August 2016. All the news related to the health care bill have to be followed closely as they will directly impact the future movements of the USD. Follow also closely inflation data as the ones published last week have decreased the probability of another Fed rate hike this year.</td>
</tr>
<tr>
<td><strong>JPY</strong></td>
<td>The Bank of Japan has asserted its dovish stance and proclaimed that it would do everything necessary to keep yields on the 10-year JGB at the designated policy rate of 0.0%. The fact that support for incumbent Prime Minister Shinzo Abe is sliding while interest rates in other developed markets such as the Eurozone and U.S. are steadily rising indicates the BoJ has a protracted battle on its hand to prevent yields from rising above zero. The short interest on the Yen versus USD and EUR are at their 52 weeks high.</td>
</tr>
</tbody>
</table>
S&P was up 1.45% on the last week, with a clear drop in volatility. VIX finishing the week at 9.89 from 10.78. On the upside we found independent energy producers and traders sector up nearly 20%, followed by industrial REITs and department stores both up slightly more than 5%. On the down side only significant fall was for motorcycle manufacturers.

In the US the focus this week will be on the Philadelphia Fed Index where, according Raiffeisen, there is potential for a positive surprise as the consensus expects a drop from 27.6 to 23.4 and they do expect stability or a small plus.

S&P 500: We now have the rebound we were expecting, 2453 has been broken and is now the first support. As long as 2453 is support the upward move should go on targeting at first 2500 and up to 2500. If this first support (2453) is broken on a close basis then we should see a quick correction toward 2410-2400 the strong support area.

Eurostoxx 50: No change here, the index is still evolving in its new trading range 3525-3435 even though we see a pickup of the volatility. A close below 3435 will open the way to a test of the strong 3400 a close below this level will immediately lead to 3325.

A break above 3525 will fuel a rise to 3600.
### Economic Events

<table>
<thead>
<tr>
<th>Date of release</th>
<th>Domicile</th>
<th>Event</th>
<th>Period</th>
<th>Actual</th>
<th>Estimated</th>
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<tbody>
<tr>
<td>20 July 2017</td>
<td>EC</td>
<td>ECB Main Refinancing Rate</td>
<td>20 July 2017</td>
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<td>0.00%</td>
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<tr>
<td>20 July 2017</td>
<td>US</td>
<td>Initial Jobless Claims</td>
<td>15 July 2017</td>
<td>--</td>
<td>--</td>
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<tr>
<td>21 July 2017</td>
<td>CA</td>
<td>CPI YoY</td>
<td>Jun</td>
<td>--</td>
<td>1.30%</td>
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<td>26 July 2017</td>
<td>UK</td>
<td>GDP QoQ</td>
<td>2Q A</td>
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<tr>
<td>26 July 2017</td>
<td>US</td>
<td>FOMC Rate Decision (Upper Bound)</td>
<td>26 July 2017</td>
<td>1.25%</td>
<td>1.25%</td>
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### Company Earnings

<table>
<thead>
<tr>
<th>Date of release</th>
<th>Domicile</th>
<th>Company Name</th>
<th>Period</th>
<th>Estimate EPS</th>
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<tbody>
<tr>
<td>20 July 2017</td>
<td>CH</td>
<td>Givaudan SA</td>
<td>S1 17</td>
<td>36.98</td>
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<tr>
<td>20 July 2017</td>
<td>CH</td>
<td>ABB Ltd</td>
<td>Q2 17</td>
<td>0.33</td>
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<tr>
<td>20 July 2017</td>
<td>DE</td>
<td>SAP SE</td>
<td>Q2 17</td>
<td>0.96</td>
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<tr>
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<td>Microsoft Corp</td>
<td>Q4 17</td>
<td>0.71</td>
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<td>24 July 2017</td>
<td>CH</td>
<td>Julius Baer Group Ltd</td>
<td>S1 17</td>
<td>1.79</td>
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<td>24 July 2017</td>
<td>US</td>
<td>Alphabet Inc</td>
<td>Q2 17</td>
<td>8.25</td>
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<td>Caterpillar Inc</td>
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<td>1.16</td>
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<tr>
<td>25 July 2017</td>
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<td>General Motors Co</td>
<td>Q2 17</td>
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<tr>
<td>26 July 2017</td>
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<td>Orange SA</td>
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<td>26 July 2017</td>
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<td>Gilead Sciences Inc</td>
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<td>26 July 2017</td>
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<td>LVMH Moet Hennessy Louis Vuitton SE</td>
<td>S1 17</td>
<td>4.22</td>
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</tbody>
</table>
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