ASPERMONT FINANCIAL SERVICES

Market Monthly

March 2020

Highlights

- **Economics:** In the US, the final 4Q19 GDP data showed slowest growth during the Trump mandate, posting 2.1% increase. Full year growth totaled to 2.3%. After 110 months of consecutive decrease of unemployment rate in USA, final March weekly numbers of new jobless claims skyrocketed to 3.3mn, due to uncertainty caused by coronavirus outbreak. Even before pandemic, Eurozone expands only 0.1% in last quarter of 2019, with expected increase in unemployment rate, which is 5.2% in Germany, March data. PMI numbers are in contraction zone for USA and Europe, while China is set to recovery first and already use almost 90% of their manufacturing capacity.
- **Inflation:** Observing US consumer prices on monthly basis, expenditures rose by 0.1% in February, reaching 2.3% increase for y-o-y. On Eurozone, prices in February dropped by 0.2% comparing to January, 12 month figure is 1.2%. Other 1Y CPI values for February were: Russia 2.3%; for China 5.2%, Brazil 4.0%.
- **Central bank interest rates:** Following the sharp market correction and halt of production in Europe, Fed slashed interest rates to zero in two moves. Also, massive asset purchasing program is announced and for the first time FED will be eligible to buy corporate bonds. Similar move is registered in Europe, where ECB pledged QE measures in amount of €1tn, however basic interest rate remained -0.5%. Other central banks joined the action, Chinese Central Bank continued with expanding monetary policy cutting rates by 20bps in March.
- **Capital market rates:** Trend from the end of February remained in first half of the March, sending yields of 10yr US treasuries into the unchartered territory. On the peak of demand, yield on this securities posted record low of 0.35%, after gaining back some of the yields and ending month on 0.7% value. European bonds didn't expressed such volatility due to negative yields, and German 10Y Bund traded between -0.2% and -0.8% range. Although EUR bond prices remain supported over the longer term, yields in EUR will remain unattractive for some time.

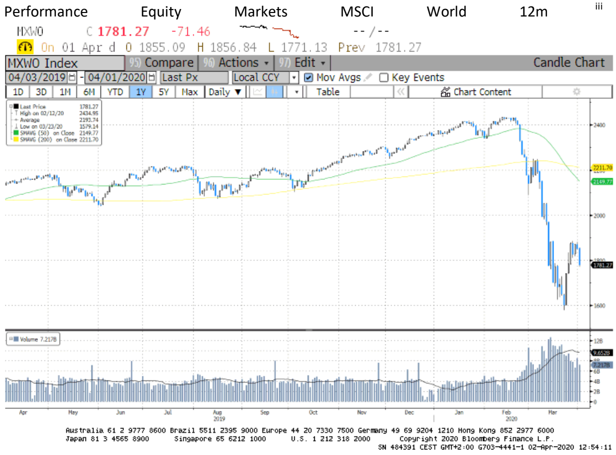
Tactical Asset Allocation

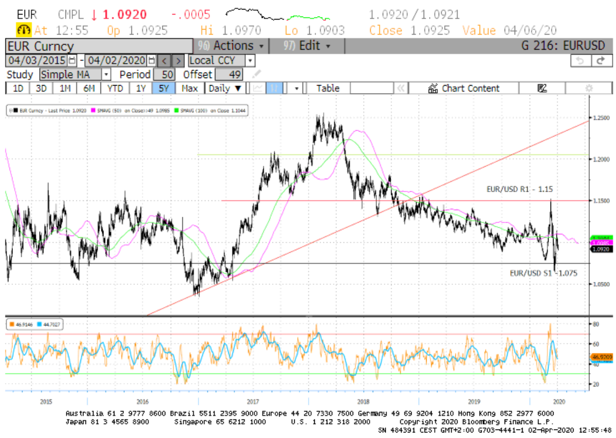
- **Forex:** EURUSD remained highly volatile in March, reaching both extreme values within 2 weeks period. In first half of March, momentum was on the Euro side, reaching 52w high figure of 1.15, but after that due to surge in demand for USD, on 23rd March, 3Y low of 1.065 USD for Euro is printed. Month ended with spot of 1.10.
- **Bonds incl. High Yields (U[i]):** Since near-zero/negative policy rates and negative real rates are seen persisting in Europe for several years, we continue investing in up to 2028 maturities of European DM bonds to improve yield and look for USD bonds with shorter maturities.
- **Equities (N):** Losses started in final week of February, accelerated in the first half of March due to various restriction movements implemented around the world, imposed social restrictions measures and almost certain fall in GDP for the first 2Q of 2020. Markets start to recover in last weeks, nevertheless 1Q of 2020 posted worse results in history, with S&P lost 20% of its starting value.
- **Commodities (N):** Sluggish demand due to production halt in China and Europe combined with fiasco of OPEC meeting, where planned cutting of production turned into open price war result with 18Y low values of oil barrel. From starting $47/barrel, price is more than halved, at the end of March sitting at $20/barrel with negative outlook.

Investment Ideas[ii]

- Remaining positioned for a market rebound within our Actively Managed Certificates with cash quota.

Performance Equity Markets MSCI World 12m [iii]





EURUSD Technical Chart 5y, Bloomberg

[i] How to read: (U) underweight; (N) neutral; (O) overweight
[ii] See rationales on our web page www.aspermontcapital.ch
[iii] Return for the last rolling 12m

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