Market Monthly

June 2020

Highlights

- **Economics:** During June, USA economy continue with recovery. Most recent published retail sales numbers surged by 17.7% posted biggest monthly jump ever, while unemployment rate decreased another 1% to 12.3%. FED extend bond buying program, now for the first time allowing purchase of corporate debt for its balance sheet. All of this combined, alongside with lower starting value resulted in best Q2 for US indices since 1987, with near +20% performance. However, rise in virus cases in second half of June resulted in reversing corona measures in some of US countries. In Europe, unemployment rate posted minor increase by 0.1% to total 7.4%. Fresh PMI numbers are steadily rising since March, but they are still in contraction zone, while continuation of uptrend market movement is supported by control in corona cases. With no indications of second corona wave, and manufacturing indicators back in expansion zone, China led the markets in June, with investors more weights economical inputs than political disputes with USA.
- **Inflation:** Observing US consumer prices on monthly basis, expenditures declined by 0.1% in May, reaching 0.2% increase for y-o-y. On Eurozone, prices in June increased by 0.2% comparing to May, 12 month figure is 0.6%. Other 1Y CPI values for March were: Russia 3.0%; for China 2.4%, Brazil 1.9%.
- **Central bank interest rates:** Central Banks around the world continued with expansive monetary policy during June. In most recent meeting, FED didn't change current interest rate corridor (0% to 0.25%) and stated that hikes of interest rates are not expected until 2022. ECB and People's Bank of China kept their rates at -0.25% and 3.85% respectively.
- **Capital market rates:** Fueled by very strong equity market result in first week of June, yields on 10Y treasuries briefly went to 0.9%, after falling back in tight range 0.6%-0.7% in second half of June. Similar situation is in Europe, where 10Y Bund started with -0.3% yields, and then traded in -0.4%-0.5% corridor during the rest of the month.

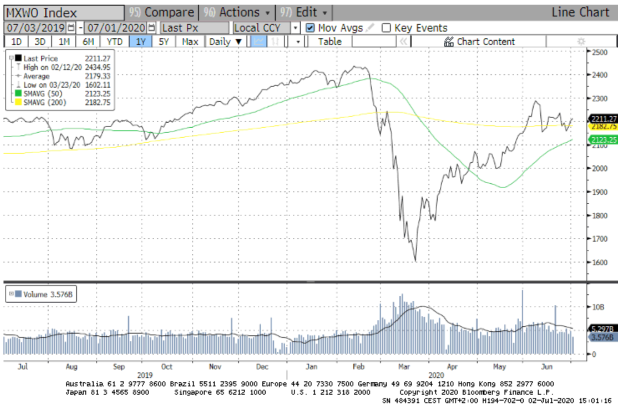
Tactical Asset Allocation

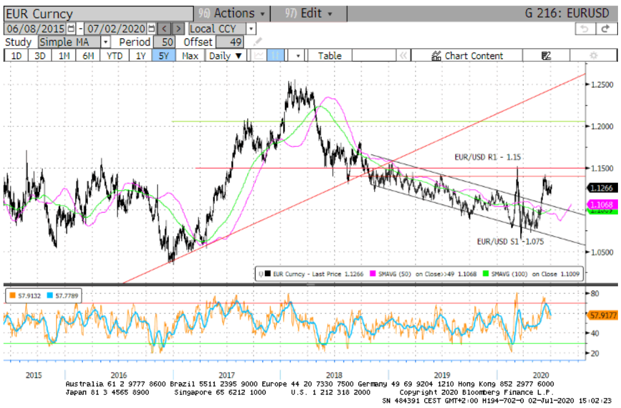
- **Forex:** In June, EUR/USD was trading in 1.11 – 1.14 range, with strengthening of EUR from the end of May continues in first 10 days of June. Cooling down of equity market coincide with slight appreciation of USD in second half of the month, final spot value 1.12.
- **Bonds incl. High Yields (U[i]):** 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):** After strong first week, global markets spend most of the time in sideway movements. Gap between US and Europe markets further narrows, and now the difference is below 3%. While USA and Europe indices are still behind beginning of the year values, Chinese markets are now positive YTD.
- **Commodities (N):** After two turbulent months, oil market is now stabilized. Latest OPEC+ meeting held on 6th of June ended up with extension of cut in oil supply by 10mn barrels per day until the end of the year. With no major movements on demand side, crude oil traded hands in relative tight range \$35-40/barrel, ending month on the upper corridor limit.

Investment Ideas[ii]

- Markets around the world recovering from virus impact, we continue to decrease cash position and overweight Chinese equities alongside with writing call options on selected stocks to enhance yields.

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