ASPERMONT
FINANCIAL SERVICES

Market Monthly

July 2022

Highlights

- **Economics:** Despite labor market continue to show better than expected numbers with almost 235k added jobs in July, the fears of a recession in the USA remain. The FED stepped into action from the fiscal side at the end of the month. Current unemployment rate of 3.6% remained but inflation is showing up several fronts. Formed by increasing energy prices, supply chains that have been disrupted and general uncertainty due to an ongoing conflict are shaping the market activities. While PMI figures in the US for both manufacturing and services have remained above 50 and factory orders even increasing against expectations. In Europe, PMI numbers have also remained above 50, in line with expectations, but on a slightly lower value compared to the US. Business sentiment measured by ZEW has dropped from prior -28 to -51 in Europe as the conflict in the east is not showing any signs of ending soon. During the month, gas supply has been limited and even shut down at times causing European countries to rethink how they should use energy going into the winter months ahead. China published positive PMI numbers with both manufacturing and services above 50, beating expectations.
- **Inflation:** Inflation forecast published in July for the USA is 9.1%, while Europe 8.6%. Other readings were as follows: China 2.5%, Russia 15.9%, Brazil 11.9%, India 7.0%.
- **Central bank interest rates:** In July, FED raised interest rates by 75bps to corridor 2.25-2.50%, while the the market expects additional hikes this year. As usual, ECB is less hawkish by implementing only 50bps increase in July.
- **Capital market rates:** Yield curves are more inverted, indicating a possible recession. At the end of July the 1 year Treasury note was up 30bps compared to the beginning of the month, with the shorter durations being up as much as 90bps. However, the picture was reversed for the 10Y Treasuries was about 30 bps below its beginning June value with 6m – 3y durations yielding higher than 10y. A similar picture for the Bund with the exception of the inverted curve at the shorter end.

Tactical Asset Allocation

- **Forex:** Moderate volatility during the July, as both FED and ECB increased rates. The USD initially strengthened from 1.05 all the way to 1.00 but has since been range boun 1.01-1.03. CHF is stronger comparing to EUR and even dippng below parity at the end of July.
- **Bonds incl. High Yields (N[i]):** End of near-zero/negative policy rates and negative real rates is approaching, so we are now more focused in investing cash proceeds into short term bonds, prioritizing dollar denominated, while waiting EUR yields to catch up.
- **Equities (U):** A rebound in equity across most sectors with earnings season starting and surprising to the upside. High inflation expectations continue to hurt growth stocks, while value companies also suffers, especially from oil segment. Tech, industrial and luxury goods rebounded significantly while insurance, banks and oil sectors were slower.
- **Commodities (O):** For the first part of the month, oil cooled from the previous highs, dropping to below $100/barrel and going as low as $87/barrel as the OPEC vowed to increase production, but not nearly as much as the USA had wished. Relief on the agriculture product can also be noticed, as supply from the Ukraine have left their ports.

Investment Ideas[ii]

- Cautious buy on Chinese IT market on dip.

Performance Equity Markets MSCI World 5Y[iii]
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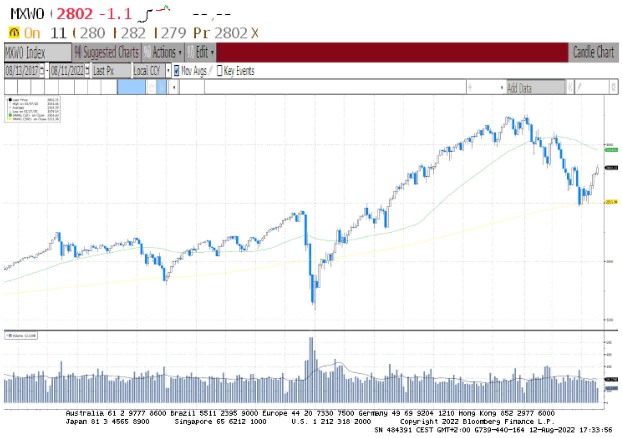
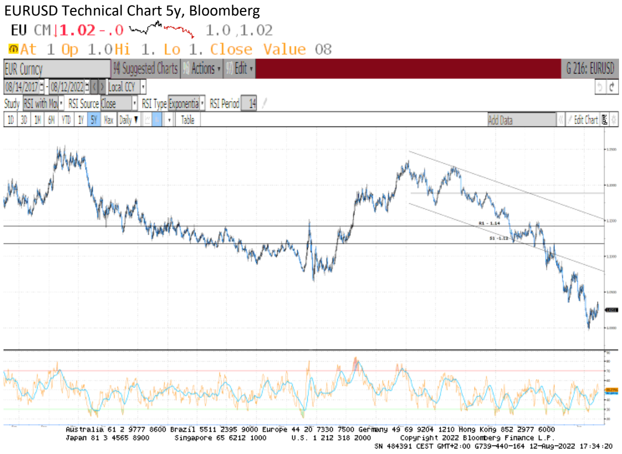


EURUSD Technical Chart 5y, Bloomberg



[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