Market Monthly

September 2022

Highlights

- **Economics:** Information on the employment front in the US shows that the labor market is still resilient as the data from the statistics like higher nonfarm payrolls, labor participation rate, average hourly earnings and lower initial jobless claims show.

  The CPI for the month of August rose only 0.1% compared to July, but the markets were spooked by the 0.6% rise in core CPI, which strips volatile food and energy costs

  Consumer sentiment index was also higher than in previous month, as the oil prices continued to decline and help relieve part of the consumer bills, and consumer spending going up by 0.3% MoM**.**

  Manufacturing PMI contracted to the reading of 52, down from 52.8 level in August, and above the break-even level of 50, which shows that severe recession at this point doesn't seem likely, although dents in the economy are clearly visible.

  In Europe, both manufacturing and services PMI dropped below 49 continuing the slowdown from previous month, with headwinds for economic growth likely to continue as geopolitical events and oil and gas issues loom large over continent.

  Manufacturing and services activity dropped further in China, with real estate problems and zero-COVID policy negatively impacting the economy. October will see the 20th CCP Congress and more clarity on future path.

- **Inflation:** Inflation forecast published in August for the USA subsided a bit to 8.5%, while in Europe it was 8.9%. Other readings were as follows: China 2.7%, Russia 15.10%, Brazil 10.1%, India 6.7%.

- **Central bank interest rates:** September saw the aggressive rise of Central Bank rate hikes with both FED and ECB raising rates by 75bp with hawkish stance from officials regarding future rate paths

- **Capital market rates:** Yield curves inverted in September with both 2-year and 10-year Treasury reaching highest levels in more than a decade. A similar picture for the Bund with the exception of the inverted curve at the shorter end.

Tactical Asset Allocation

- **Forex:** In the first half of September, EUR briefly rose to 1.01, but has since then dropped all the way to 0.97 as European continent faces big problems ahead, and continuous rise in US dollar. CHF continued gaining on the EUR with SNB raising policy rate by 75bp to a 0.50% range in September and basically stopping with foreign currency market interventions aimed at stemming the appreciation of CHF. Also, Swiss franc tends to appreciate in times of high global inflation and act as safe- haven.

- **Bonds incl. High Yields (N[i]):** Era of near-zero/negative policy rates and negative real rates has ended, and that is why we are now more focused in investing cash proceeds into short term bonds, prioritizing dollar denominated, while EUR yields have turned positive, and we are looking for opportunities.

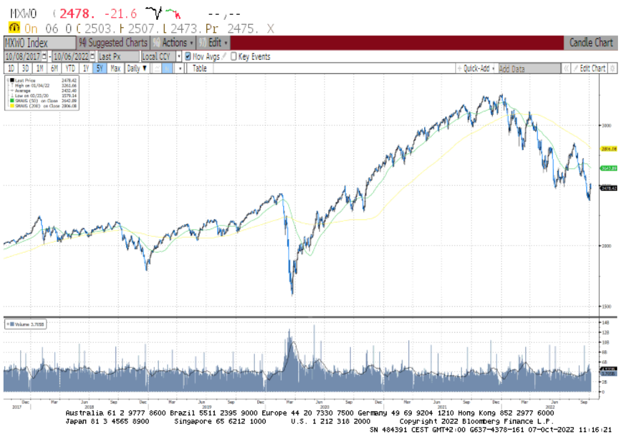
- **Equities (U):** Equities saw one of the worst months after 75bp rate hikes from FED and ECB, and Central Bank officials' persistent hawkish remarks regarding more aggressive path ahead than anticipated earlier, with the rise of 10Y Treasury yield adding to the pressure for high.

- **Commodities (O):** Price of oil was dropping throughout the September as the fears of global slowdown increased, but the end of the month started seeing price reversing on the back of the OPEC+ meeting in early October. Gold dropped 2.6% in September pressed by the surging US dollar and higher bond yields

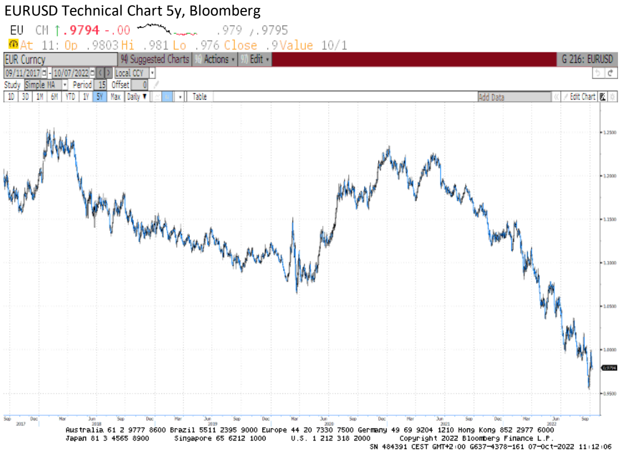
Investment Ideas[ii]

- Cautious buy on Chinese IT market on dip.

Performance Equity Markets MSCI World 5Y[iii]



EURUSD Technical Chart 5y, Bloomberg



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[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