ASPERMONT
FINANCIAL SERVICES

Market Monthly

October 2022

Highlights

- **Economics:** US employment results like reduction in jobless claims from 228k to 214k, drop in unemployment rate to 3.5% continue to show that the job market remains resilient, even though some cracks surface like the smallest rate of nonfarm payroll increase are slowly starting to appear on the surface.

  The US CPI continued trending down, but the core CPI including food and shelter rose 0.8% and 0.7% respectively since September, which makes it harder for FED to make a U-turn in rate hike plans.

  Inflation issues and higher interest rates are pressing down on consumers, which was seen in the drop in consumer confidence index 107.8 in September to 102.5 in October.

  Manufacturing PMI contracted further in October to the reading of 50.2, down from 50.9 level in September and 52.8 level in August, and just barely above the break-even level of 50.

  In Europe, inflation pressures continued to mount, with some industry surveys like the one Ifo conducted in Germany showing that companies plan on raising prices further in the months ahead.

  Manufacturing activities in China rose to 49.2 from 48.1 in September, making a positive improvement despite still being below the 50 level which separates growth from contraction. CCP Congress held in October so far failed to provide any detailed clear paths on how the government plans to deal with the real estate problems and zero-COVID policy which have adverse impact on the economy.

- **Inflation:** US CPI inflation readings in September came in at 8.2% showing a decelerating trend from June's 9.1% high. Europe on the other hand saw the record readings of 10.7%, more than double since the beginning of the year. Other readings were as follows: UK 10.1%, China 2.8%, Russia 13.7%.

- **Central bank interest rates:** Rate hikes continue in October with ECB opting for another 75bp move to 2%, with the FED and BOE expected to follow the same path in early November with respective 75bp move by the FED and 50-75bp increase by the BOE.

- **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 apart from the inverted curve at the shorter end.

Tactical Asset Allocation

- **Forex:** Among the major currency pairs, beaten down EUR was able to gain against the USD, rising from 0.98 to 0.99. EUR strength continued against the other currencies like CHF as well, where it rose from 0.97 to 0.99.

- **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.

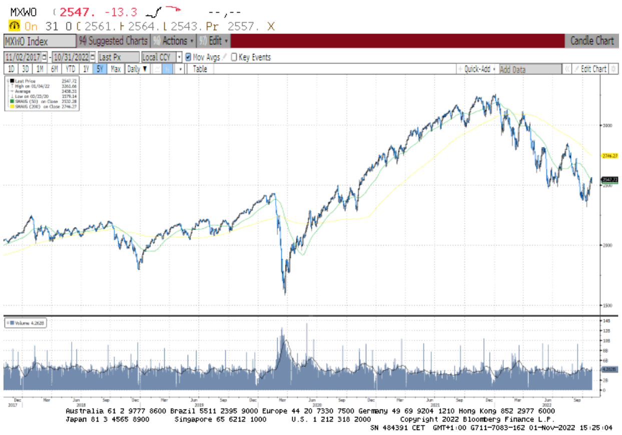
- **Equities (U):** Equities in both US and Europe finished positive in October after the sharp sell-off in September, and despite the rise in 10-year Treasury yield and the lack of dovish reversal from either the FED or ECB regarding the path of future rate hike increases.

- **Commodities (O):** Price of oil rose throughout the October from $87.96 to $94.83 per barrel as the OPEC+ 2-million-barrel a day cut arrangement was able to offset fears of global slowdown. Gold dropped 1.7% for the month to $1633 per ounce pressed by the surging US dollar and higher bond yields.

Investment Ideas[ii]

- Cautious buy on technology sector.

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

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[iii]Return for the last rolling 12m