Market Monthly

January 2022

Highlights

- **Economics:** January was marked by a correction in global equity markets. The hawkish commentary of the Fed led the markets to think of more and quicker rate hikes than first anticipated. Increased geopolitical tensions between Russia and the Ukraine have also caused some downward market movements together with a brief surge in the VIX. Further, the markets also saw a rotation from growth to value stocks, the tech-heavy Nasdaq (-9.0%) underperformed. Job reports indicate a further improved 3.9% unemployment rate in USA, approaching pre-pandemic levels, but inflation concerns are still offsetting benefits. In Europe, economical numbers, although stabilizing, are still behind USA, including unemployment rate of 7.2%. On the PMI side, both the USA and Europe continue to see numbers in the mid and high 50's while China hovers around 50 on their PMI figures as they move into their Chinese New Year celebration next month.
- **Inflation:** December value for USA CPI continued to rise, climbing to 7.0% (prev. 6.8%). Europe is slightly better at 5.0% (prev. 4.9%). Those values are highest in multiple decades, and monetary authorities are discussing possible ways to counteract the inflation. Other readings were as follows: China 1.5% (previous 2.3%), Russia 8.4%, Brazil 10.1% (prev. 10.7%), India 5.6% (prev. 4.9%).
- **Central bank interest rates:** The FED meeting yielded no current change in rates, just a hawkish tone that had affected the equity markets. They are still considering raising interest rates in 2022 with the markets expecting around four increases. The ECB is set to meet next month. China has increased injected billions of yuan via reverse repos in an effort to keep the domestic banking system liquid ahead of the festivities.
- **Capital market rates:**. US treasury yield increased by 25 bps bringing the 10y yield to 1.75 while the 10Y Bunds reacted very similarly and even reaching positive territory (0.0088%).

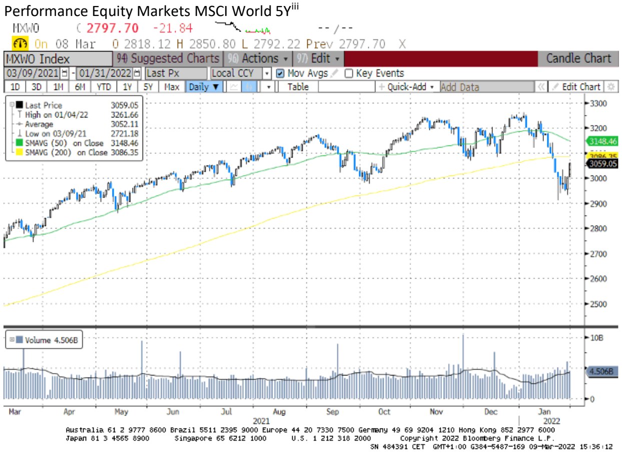
Tactical Asset Allocation

- **Forex:** EUR/USD saw increased movements both up and down, breaking the 1.14 / 1.12 corridor on both the up and downside within a few days of each other, to finish off the month at 1.1219.
- **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, as inflation expectations rose recently. Due to improved outlook for US, we search also for US high yield bonds.
- **Equities (N):** Equities saw a correction all through the month with a few exceptions such as the UK (+1.9%) and Hang Send (+1.7) with most large cap tech stocks >-6% in January. Most of the market uncertainty continues to come from the speculations of interest rate increases and the ongoing tensions.
- **Commodities (N):** Oil continued to increase from \$75/barrel all the way up to \$88/barrel as tensions between Russia and Ukraine put an extra worry on the supply of oil. Gold had a brief spike in January almost touching \$1850/oz but ended the month at \$1797/oz.

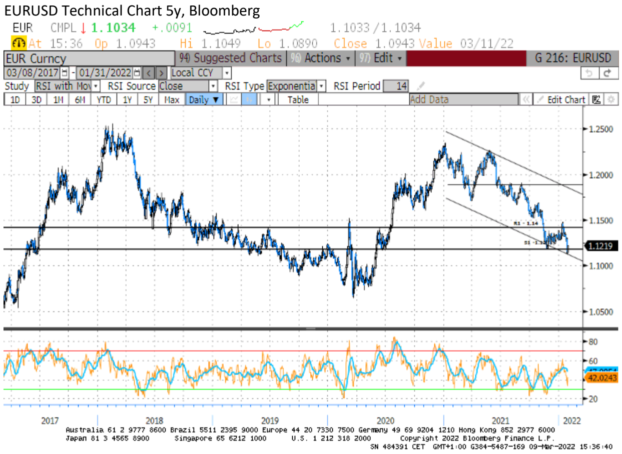
Investment Ideas[ii]

- Use the correction in the equity markets to bring the equity baskets back to fully invested.

Performance Equity Markets MSCI World 5Y[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