ASPERMONT
FINANCIAL SERVICES

Market Monthly

June 2023

Highlights

- **Economics:** After reaching the fiscal agreement at the end of the May, focus in USA in June was on monetary policy. Easing of inflation, and probably pressure from the side of the Democrats resulted with pause from the further hikes on June FED meeting. This was pivotal move which softens recession fears. Unemployment rate still stood near historical low of 3.7%, while after brief spike in weekly jobless claims, number of applicants now decrease to average level in previous 2 years. Eurozone PMI manufacturing readings worsens, with Germany falling to a level of 40, while services PMI is still in expansion zone, but decreasing from 55 to 52. Latest data in Europe indicates stable unemployment rate of 6.5%, but high inflation and riots in France are now putting barrier for a further growth. Despite lowering the key policy rate and depreciation of yuan, exports in China and factory growth rate disappointed.
- **Inflation:** Inflation stabilized in USA, with May value again at 2.9%, while Eurozone figure for same month is 6.1%. Other readings were as follows: China 0.2%, Russia 2.4%, Brazil 3.9%, India 4.2%.
- **Central bank interest rates:** In June, FED maintained corridor 5.0-5.25%, unchanging policy rate for the first time after 10 meetings. However, Powell clearly stated that more hikes should be expected. ECB raised interest rates by 25bps to a level of 4%. China National bank cuts medium term lending facility rates by 10bps, from 2.75% to 2.65%
- **Capital market rates:** Yield curves remained inverted, with emphasized pressure on shorter duration bonds. Bond market is preparing for hikes in H2 2023, with 10Y Treasuries gaining 20bps in June, reaching 3.8% value in the end of month. The volatility of 10Y Bunds was lower and traded near 2.4% mark at the end of period, adding 15bps to the starting value.

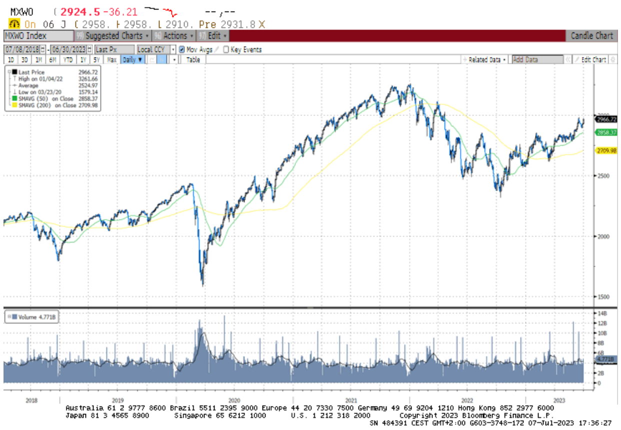
Tactical Asset Allocation

- **Forex:** After strengthening in May, dollar decreased in June due to higher risk appetite from investors, reversing the trend from May. Spot rate to EUR increased from 1.07 to 1.09, with highest value of 1.10 during the June. Value of CHF was unchanged compared to EUR and dollar.
- **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 starting to invest in EUR bonds, as gap now narrows.
- **Equities (N):** Growth stocks, especially megacap in USA finished 1H with astonishing YTD performance. S&P rose by 17%, and Nasdaq is up almost 33%, fueled by AI and semiconductor stocks. Final push happened in last week of June when indices around the world increased by 2.5% to 3.0%. Still, rally is very narrow and remained on few companies, leaving majority of S&P 500 constituents in red since beginning of the year. After excellent Q1 results, investors are preparing for Q2 earnings with kick off in 2nd week of July.
- **Commodities (U):** Volatility on oil market in June was lower compared to previous months, and barrel traded in tight range near $70 mark. Agriculture futures had a short living increased in value during mid of the month due to possible withdrawal of Russia from allowing Ukraine to export products, but as crisis faded, so did the gains.

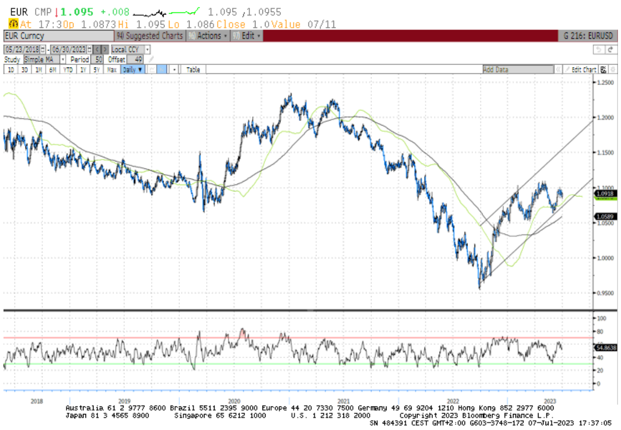
Investment Ideas[ii]

- Selective entries into emerging market stocks, with focus on India, with temporary increasing equity exposure during the summer months.

Performance Equity Markets MSCI World 5Y[iii]
m



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