

Market Monthly

December 2023

Highlights

- Economics** The economy has proven more resiliency in Dec than expected due to strong US consumer spending and the recovery of services after the pandemic. The US GDP was down 0.3% while Eurozone GDP was down 0.1%. The PMI manufacturing (US) fell to 48.2 (49.4), while PMI services (US) was 51.3 (50.8). PMI manufacturing (EU) was 44.20 (same as Nov) while PMI services (EU) was down to 48.10 (48.70). Despite the strong economic growth, analysts expect market volatility and a potential recession between now and the 1H24. The US unemployment rate has still been below 4% (3.7% in Dec vs 3.9% in Nov). Europe indicates that unemployment rate for Dec was 7% (6.4%).
- Inflation:** The US inflation rate was 2.3% while the Euro area inflation is unchanged at 2.4%. After Fed's long tightening campaign to battle decades-high inflation, the U.S. economic growth has slowed and inflation has eased over the past year but remains elevated.
- Central bank interest rates:** The FED decided to hold its policy rate in 5.25%–5.5% range while ECB kept the three key interest rates (main refinancing operations, marginal lending facility and deposit facility) unchanged at 4.50%, 4.75% and 4.00% respectively in Dec.
- Capital market rates:** Long-term bond yields retreated in Nov and early Dec 2023, slipping from recent highs. The yield on the benchmark 10-year U.S. Treasury note neared 5% at its peak in early Oct 2023, only to fall to 3.86% December.

Tactical Asset Allocation

- Forex:** The dollar was low against a basket of major currencies in Dec with -0.8% average return. The USD was 104.6 at the end of Dec (103.59) which is +0.03% change. On the other hand, EUR price was 1.102 with +1.27% net change in Dec (1.057).
- Bonds incl. High Yields (N¹):** A year-end rally in U.S. government bonds has potentially limited further gains in some Treasury maturities. The US 10-year yields down more than 40 bsp in Dec. The 1-month T-Bill ended Dec was 4.05% (5.56%).
- Equities (N):** The S&P 500 rose 0.6% in Dec (+5.77%), while Stoxx Europe 600 edged up 0.1% (+6.45%) and notched its 6 week of gains in a row - a winning streak that was last seen

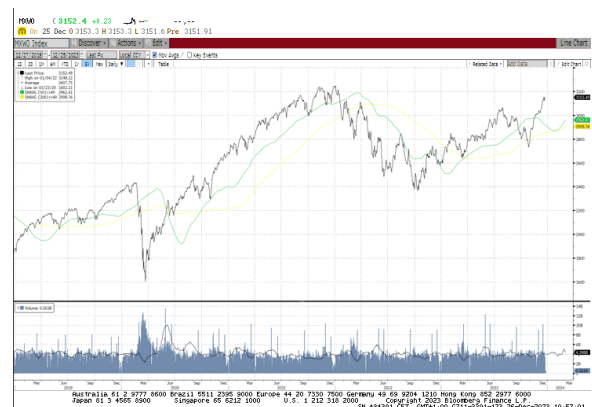
¹ How to read: (U) underweight; (N) neutral; (O) overweight
ⁱⁱ See rationales on our web page www.aspermontcapital.ch

in Dec 2022. The MSCI world sector performance of Utilities, Consumer Staples and Retail Estate declined 2%, 1.9% and 0.9%, respectively.

- Commodities (U):** Record-breaking supply from the US, Brazil, Guyana, and sharply higher Iranian oil production. OPEC+ and its allies increased crude oil production by 140,000 bpd in Dec. Crude oil price increased 3.9% to USD 77.43/bbl. The price of Gold crossed above USD 2,053 in Dec (USD 2,000).

Investment Ideasⁱⁱ

- Stay invested in Neutral
- Now may be a good time for investors to consider putting more of their bond portfolio to work in longer-duration fixed income securities.



Performance Equity Markets MSCI World 5Yⁱⁱⁱ
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EURUSD Technical Chart 5y, Bloomberg

ⁱⁱⁱ Return for the last rolling 12m

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