

Market Monthly

January 2024

Highlights

- Economics** The economy in the US showed its strength as GDP numbers for Q4 beat expectations (3.3% vs 2.0%) with December retail Sales numbers also beating expectations. Another indicator for the strength of the US economy are the PMI Numbers. The January. PMI Manufacturing came in at 49.1, up from the expected 47.2, while Services also beat expectations with a PMI of 53.4 vs 52.0 expected. In terms of labor market, US unemployment rate continuous to improve and came in lower than expected at 3.7% vs 3.8% expected. The picture is a bit different in Europe. GDP for Q4 was flat, and marginally beat expectations, (0.0% vs -0.1% expected). Retail sales are negative and PMI numbers point towards further contraction. Services 48.4, manufacturing 46.6, both as expected and previous. Europe's unemployment remains high at 6.4% (as expected and previous).
- 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

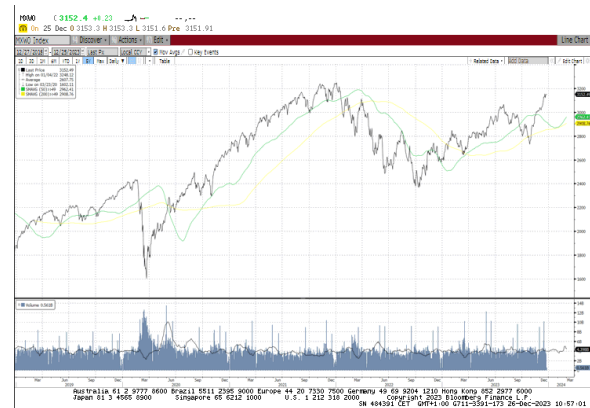
- Forex:** The dollar was low against a basket of major currencies in Dec with -0.8% average return. The USD was 104.6 at the end of Dec (103.59) which is +0.03% change. On the other hand, EUR price was 1.102 with +1.27% net change in Dec (1.057).
- Bonds incl. High Yields (Nⁱ):** A year-end rally in 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 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 77.43bbl. 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
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

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ⁱⁱⁱ Return for the last rolling 12m