

Market Monthly

February 2024

Highlights

- Economics** US GDP numbers for 4Q23 was revised down slightly to 3.2% from 3.3%, still showing the strength of the US economy. PMI numbers have increased also with US Manufacturing at 52.2 now (51.5 expected and up from 47.9 at the end of 2023) Services also stayed above 50 at currently 52.6 (53 expected). In terms of labor market, US unemployment rate stayed at 3.7%, beating the 3.8% expectation. The picture is a bit different in Europe. GDP for Q4 remains flat 0.01%. Although PMI Numbers are improving, they have ways to go. Manufacturing still in contraction territory at 46.5 (improved from 46.1 previous and expected). Services improved to 50.2 in February (50.0 expected). Europe's unemployment remains unchanged high at 6.4%.
- Inflation:** The US inflation rate has eased to 2.4% as measured by the Fed's target index. Meanwhile, in the Euro area, inflation is down to 2.8%, compared to the >8% a year earlier. 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.
- 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 February.
- Capital market rates:** Long-term bond yields have risen slightly since the beginning of the year, in both EUR and USD as the timing of the rate cuts has been pushed back. The yield on the benchmark 10-year U.S. Treasury note is around 4.1 now with the EUR equivalent at around 2.3%.

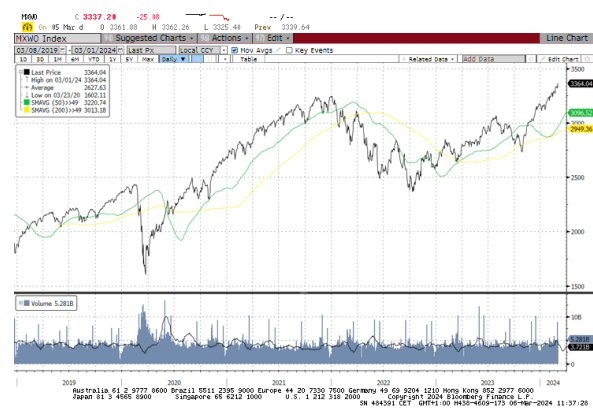
Tactical Asset Allocation

- Forex:** The US Dollar has moved sideways during February and remains range bound between 1.07 and 1.09 against the EURO. Based on the U.S. Dollar Index, it has gained 0.85% against major currencies in February.
- Bonds incl. High Yields (Nⁱ):** The performance in the U.S. government bonds is limited as the yield curve has moved up in February, mostly the 3-10 year maturities gained around 30bps.

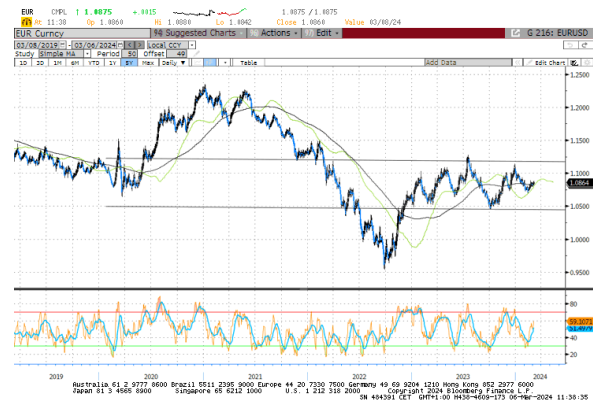
- Equities (N):** The S&P 500 rallied in February (+5.17), while the Stoxx Europe 600 was slower and only gained (+1.84%). The MSCI World also rallied (+4.11%) in February.
- Commodities (U):** OPEC+ has agreed to keep the supply cuts until mid year and WTI Crude oil price increased +3.18% to USD 78.26bbl in February. Gold remains strong with the Gold price at USD 2,043 at the end of February.

Investment Ideasⁱⁱ

- Several bonds will mature in the coming months, 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



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

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