

Market Monthly

March 2024

Highlights

- Economics** Despite an inverted yield curve and rising budget deficit for over a year, the US economy kept going forward. Reports from March showed the creation of more than 300k new jobs, while the unemployment rate continued going down to 3.8%, with labor participation increasing to 62.7%. The last few months have been quiet from the fiscal side, with more focus on monetary politics, when and how fast FED will cut rates and further accelerate the pace of economic growth. PMI numbers for manufacturing/services are in the expansion zone. Eurozone barely made a growth of 0.1% in Q4 2023, while the unemployment rate decreased to 6%. Manufacturing PMI is still below 50 (March readings were 46.1), while Services posted 51.5. With the intention of 5% GDP growth in 2024, China wants to set an ambitious goal resulting in Manufacturing PMI now above 50 after 1 year. The unemployment rate remained elevated at 5.3%
- Inflation:** After a downtrend in the last 2 years, it seems like the USA CPI reached a floor around 3%, with February readings 3.2%, still above the FED target of 2%. Eurozone inflation estimates for March of 2.4% show more room for improvement, given February readings of 2.6%. Inflation in other notable economies are: China 0.7%, India 5.1%, Brazil 4.5%, Russia 7.7%
- Central bank interest rates:** In its March meeting, FED decided to hold its policy rate in 5.25%–5.5% range, maintaining the base scenario of 3 cuts of interest rates in 2024. The ECB kept deposit facility rates at 4.00%, while worth mentioning is the decision of Swiss National Bank to cut base rates by 25bps, and Bank of Japan considering hiking key rates for the first time in over 30 years.
- 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. March yield for 10Y US Treasuries was in tight range between 4.1-4.3%, while volatility on same duration Bunds was even lower, ending the month on same level as recorded in February, 2.4%.

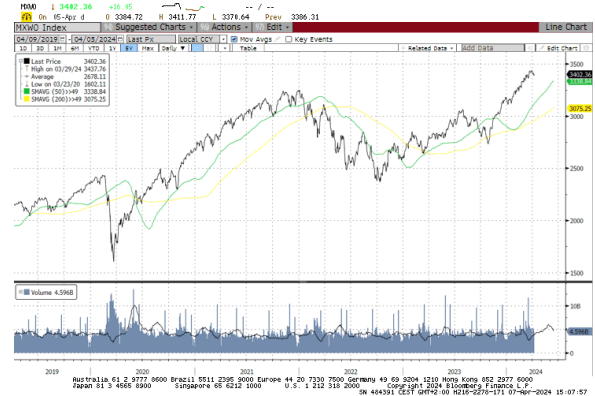
Tactical Asset Allocation

- Forex:** The US Dollar has moved sideways during March, hovering most of the month around 1.08 to EUR. On the Swiss National Bank decision to reduce key policy rate, CHF lost almost 3% of its value compared to EUR.

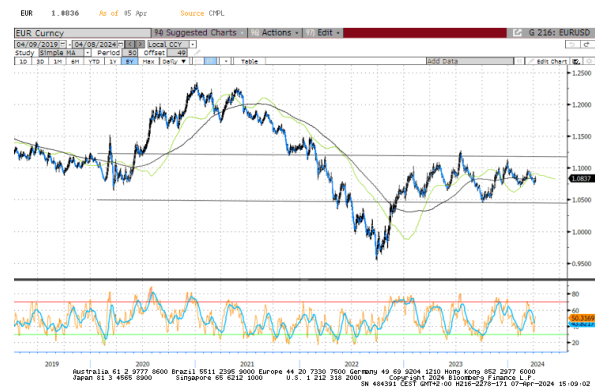
- Bonds incl. High Yields (Nⁱ):** The performance in the U.S. government bonds is limited as the yield curve has moved up in March, mostly the 3-10 year maturities gained around 10bps.
- Equities (N):** Rally on equity markets extended in March, although at slower pace, with S&P finishing Q1 with more than 10% growth (around +3% in March). DAX narrowed a gap, with more than +4% increase in the last month, while emerging markets/small caps still lags.
- Commodities (N):** Oil maintained uptrend in March, with final barrel price of \$84, posting around 5% increase. Gold price passed previous all-time high, going up almost 10% in the last month, now trading at \$2230/oz.

Investment Ideasⁱⁱ

- Yields on long term bonds are still elevated, with inflation going down and announced rate cuts, investment in this asset class remains attractive.



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

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