

Market Monthly

April 2024

Highlights

- Economics** After consecutive quarters that beat expectations, US GDP for q1 2024 increased only 1.6%. Paired with elevated inflation, continuous uptrend in salary wages, and decreased number of created jobs, some of the recession fears are now back in focus. Unemployment rate inched up to 3.9%, but still well below from historical averages. To complete slightly negative economic readings in April, the Manufacturing PMI fell by 1 point to value of 49.2. There were no notable changes from the fiscal policy, which is expected to be neutral due to the election year. Growth rate in the Eurozone accelerated to 0.3% in q1 2024, ending the technical recession recorded in H2 of 2023, while the unemployment rate stood at 6.5%. Economic activity was particularly higher in Spain with 0.7% increase. PMI numbers for services further increased to 53, while industrial PMI decreased to 45. China GDP expanded by 5.3% in 1q, keeping the economy on trajectory towards targeted annual growth rate.
- Inflation:** For the second consecutive month, USA CPI increased, now by 0.3% to a y-o-y 3.5% level in March, raising concerns whether FED target of 2% will be achieved this year. Contrary, Eurozone managed to further decrease inflation by 0.2% to 2.4%. Inflation rates in other economies were as follows: China 0.1%, India 4.8%, Brazil 3.9%, Russia 7.7%
- Central bank interest rates:** FED has scheduled meeting on 1st of May where it is widely expected that range for key interest rates will remain 5.25%–5.5%. In its April gathering, ECB kept deposit facility rates at 4.00%, with minutes indicating most likely starting of cuts in June.
- Capital market rates:** Sticky inflation in USA had repercussion on yield curves, pushing 10Y US Treasuries by 40bps, from 4.3% to 4.7% in April. Due to decreased inflation, situation in Europe is better and 10Y Bund yields were up by 20bps, finishing month at 2.6% value.

Tactical Asset Allocation

- Forex:** Continuation of sideways movements on EUR/USD pair, now with slightly stronger dollar due to mild equity market correction. From the starting 1.075 spot, EUR/USD finished April lower by 10pips to 1.065.
- Bonds incl. High Yields (O):** Current level of US Treasuries yields is reaching peak in our opinion, and can be used as a

good entry point for long term investment in expectation of monetary policy relaxation.

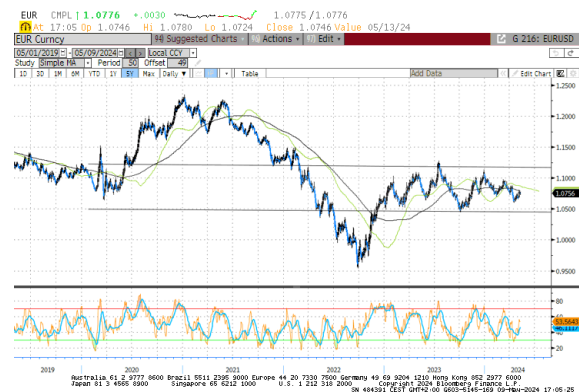
- Equities (N):** After 5 consecutive positive months, mild correction of equity market is recorded. S&P 500 retreated by -4.1%, DAX lost -3%, while MSCI World decreased by -3.8%. However, gains observed since start of the year are still significant.
- Commodities (U):** Oil lost approx. -5% in April as the situation on Middle East is stabilizing, barrel is trading around \$80 level. After reaching peak of \$2400/oz in mid of the month, gold gave up -4% of gains, consolidating around \$2300/oz in the end of April. Despite complex geopolitical situation, we are expecting further decrease of gold price.

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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