

Market Monthly

June 2024

Highlights

- Economics** USA economy continued with uptrend and full utilization, as The University of Michigan consumer sentiment index rose to 68.2 from the levels 65.6 in May. Jobless claims came in line with expectation, and still below 250k/month, putting expectation for the June unemployment rate to be under 4%. PMI Manufacturing survey indicate breakeven figure, which is improvement comparing to May. Beside expecting monetary easing, elections in USA now shapes the trajectory of economy in the 2H 2024, with odds of Trump victory rising. Even more political implications is recorded in Europe, where success of right wing options on European Parliament elections caused distress in overall market, particularly in France and Italy. Outcome of the France parliamentary elections will probably have more influence than economic indicators, where PMI / Unemployment rate expects to be unchanged from 45 / 6.5% respectively. Initial convincing victory of PM Modi party in India was put under the question, but after brief turmoil, coalition partners confirmed support and return confidence in India's investor's outlook.
- Inflation:** May CPI in USA ticked down to 3.3%, while the preferable FED measure, core price inflation (PCE) is now on 2.6% y-o-y. In same period, Eurozone inflation surprisingly increased from 2.4% to 2.6%. Values in other economies were as follows: China 0.3%, India 4.8%, Brazil 3.9%, Russia 8.3%
- Central bank interest rates:** On its June meeting FED kept interest rates in corridor 5.25%–5.5%. Despite lowering CPI numbers, investors were bit disappointed due to fact that base case for FED is now only 1 cut until the end of 2024. After reduction of 25bps in June, higher inflation in May lowered the chance for consecutive cuts in July, and key policy rate is expected to remain 3.75%.
- Capital market rates:** After declining by 25bps from 4.5% to 4.25%, in the final trading days of June, yield on 10Y US Treasuries climbed to 4.4%, while same duration Bund experienced higher intramonth volatility, with investors demanding 2.5% yield in the end of the month, which is decrease by 15bps m-o-m.

Tactical Asset Allocation

- Forex:** Political situation in Europe caused EUR to give up May gains, end of June spot EUR / USD is 1.07, representing strengthening of dollar by 2%.
- Bonds incl. High Yields (N):** So far, our view with peak of yields on US Treasuries in April is materializing, however, we

are cautious for another tranche of fixed income investment until the decision of FED in end of July.

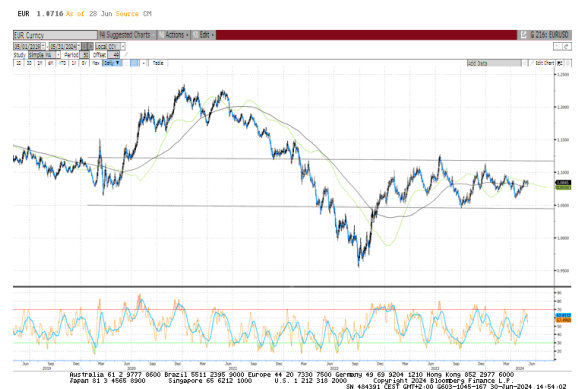
- Equities (N):** Contrary to first 5 months of the year, there was some divergence in developed market performance, with S&P 500 extended gains in June by 3.47%, while DAX contracted -1.42% and SMI essentially flat (-0.01%). Positive outcome of France / England elections could lead to V shape recovery of equity markets in Europe.
- Commodities (U):** In the beginning of the month, crude oil briefly went down to \$75/barrel, followed by swift recovery due to potential supply shortages due to Middle East conflicts, finishing m-o-m with +5% increase to \$82/barrel. Gold was far more stable, posting -1% decrease to a end of month level \$2430/oz.

Investment Ideasⁱⁱ

- Other than expectation of minor correction in USA equity market prior to earnings season, its very hard to find investment opportunities prior to the outcome of elections in Europe/FED meeting.



Performance Equity Markets MSCI World 5Yⁱⁱⁱ



EURUSD Technical Chart 5y, Bloomberg

ⁱ How to read: (U) underweight; (N) neutral; (O) overweight

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ⁱⁱ See rationales on our web page www.aspermontcapital.ch