

Market Monthly

August 2024

Highlights

- Economics** US growth fears caused the retreat of the big tech companies and a major technical unwind of Japan's carry trades. Global stocks corrected and retraced their losses right after. US economic data was mixed in August. The US economy continued expanding, with stronger than expected growth 3.0% GDP QoQ vs 2.8% expected and 2.8% previous. The unemployment rate surprised as it rose to 4.3% vs 4.1% expected and previous, the highest in nearly three years. Business surveys continue to be mixed with PMI Manufacturing survey dipping into contracting territory at 49.6 as expected and the previous reading having been revised down from 51.6 to 49.6. PMI Services stayed above 50 at 55, but below the 56 expected and in line with the revised down 55 of the previous month. The picture in Europe continues with Manufacturing PMI at 45.8 same as previous and higher than the 45.6 expected but still in contraction territory and Services PMI 51.9 in line to previous (revised down to 51.9 from 52.8) and expected.
- Inflation:** July CPI in USA came down some more to 2.9% from 3.0% previous and expected and the preferable FED measure, core price inflation (PCE) stayed at 2.5% y-o-y for the same period, Eurozone inflation stayed steady at 2.6% as expected with previous reading of 2.6% being revised to 2.5%. Values in other economies were as follows: China 0.5%, India 3.54%, Brazil 4.23%, Russia 9.13%
- Central bank interest rates:** There was no August meeting for the FED, next one is scheduled on September 18, 2024. The current interest rates corridor is 5.25%–5.5% and markets are still expecting to cut rates this year. The ECB also did not have an August meeting, the next meeting is September 12, 2024 with the current main refinancing rate at 4.25%
- Capital market rates:** During the course of August, the yield on the 10Y Treasuries moved only marginally from 3.97% to 3.90% in anticipation of upcoming rate cuts. The 10Y Bund did the opposite on a small scale going from 2.24% at the beginning of the month to 2.30% at the end of August.

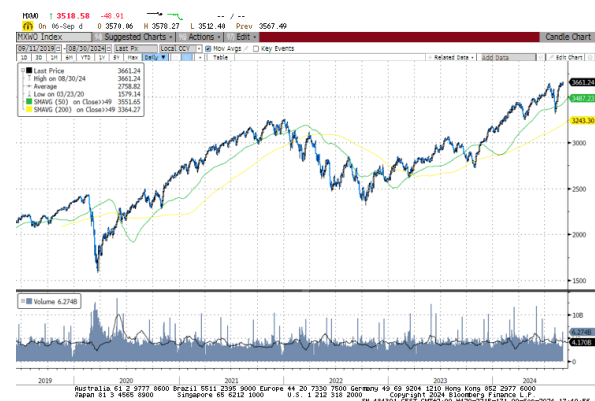
Tactical Asset Allocation

- Forex:** The USD strengthened quite a bit against the EUR (+2.23%) bringing the end of August spot EUR / USD to 1.1050 from 1.0809 at the end of July.

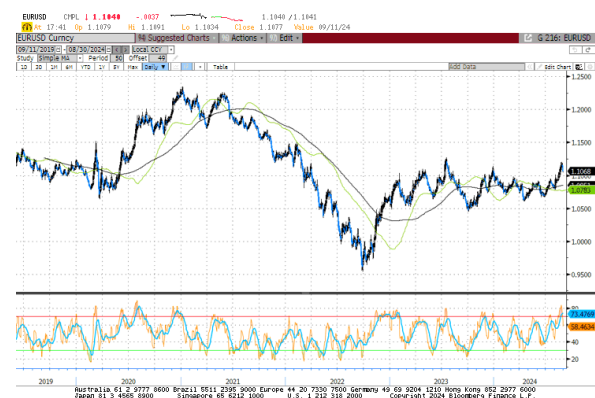
- Bonds incl. High Yields (N):** So far, our view with peak of yields on US Treasuries in April has materialized. Currently fixed income rebalances should be done to utilize the increased yield environment as markets still expect rate cuts by the FED this year.
- Equities (N):** In August started with a global markets sell-off triggered by big tech companies. With the subsequent rebound, the S&P500 returned +2.28%, Dax +2.15% and the SMI returned +0.97%.
- Commodities (U):** In the beginning of the month we saw crude oil at around \$76.3/barrel with a high of \$80.06/barrel and a low of \$71.93/barrel during the month to end at \$73.55/barrel, -5.6%, even with tense situation in the middle east. Gold continued on its path gaining +2.28% in August ending at \$2'503.39/oz after touching a new all time high during the month.

Investment Ideasⁱⁱ

- Our exposure remained largely unchanged, and focused on taking some profit on various stocks.



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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