

Market Monthly

July 2024

Highlights

- Economics** The biggest turn of events in July came with the withdrawal of Joe Biden from the 2024 presidential elections and endorsing Kamala Harris as his successor in the campaign. On the other side of the world, the French elections ended with a hung parliament at the start of the Paris 2024 Summer Olympics. The US economy continued expanding, with stronger than expected growth 2.8% GDP QoQ vs 2% expected and 1.4% previous. Jobless claims came in just slightly below expectations and previous figures, but are still below 250k/month, with the expectation of the unemployment rate to be 4%, but came in at 4.1%. Business surveys were mixed with PMI Manufacturing survey being the muted one, still improving at 51.6 vs 51.3 previous and 51.7 expected; while PMI Services came in more upbeat at 55.3 vs 54.8 previous and 55.1 expected. Almost a similar picture came in Europe, with Manufacturing PMI 45.8 vs 47.3 previous and 45.6 expected still in contraction territory and Services PMI 52.8 vs 53.2 previous and 52.6 expected.
- Inflation:** June CPI in USA came down to 3.0% from 3.3% previous and 3.1% expected and the preferable FED measure, core price inflation (PCE) is at 2.5% y-o-y, down from previous 2.6% for the same period, Eurozone inflation stayed steady at 2.5% as previous and expected with previous reading of 2.6% being revised to 2.5%. Values in other economies were as follows: China 0.2%, India 5.08%, Brazil 4.23%, Russia 8.59%
- Central bank interest rates:** On its July meeting FED kept interest rates in the corridor 5.25%–5.5%. With markets still expecting to cut rates in their September meeting. The ECB did not further reduce the rates and are keeping their main refinancing rate at 4.25%
- Capital market rates:** During the course of July, the yield on the 10Y Treasuries dropped from 4.46% to 4.03% in anticipation of upcoming rate cuts. The 10Y Bund experienced a similar pattern with the yield going from 2.60% at the beginning of the month to 2.30% at the end of July.

Tactical Asset Allocation

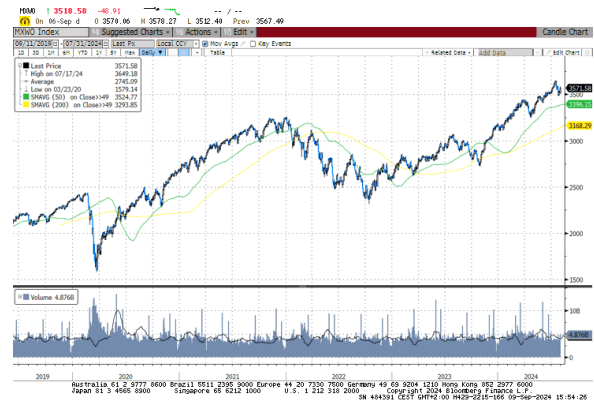
- Forex:** The USD strengthened about 0.87% against the EUR bringing the end of July spot EUR / USD to 1.0809.
- Bonds incl. High Yields (Nⁱ):** So far, our view with peak of yields on US Treasuries in April has materialized. Currently fixed income rebalances should be done to utilize the

increased yield environment as markets still expect rate cuts by the FED this year.

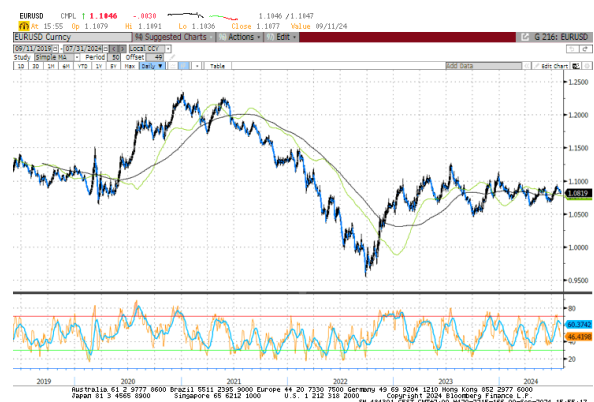
- Equities (N):** In July we saw a return of global markets performing inline. The S&P500 returned +1.13% after retracing in the second half of the month led by the large cap stocks. Similar Picture was with the DAX +1.50% and the SMI returned +2.70%.
- Commodities (U):** In the beginning of the month, crude oil saw sideways movement between \$80-\$85/barrel, but then moved down to end the month at \$77.91/barrel despite the escalating conflict in the middle east. Gold was far more stable and gained +5.19% during July going from \$2'326.75/oz to \$2'447.60/oz.

Investment Ideasⁱⁱ

- Keeping our exposure as is going into the height of summer with the world focused on the Olympics and earnings season well under way with companies inline with their expectations.



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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