ASPERMONT FINANCIAL SERVICES

Market Monthly

November 2021

Highlights

- **Economics:** With positive signals from the earnings reported and continued decreasing of unemployment rates, market kept uptrend trajectory for the most of the month, until the final week when possible coronavirus mutation caused volatility spike, putting again the question mark on the sustainability and pace of economic recovery. Job reports indicates 4.2% unemployment rate in USA, almost returning on pre-pandemic levels, but inflation concerns are offsetting benefits. With new coalition in Germany, Europe is now in better position to deal with energy crisis and possible more permanent solution in open questions with Russia regarding refugee crisis in Belarus and confrontations in Ukraine. Economical numbers, although stabilizing, are still behind USA, including unemployment rate of 7.3%. China PMI figures are at break even point, but most of the investors were focused on the outcome of Communist party annual meeting, which still not reintroducing GDP growth as a primary goal, thus projection for 2021 growth rate were lowered to only +5%.
- **Inflation:** November value for USA CPI continued to rise, reaching 6.7%. Europe is slightly better, posting 4.9%. Those values are highest in multiple decades, but not enough to trigger aggressive reaction from monetary authorities. Other readings were as follows: China 2.3%, Russia 8.4%, Brazil 10.7%, India 4.9%.
- **Central bank interest rates:** First announcement from reelected FED Chairman Powell was considered more hawkish than before, with possible sharper decrease of asset purchase program, however coronavirus concerns will most probably delay it for 2022, while corridor between 0-0.25% will be maintained. No action from the ECB either, while People Bank of China despite keeping interest rates at same level, reduced obligatory reserves, thus making monetary policy more expansive.
- **Capital market rates:** Relatively quiet month with pressure from the demand side registered in the final week cause 10Y treasuries to trade 15bps lower, reducing yield from 1.6% to 1.45% figure. 10Y Bunds reacted more, with yields going from -0.1% at the month beginning to almost -0.4%.

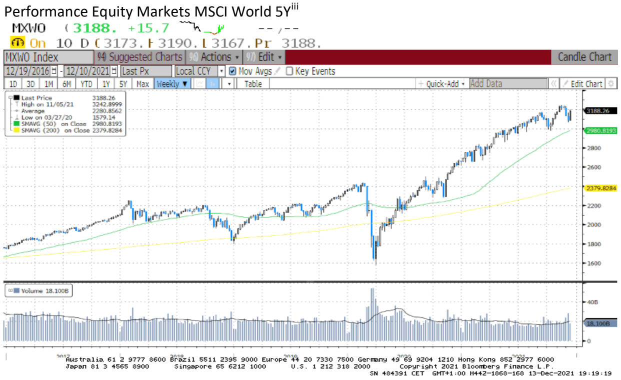
Tactical Asset Allocation

- **Forex:** Increased demand for equity/fixed income assets from USA alongside with breaking a key support level of 1.15 caused USD to gain 3% comparing to EUR, briefly going to 1.12 spot before finishing the month at 1.13.
- **Bonds incl. High Yields (U[i]):** Since near-zero/negative policy rates and negative real rates are seen persisting in Europe for several years, we continue investing in up to 2028 maturities of European DM bonds to improve yield and look for USD bonds with shorter maturities, as inflation expectations rose recently. Due to improved outlook for US, we search also for US high yield bonds.
- **Equities (U):** Extended gains in October and first half of the November pushed markets to all time high levels, and with fixed income still not reacting on high inflation readings, market correction seems to be more likely. Growth stocks and emerging markets were more affected from the increased fears caused by new coronavirus type.
- **Commodities (N):** Bull run on oil market ended as well, causing price to decrease almost 25% from starting $84/barrel to $66/barrel due to demand concerns and releasing of China inventories. However, in our opinion, this is market overreaction as OPEC keep gradual increase in production while industry consumption of oil will not likely repeat level of reduction seen in spring 2020.

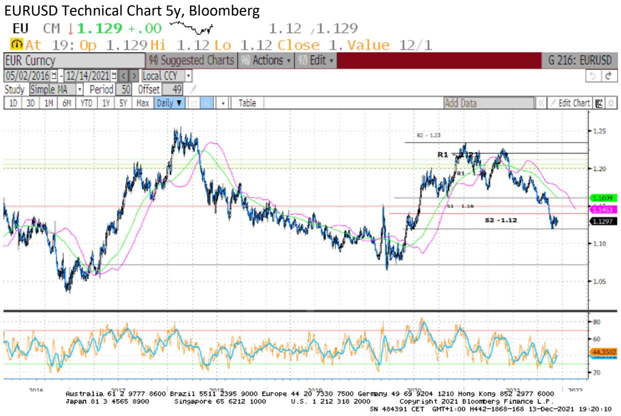
Investment Ideas[ii]

- Continuing to take profit, and waiting for attractive entries on value stocks, which should be used as more inflation protected investments.

Performance Equity Markets MSCI World 5Y[iii]



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
[iii] Return for the last rolling 12m