Market Monthly

April 2022

Highlights

- **Economics:** As Russian intervention in Ukraine extended into the second month, market participants shift attention towards economic implication of higher energy/food prices. Due to persistent inflation, era of stimulus monetary policy is about to end. Despite fall of 1.4% in USA GDP for Q1 2022, FED is forced to do multiple hikes. Earnings season showed first warning signs for tech companies, especially Amazon who posted net loss and recorded lowest growth rate in more than 2 decades. Still, unemployment rate continued to decrease, with 3.6% value matching pre-corona figures. Despite European markets retreated more than USA, GDP growth remained positive, +0.3% with sentiment slightly improving compared to March and PMI values around 55, while unemployment rate fell to 6.2%. PMI have retracted to around 51. China GDP figure beat the estimates with value of +4.8%, but strict covid measures take its toll in terms of increasing unemployment rate (6%) and limitations of export.
- **Inflation:** After putting coronavirus as a main market driver for almost 2 years, constant high value of inflation now shapes the market. Values of 8.3% in USA and 8.1% in Eurozone representing multiple decades highs. Other readings were as follows: China 2.1%, Russia 17.8%, Brazil 12.1%, India 7.8%.
- **Central bank interest rates:** FED didn't have meetings in April, market participants expect hike by 50bps from current corridor 0.25%-0.50%. The ECB still restrains from hawkish action, but it is the only matter of time when they will be forced to move from current -0.25% rate. China National Bank also didn't change key policy rate.
- **Capital market rates:**. After exceeding 2%, 10Y US Treasuries continued with uptrend, moving from 2.4% to 2.9% in April, while yield curve become flatter. Similar increase was posted by Bunds, which increased by 40bps, from 0.55% to 0.95%.

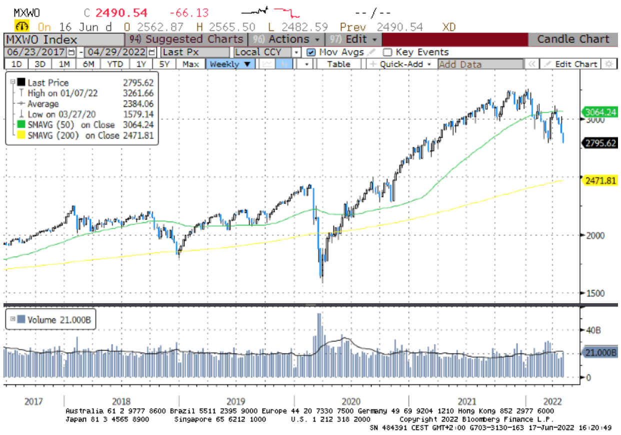
Tactical Asset Allocation

- **Forex:** Opposite to bond yields, investors are seeking less risky currencies, so USD posted a strong appreciation both to EUR and CHF, trading in range from 1.10 to 1.05 for EUR spot, while CHF lost approx. 5%, falling from 1.08 to 1.03.
- **Bonds incl. High Yields (N[i]):** As mentioned, end of near-zero/negative policy rates and negative real rates is approaching, so we are now more focused in investing cash proceeds into short term bonds, prioritizing dollar denominated
- **Equities (N):** European Equities rebound slightly in April, while USA posted a minor decrease due to underperformance of growth stocks. We still believe this relief is only temporary and the steady pace of downtrend will extend into summer months, so our targeted in equity investments are value stocks with high dividends from defensive sectors.
- **Commodities (OW):** Stabilization is seen also on commodity market, where violent moves in oil price didn't repeated from March. Trading range was $95-110/barrel and its heavily correlated to Eurozone sanctions to Russia and possible increasing pressure on OPEC to ramp up the supply.

Investment Ideas[ii]

- We are cautiously increasing position in high market cap value stocks, but recommend some level of cash for possible bottom purchasing.

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