ASPERMONT
FINANCIAL SERVICES

Market Monthly

August 2022

Highlights

- **Economics:** August saw the rise in consumer sentiment index in USA, and while the economy added more jobs than in June, however the pace slowed and could point to a more conservative pace of hiring as the economy slows down**.** Manufacturing PMI came in at 52.8%, the same level as in July and is still above the break-even level of 50, which overall shows that severe recession at this point doesn't seem likely, although FED Chairman Powell's hawkish comments at Jackson Hole and the broad-based sell-off occurred.

  In Europe, both manufacturing and services PMI numbers are below or around 50, which reflect problematic situation on the continent. The strong headwinds for economic growth are likely to continue in the second half of the year, driven by further gas and energy price increases which affected agriculture as well as transportation routes on the continent.

  Chinese government stepped up and initiated support programs and cut key lending rates as both factory orders and retail sales slowed down. The fear of real estate crisis severity, along with new cases of Covid-19 city lockdown policy that was implemented in industrial hub Chengdu are still weighting on heavily on Chinese economy**.**

- **Inflation:** Inflation forecast published in August for the USA subsided a bit to 8.5%, while in Europe it was 8.9%. Other readings were as follows: China 2.7%, Russia 15.10%, Brazil 10.1%, India 6.7%.

- **Central bank interest rates:** There were no rate changes in August, with both the FED and the ECB projected to hike rates by 50-75bp in September.

- **Capital market rates:** Yield curves are more inverted, indicating a possible recession. Both 1y and 10y Treasury yield gained around 60bp in the month of August, putting more pressure on risky assets. A similar picture for the Bund with the exception of the inverted curve at the shorter end.

Tactical Asset Allocation

- **Forex:** In early August, EUR briefly rose to 1.03, but has since then dropped to 0.99 as European continent faces big problems ahead, and USD continues to strengthen. CHF continued gaining on the EUR as SNB prefers the strong franc for now but also because Swiss franc tends to appreciate in times of high global inflation

- **Bonds incl. High Yields (N[i]):** 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, while EUR yields have turned positive, and we are looking for opportunities.

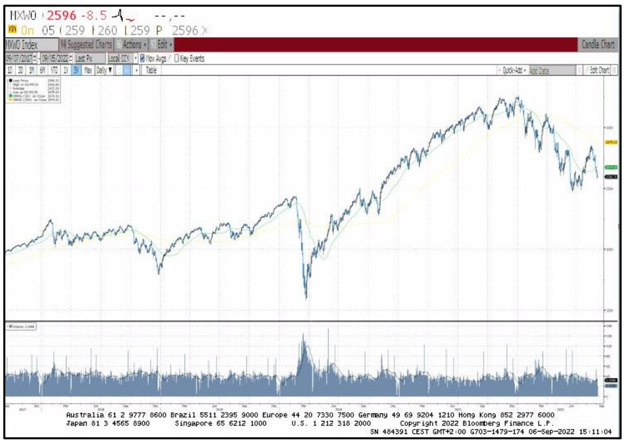
- **Equities (U):** Equities continued the positive momentum, since mid-June, but the rally was cut short after hawkish Jackson Hole symposium and fears of more aggressive rate hikes of 75bp from both FED and ECB, as well as continued rise if energy problems and 10Y Treasury yields.

- **Commodities (O):** For the first part of the month, oil dropped to $86/barrel over fears of global slowdown, but the price started rising as OPEC+ announced their plans to cut production in order to stop further decline in price. Relief on the agriculture product can also be noticed, as supply from the Ukraine have left their ports.

Investment Ideas[ii]

- Cautious buy on Chinese IT market on dip.

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