Investment Report

December 2023

Factum AG
Current positioning:

Portfolio balanced	Neutral	Current	Change*
Liquidity	3%	4%	→
Bonds	35%	35%	→
Shares	47%	44%	→
Alternative investments	15%	17%	→

**Changes since the last Investment Report (8 November 2023) & current assessment.*

Strategy overview

Fulminant - that's how the stock market month of November could be summarised. Equities, bonds and even gold ended the month on a positive note. The strong rally on the equity and bond markets was triggered by slightly weaker-than-forecast US labour market data, a further decline in inflation and statements by representatives of the US Federal Reserve that the cycle of interest rate hikes has probably come to an end. This made it possible, for example, for an asset management mandate managed by us with a balanced investor profile to gain around 4% in value in November. Once again, the reporting season for the third quarter, which has now ended, made it clear that the eurozone and America are moving at different economic speeds. While the eurozone slipped into reverse gear, the US economy has shown its robust side. In terms of earnings, this was reflected in zero growth for the eurozone and an increase of over 4% for the USA.

"Fulminant – that's how the stock market month of November could be summarised."

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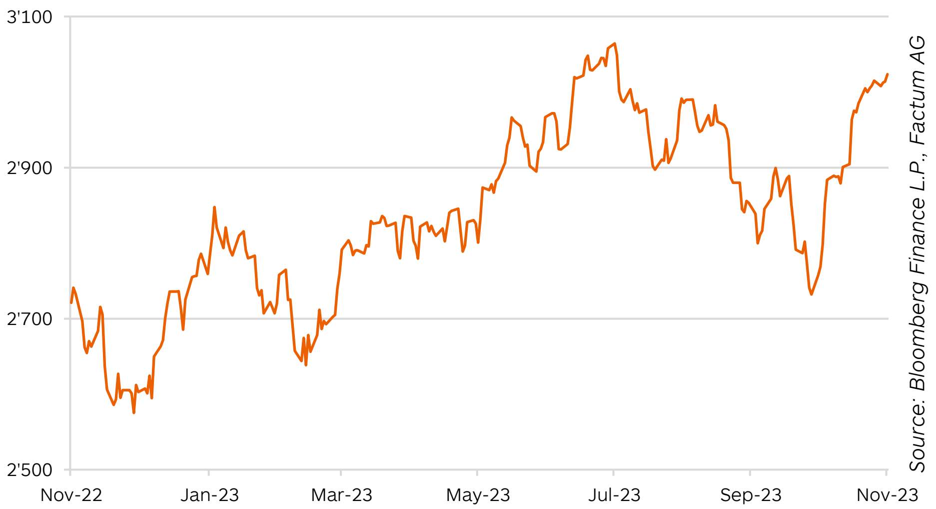
World Equity Index



Politics

If we take a look at the geopolitical situation in January next year, the first important decision will be taken on 13 January in the presidential elections in Taiwan. Should the incumbent China-critical DPP party win, tensions in the Taiwan Strait are likely to rise again. A key geopolitical moment in the coming year will undoubtedly be the US presidential election on 5 November 2024. This could change foreign policy in relation to Ukraine and China diametrically, depending on the outcome, which will be of importance for the whole world. Should Donald Trump be nominated, we can expect a vicious election campaign and possibly a risk premium on the stock markets. The date for the start of the internal Republican primaries (caucuses) for the US presidential candidacy starts in Iowa on 15 January. These caucuses in Iowa are traditionally the first in a long series of primaries in the individual states.

"A key geopolitical moment in the coming year will undoubtedly be the US presidential election on 5 November."

Economy

There is positive news on the inflation front. The US inflation report in November was lower than expected. After two months of above-average price increases (+0.6% and +0.4%), consumer prices in the USA returned to a moderate price trend. This confirmed the downward inflation trend. The slowdown in inflation was broadly based. Annual core inflation excluding rents remained at 2% for the second month in a row, exactly in line with the inflation target. A further interest rate hike by the US Federal Reserve is unlikely as a result of the price data. In our view, key interest rates have peaked and the Fed is likely to remain on the sidelines at its December meeting.

"America's inflation is falling significantly".

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Equity markets

One reason for the weaker economic development in Europe compared to America is the generally weaker equity performance of European markets this year compared to the S&P 500. The other major cause lies in the technology sector, which plays a dominant role in the sector weighting in the USA. The potential for artificial intelligence is undisputed, but the far higher valuation of US equities indicates that this factor is being "priced in". Like other European indices, the Swiss equity market has recently experienced a valuation correction, but with a global economic slowdown expected in the coming quarters, Swiss equities should hold up relatively well again.

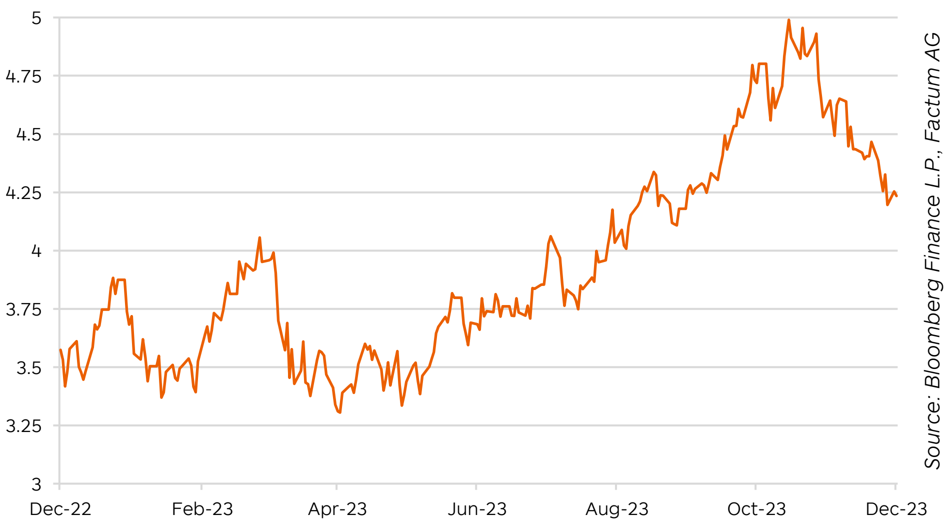
"The dominant role of the IT sector has been playing into the hands of the US equity market this year."

Bond markets

The inflation data, which was lower than expected, shows that the Fed is on the right track in its fight against inflation. In addition, economic data such as falling industrial production show that the economy is gradually cooling, which has increased the likelihood that the US economy will make a soft landing. The bond markets have also been pleased to note this. The yield on US Treasuries fell across all maturities. 10-year Treasuries are now well below 4.50% again, after having hovered around the 5% mark a few weeks ago. Yields also fell slightly in Switzerland and are now back to just under 0.90% for 10-year government bonds. As we are anticipating a further economic slowdown, we expect the current trend towards lower interest rates to continue.

"In recent weeks, yields have fallen massively in some cases."

Yield on ten-year US Treasuries in %



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Commodities

In recent weeks, commodities have once again lived up to their reputation of being a particularly volatile asset class. As long as there is no geographical conflagration in the Middle East conflict, oil will continue to be influenced by the Iranian oil exports which are continuing to flow onto the market. This has led to profit-taking by market participants who had stocked up on oil following the Hamas attack on Israel. The volatility caused by geopolitical uncertainty also explains the increased fluctuations in the gold price. The structural demand from central banks, mainly from emerging countries that want to make their currency reserves less dependent on the US dollar, is currently in favour of gold, whereas the current high US interest rates are less so. However, gold remains important both in the long-term upward trend and as a diversification factor in a balanced investor portfolio.

"Commodities - once again an extremely volatile asset class."

Currencies

One important observation in the foreign exchange market this year is the weakness of the euro. Since January, it has fallen below parity against the Swiss franc and the euro has also weakened against the US dollar, especially since August. Two aspects are mainly responsible for the weakness of the euro. On the one hand, the disappointing economic development compared to the USA and Switzerland should be mentioned here. On the other, support was provided to the US dollar against the euro due to the widening gap between US interest rates and euro interest rates for various maturities. A clear upward trend in the euro is currently not to be expected, although there could be some consolidation of these significant currency movements.

"In the current year, the weakness of the euro is an important observation."

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Market overview 30 November 2023

Stock indices (in local currency)	Current	1 Mt (%)	YtD (%)
SMI	10,729.40	-3.58	-14.29
SPI	13,734.86	-3.27	-16.48
Euro Stoxx 50	3,793.62	-4.04	-8.55
Dow Jones	33,147.25	-4.09	-6.86
S&P 500	3,839.50	-5.77	-18.13
Nasdaq	10,466.48	-8.66	-32.51
Nikkei 225	26,094.50	-6.57	-7.38
MSCI Emerging Countries	956.38	-1.51	-19.94
Commodities			
Gold (USD/fine ounce)	1,824.02	3.14	-0.28
WTI oil (USD/barrel)	80.26	-0.36	6.71
Bond markets			
US Treasury Bonds 10Y (USD)	3.87	0.27	2.36
Swiss Eidgenossen 10Y (CHF)	1.62	0.50	1.75
German Bundesanleihen 10Y (EUR)	2.57	0.64	2.75
Currencies			
EUR/CHF	0.99	0.56	-4.62
USD/CHF	0.92	-2.24	1.27
EUR/USD	1.07	2.87	-5.85
GBP/CHF	1.12	-1.88	-9.28
JPY/CHF	0.71	2.99	-10.97
JPY/USD	0.01	5.30	-12.20

Author: Christof Wille, Dipl. Private Banking Expert NDS
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