

# Investment Report

June 2024

## Factum AG

### Current positioning:

Portfolio balanced	Neutral	Current	Change*
Liquidity	3%	3%	→
Bonds	35%	35%	→
Shares	47%	45%	→
Alternative investments	15%	17%	→

\*Changes since the last Investment Report (2 May 2024) & current assessment.

### Strategy overview

The price correction in April, with global equities losing around 4%, was made up again in May. One striking aspect was that the market responded to disappointing economic figures and to the associated prospect of possible interest rate cuts with positive price movements. The fact that Europe is increasingly stepping out of the shadow of the USA in terms of economic figures is also worth mentioning. This can also be seen in the performance of the respective stock markets, see the Market Overview page. On the positive side, the Swiss equity market also deserves to be mentioned, as the Swiss Performance Index gained around 6% in value in May. The weakness of the Swiss franc, particularly against the US dollar and the euro, appears to be having an impact on the stock market. Those Swiss companies with a dominant market position are likely to benefit from a possible widening of margins. We are currently leaving the equity allocation in the tactical asset allocation at a moderate 'underweight', which can be seen in emerging market equities.

«Significant recovery on the stock markets in May, with the Swiss stock market being particularly prominent.»



### Politics

At the end of May, the peace plan for the Middle East conflict initiated by Joe Biden was made public. The plan is based on three phases. The first stage envisages a ceasefire lasting six weeks and the withdrawal of the Israeli military from the Gaza Strip. This would require the terrorist organisation Hamas to release a significant number of hostages. On the other side, Israel would release Palestinian prisoners. In addition, there would be an improvement in supplies for the starving civilian population in the Gaza Strip. In the second phase, there would be a permanent ceasefire and Hamas would have to release all of the hostages. In the third phase, reconstruction of the residential areas in the Gaza Strip that had been destroyed would be addressed. There have been mass protests throughout Israel in favour of the peace plan. The coming days and weeks will show whether this will actually be implemented. The government is facing resistance from the right-wing faction, which is calling for Hamas to be completely eliminated.

«Will the peace plan in the Middle East conflict be put into practice?»

### Economy

The USA continues to report mixed economic figures. Consumer confidence, which is surveyed by the Conference Board, made a significant leap from 97.5 points to 102 points. However, the US GDP estimate for the first quarter of 2024 was a sobering sign. According to this, economic output only grew by 1.3% instead of the forecast of 1.6% (on an annualised basis). In April, the unemployment rate in the eurozone fell to an all-time low of 6.4%. All in all, growth in the eurozone tends to increase while in the United States it tends to decrease.

«All in all, momentum is increasing in the eurozone and decreasing in the United States.»

### Equity markets

In relative terms, the Swiss equity market had a tough time last year. While the most important share indices in the USA and the eurozone gained around 25% in value, the Swiss stock market only gained a measly 5%. In the current year, the Swiss stock market is once again lagging behind the rest of the world. The economic weakness in key sales markets such as China and the eurozone played a negative role. In addition, the dominance of the defensive sectors led to a less dynamic index earnings growth in the context of the global economic recovery than in more cyclical markets. Other markets also benefited more from special topics such as 'artificial intelligence' or so-called 'slimming drugs'. However, there are increasing signs of an improvement in the earnings trend. From January to the end of May this year, the Swiss franc depreciated by around 5.5% against the euro and by around 7% against the US dollar. In the same period, the Chinese and European economies have recovered. In the first five months of the current year, the Swiss Performance Index (SPI) gained around 10% in value, the lion's share, namely around 6%, was attributable to the month of May.

«Swiss stock market on the rise.»

### Bond markets

At the beginning of June, the ECB is also likely to cut interest rates for the first time in five years, following interest rate cuts by a number of smaller central banks such as Switzerland and Sweden as well as central banks from emerging markets such as Brazil and Mexico. As a result, the global interest rate turnaround is slowly progressing. However, the optimism on the futures market regarding interest rate cuts in the US has waned over the past month. At the moment, interest rates are expected to be only cut twice this year, as the Fed would like to see further progress on the inflation front. At the end of May, however, the latest US inflation report brought relief to the financial markets. The core price index for personal consumption expenditure, which excludes the volatile food and energy components, only rose by 0.20% in April compared to the previous month. Currently, two interest rate cuts of 25 basis points each are expected for the USA this year: The first in September and the second in December.

«Currently, two interest rate cuts of 25 basis points each are expected in the USA.»

## Commodities

Convincing economic data overall has led to higher commodity prices in the current year. Copper, which is used in the semiconductor industry among others, is additionally benefiting in the context of digitalisation and electrification. This industrial metal reached an all-time high at the end of May. The price subsequently fell by around 10%. Other metals such as nickel (-4%) and gold (-3%) also saw short-term profit-taking. In the case of gold, however, the healthy consolidation after a comet-like rise is hardly surprising. Crude oil recorded a further monthly loss (-6%). However, the drop in oil prices increases the likelihood that OPEC+ will agree on a further extension of the current production cut.

«Copper reached a new all-time high at the end of May.»



Source: Bloomberg Finance L.P., Factum AG

## Currencies

Japan spent a record 9.8 trillion yen to prop up its currency last month after the yen fell to a 34-year low against the dollar. This surpassed the total amount it had spent in 2022 to defend the currency. The finance ministry released figures for the period between 26 April and 29 May. As long as there are no clear indications of when US interest rates are going to start to fall or that the Bank of Japan is going to push more aggressively to raise key interest rates and reduce its bond purchases, there is little chance of a turnaround. At least in the short term, the effect of such interventions was noticeable. Although the yen has relinquished some of its gains from the previous month, it has not yet returned to the 150 mark against the US dollar.

«BoJ interventions bolster the yen.»

## Market overview 31 May 2024

Stock indices (in local currency)	Current	1 Mt (%)	YtD (%)
SMI	12,000.86	6.95	11.08
SPI	15,992.27	6.14	9.75
Euro Stoxx 50	4,983.67	2.42	13.09
Dow Jones	38,686.32	2.58	3.52
S&P 500	5,277.51	4.96	11.30
Nasdaq	16,735.02	6.98	11.83
Nikkei 225	38,487.90	0.21	15.89
MSCI Emerging Countries	1,048.96	0.59	3.50

## Commodities

Gold (USD/fine ounce)	2,327.33	1.80	12.81
WTI oil (USD/barrel)	76.99	-6.03	7.45

## Bond markets

US Treasury Bonds 10Y (USD)	4.50	-0.18	0.62
Swiss Eidgenossen 10Y (CHF)	0.93	0.16	0.22
German Bundesanleihen 10Y (EUR)	2.66	0.08	0.64

## Currencies

EUR/CHF	0.98	-0.18	5.39
USD/CHF	0.90	-1.86	7.24
EUR/USD	1.08	1.71	-1.73
GBP/CHF	1.15	0.17	7.36
JPY/CHF	0.57	-1.55	-3.87
JPY/USD	0.01	0.32	-10.34

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