

A wide-angle photograph of a European city, likely Zurich, featuring historic buildings along a river. A semi-transparent dark grey banner is overlaid across the middle of the image, containing the text. The background shows a mix of architectural styles, including a prominent church with a tall, thin spire and another with a clock tower. The river is calm, reflecting the sky and buildings.

Bi-Weekly. Blackfort.

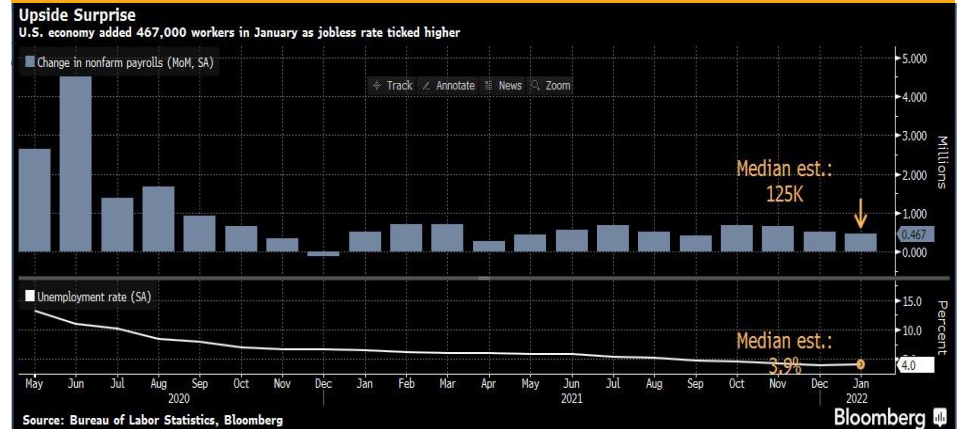
February 2022 (I)



Macro Update: Strong US job data gives the Fed more room to tackle inflation faster

- ❖ Last weeks we were surprised by the US job data. In January 467'000 jobs were created, while December jobs creation statistic was adjusted to 511'000 new places. Although this is now already history it has an impact on the expected US rate hiking path. One of the two Fed goals (full employment and price stability) is under control. Now the Fed can turn towards inflation and might consider a faster rate hiking pace to tackle inflation.
- ❖ However, this let us fear that the Fed might raise rates too fast, and could push the economy into a recession over the coming 12-24 months. It is to be seen if the Fed will stick to its announced rate rising cycle or if they overshoot by rising too much.
- ❖ In Europe, the situation has changed too after the ECB did not rule out to start earlier with its rate hiking. However, peripheral 10-year government bond yields have risen sharply. In Italy, the 10-year government bond yield has reached 1.8%, in Portugal it has risen to 1% and in Spain we have seen even 1.05%. That compares to the German Bund yield of around +0.2% and France of around +0.7%. This is definitively a threat to the Eurozone economic outlook.

Around 970'000 jobs were created over the last two months in the US



Inflation is still going higher



- ❖ Market bets now on the ECB rate hike in September which is more hawkish than most comments from ECB members. Mr. Klaas Knot, one of the ECB's most hawkish policy makers, said in a TV interview over the weekend that a first rate hike could come in the fourth quarter and a second one possibly in spring 2023.
- ❖ We do appreciate that the ECB finally admits that inflation is not just transitory but has around 50% of its component which is structural and driven by market distortion due to the negative impact of COVID on global trade.
- ❖ Having said that, we also see in Europe that the BOE and the ECB might make policy errors during the coming months.
- ❖ On the flip side we do see less and less negative yielding global debts. A normalisation is in the cards. But we continue to see inflation to be higher than central bank policy rates or 10-year government bond yields for the foreseeable future.
- ❖ This rising yield level comes at a time during which we see deteriorating global PMI data. While in Europe and the USA we still have the survey data in the growth area, we do see in almost all countries falling curves, which could lead to a significant slowdown of global growth in 2023 together with less supportive central bank policies.

Markets in 2021: Currencies, Commodities, Equity & Bond Indices

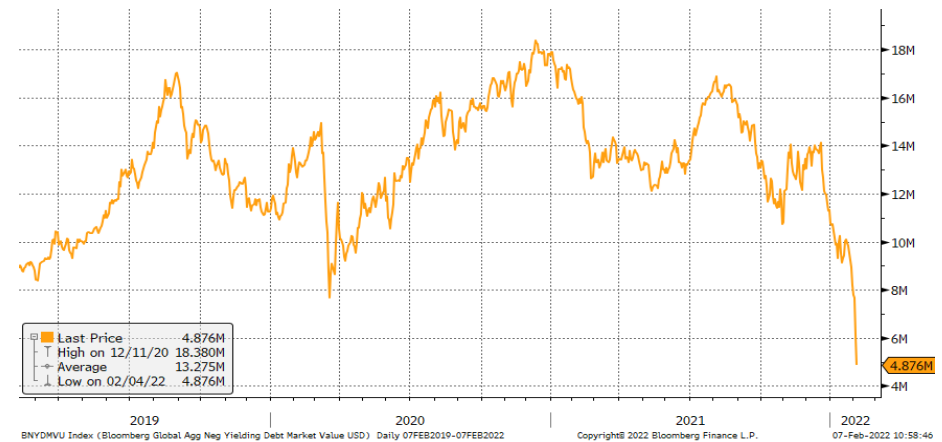
Bonds	Feb-21	YTD 2022
Bloomberg Barclays Global-Aggregate TR	-0.08%	-2.6%
Bloomberg Barclays Euro Aggregate Corporate TR	-1.58%	-2.9%
Bloomberg Barclays Pan-European High Yield TR	-1.37%	-2.7%
Bloomberg Barclays US Corporate High Yield TR	-0.37%	-3.1%
Bloomberg Barclays Asia USD High Yield TR	0.09%	-3.4%
Bloomberg Barclays Global High Yield TR	-1.37%	-2.7%
JPM Emerging Market Global Bond	-0.48%	-3.1%

Equities	Feb-21	YTD 2022
NASDAQ 100 Stock Index	-1.55%	-9.9%
S&P 500 INDEX	-0.31%	-5.5%
MSCI World Index	0.10%	-5.2%
MSCI Emerging Markets Index	1.07%	-0.8%
EURO STOXX 50 Price EUR	-2.04%	-4.7%
SMI	-0.66%	-5.7%
DAX	-2.23%	-4.8%
FTSE 100	0.94%	2.1%
Hang Seng Index	3.27%	5.1%
Shanghai Shenzhen CSI 300 A-Shares	1.54%	-6.2%
Nikkei 225	0.91%	-5.4%

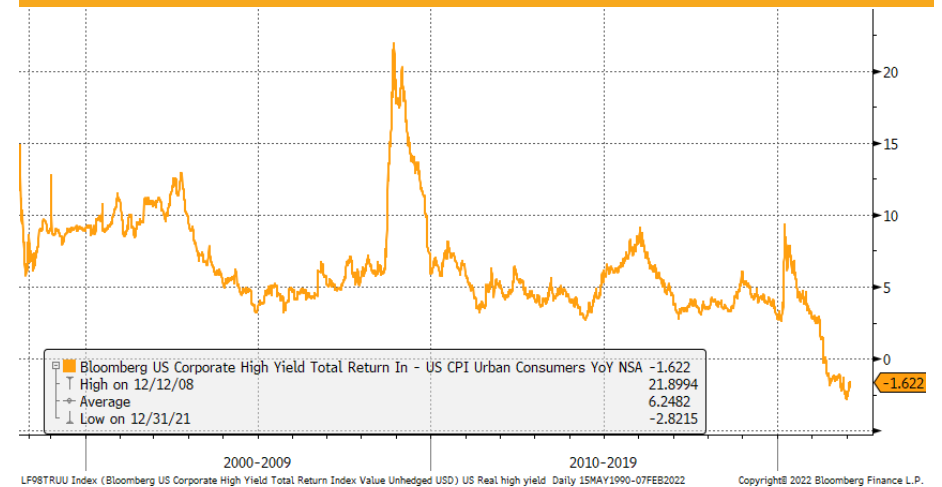
Commodities	Feb-21	YTD 2022
Gold	0.59%	0.6%
Copper	1.21%	1.5%
WTI	4.66%	21.3%
BRENT	4.61%	18.1%
Bloomberg Commodity Index	0.68%	9.9%

Currencies	Feb-21	YTD 2022
EURCHF	1.74%	1.7%
CHFUSD	-0.35%	-0.6%
CHFGBP	-0.25%	-0.8%
EURUSD	1.40%	1.2%
EURGBP	1.48%	0.9%
GBPUSD	-0.08%	0.2%
EURRUB	-0.38%	2.5%
USDRUB	-1.74%	1.3%

The amount of negative yielding debt has decreased to below USD 5 trln



US high yield still returning negative real yields



Investment Outlook: Uptrend after the overdue equity market correction?

Liquidity

- ❖ CHF has been range bound against the USD. But after the more hawkish ECB comments we have seen a sharp raise of the EURCHF rate.
- ❖ Since the middle of December, the EUR has gained against the USD from around 1.12 to above 1.14. The recent ECB policy outlook has pushed the EUR further up.
- ❖ The USD measured by the DXY index has fallen back to its 100-day average but stayed in the middle of its trading range of around 94-98.

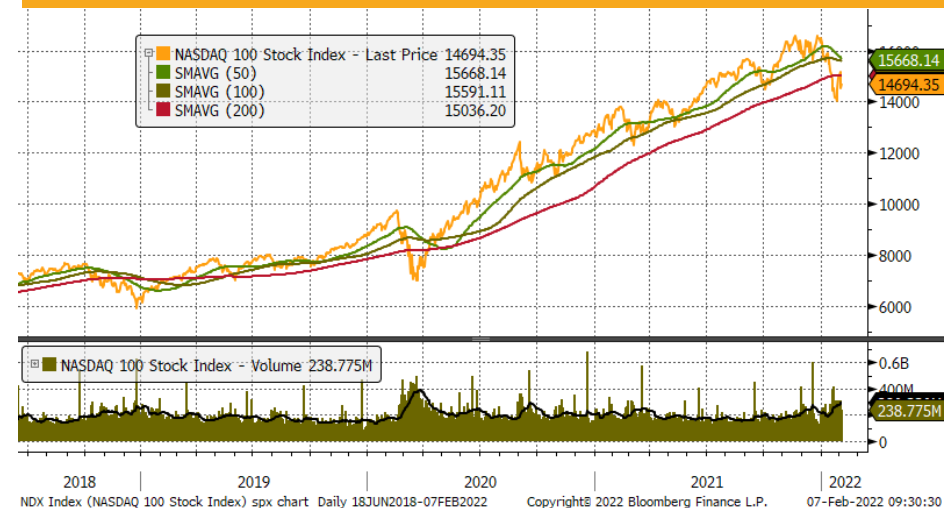
Equities

- ❖ The Nasdaq 100 has lost more than 15% since the beginning of the year. The key question is: will we regain the 200-day average? This is still very uncertain as most of the FANG+ stocks are trading at very high multiples even after the strong drop in prices. However, besides these 10 stocks the rest of the market had not only a sharp correction but also is now trading at low multiples. It must be seen if the Nasdaq can regain its recently seen record level based on a sector rotation.
- ❖ As the US equity market capitalization represents more than 60% in the MSCI world, we expect that this will mid-term mean revert. Therefore, some parts of the rest of the world might outperform the US market during 2022. The most controversial market is China A-share, where we do expect higher price supported by more government driven fiscal and monetary stimulus.

Fixed Income

- ❖ 10-year treasury yield have risen above 1.9% after the unexpected strong job data. We do expect some additional institutional buying at this yield level. Short-term we still have the Fed buying government bonds and might therefore hinder yields to rise substantially above 2%. Nevertheless, in spring the bond purchased program will end and we will then see where the non distorted yields will level off. Most analysts including ourself believe that US and European government bond yields will stay far below their relevant inflation measure.

Nasdaq 100 trades below its 200-day average



Alternative Investments

- ❖ Gold has once again mean-reverted by falling from around USD 1'850 to below USD 1'800. Rising US yields and a strong USD are two key headwinds for a substantial break out of this narrow trading range.
- ❖ Over the last two weeks copper has traded around the USD 9'800 level. However, the price stayed above the 50- and 200-day average.
- ❖ WTI and Brent futures have risen further, neglecting the fact that OPEC+ has announce to increase oil supply. However, it looks like that most countries are not able to increase production. Most market participants do expect that US shale oil production will close the supply gap during 2022.

New Issue: IBM Corporation

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