TURICUM PRIVATE BANK

June 2022

Global Market Focus Monthly

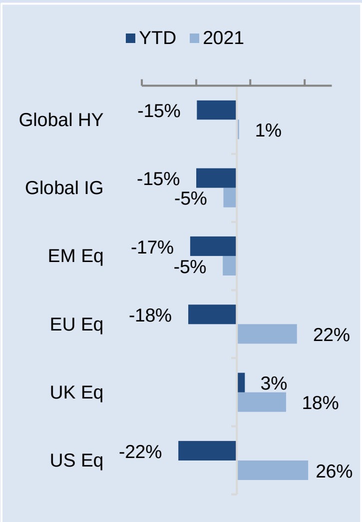
Editors

Michael Cuby
Chief Investment Officer

Rahul Daswani
Senior Portfolio Manager

Bruno de Greysier
Assistant Portfolio Manager

Asset Class Return



Headliners

- US Inflation runs hot in May hitting another 40-year high. Fed reacts delivering biggest hike in almost 30 years.
- ECB holds emergency meeting to ease fears of a Sovereign debt crisis prior to expected rate hike.
- BOE raises by 25bps whilst SNB shocks markets with an unexpected 50bps increase.
- Crypto meltdown deepens as Bitcoin falls to 18-month low.

MarketWatch

	Level	YTD	30 days	7 Days	Div. Yield	Volatility	P/E
S&P 500	3,696	-22.45%	-7.78%	-8.00%	1.73%	30.30	18.48
Nasdaq 100	11,219	-31.26%	-8.37%	-8.56%	0.96%	40.46	23.51
Dow Jones	30,017	-17.40%	-6.85%	-6.99%	2.19%	23.60	16.17
FTSE 100	7,056	-4.45%	-5.48%	-5.62%	4.26%	21.58	16.16
Eurostoxx 50	3,440	-19.98%	-6.66%	-7.64%	3.65%	27.09	12.92
DAX	13,086	-17.62%	-6.29%	-7.84%	3.57%	25.08	11.76
CAC 40	5,888	-17.68%	-7.24%	-7.39%	3.24%	25.12	13.29
SMI	10,460	-18.76%	-10.39%	-7.62%	3.15%	19.62	14.24
Nikkei 225	26,431	-8.20%	-0.86%	-6.43%	2.09%	21.29	18.79
Hang Seng	20,845	-10.91%	1.18%	-4.68%	3.20%	31.72	7.69
CSI 300	4,250	-13.97%	6.10%	1.78%	1.81%	18.65	15.79
WTI Crude Oil	113.14	50.43%	-0.93%	-6.89%			
Gold	1,827	-0.12%	0.16%				
Bitcoin	20,995	-54.69%	-29.80%				
GBP / EUR	1.17	1.51%	0.80%				
GBP / USD	1.22	-9.52%	-0.61%				
GBP / CHF	1.19	3.67%	3.78%				

	Base Rate	1m LIBOR	12m LIBOR
GBP	1.25%	0.88%	2.19%
EUR	-0.50%	-0.49%	1.07%
USD	1.75%	1.07%	2.92%
CHF	-0.25%	-0.61%	0.06%

*As at16/06/22

Follow us on LinkedIn

Quote: "Inflation is going to be sticker for longer because of commodities, Russia and supply chains. Those are all issues that the Fed can't control and Powell acknowledged that", Henry McVery, Chief Investment Officer, KKR, 16/06/22.

TURICUM PRIVATE BANK

June 2022

Global Market Focus Monthly

United States

Europe

United Kingdom

Emerging Markets

COVID: Shanghai locked down millions of residents for mass coronavirus testing last weekend, roughly a week after lifting the lockdown. Beijing shut down entertainment and internet venues in two of the capital's largest districts. The latest restrictions came after a handful of cases were found in both cities despite the Zero-COVID policy.

US Inflation: Headline Inflation accelerated to 8.6% in May beating estimates and hitting another 40-year high as pressures remain with no sign of easing, fuelling the Fed to act aggressively. Core CPI which excludes food and energy climbed to 6% also faster than estimates.

Fed: The Federal Reserve signalled its biggest rate hike in 28 years as it increased the benchmark rate by 75bps taking the upper range to 1.75%. The decision marked a pivot as they previously telegraphed a 50bp hike. Powell failed to rule out another 75bp hike in the next meeting adding that Ukraine war and supply chain issues from China's recent lockdowns continue to apply upward pressure to prices.

Ukraine Invasion: Russia continues their aggressive advance in Ukraine but faces resistance as Ukraine retake 50% of the city of Severodonetsk. Russia is concentrating its main strike force in the north of Luhansk region.

ECB: The Central Bank held an emergency meeting to tackle fragmentation of bond market after sovereign bond yields soared in nations such as Italy and Spain. The new tool will tilt reinvestments of maturing debt to more indebted countries to reduce upside pressure on bond yields. The ECB signalled a rate hike of 25bps in July and added that they would consider a larger increment by September if inflation outlook persists. The ECB also confirmed it would end net purchases of bonds under its asset-buying program on July 1st.

Eurozone Data: The trade deficit doubled from the previous month as imports rose by 39.4% driving by energy whilst exports lagged by 12.6%. The deficit stood at EUR 32.4bn in April a sharp rise from March level of EUR 16.4bn. Industrial production remained strong as it rose by 0.4% in April.

SNB: Swiss National Bank unexpectedly raises rates by 0.5%, the first hike since 2007. The country is trying to get ahead of the curve by raising rates as inflation remains relatively subdued at 3%. The Central Bank raised its inflation forecasts for 2022 to 2.8% from the 2.1% it gave in March.

BOE: The Central Bank raised interest rates to 1.25%. This marked the 5th increase in 6 months. They increased by 25bps as expected and suggested inflation in UK to hit 11% by October. Governor Bailey hinted that they may join the growing trend for larger hikes if inflation continues to soar.

UK Leadership: Boris Johnson saw off a challenge to his leadership, winning 59% of votes in a ballot held by the MPs of the Conservative party. Johnson has come under pressure for holding parties in the prime minister's office during coronavirus lockdowns in the UK.

UK Data: The UK economy unexpectedly contracted by 0.3% in April as households' spending power continued to be squeezed by rising prices. UK experiences the first back-to-back declines since April 2020.

China: Retail sales decreased 6.7% in May from previous year but beat forecast of 7.1% fall. Chinese stocks outperform global markets following ease of restrictions and policy support from government.

India: A stronger U.S dollar sends Indian Rupee to another year low and its down 5% in 2022.

Commodities: OPEC expects global oil demand to rise by 3.36 mbp/d in 2022. Oil price crosses $5 a gallon and US President calls on major US oil refineries to increase production.

Crypto: Bitcoin continues its recent slump as it trades near critical support of USD 20k. Coinbase, the largest US Crypto exchange, decides to cut 18% of its workforce. Binance suspends bitcoin withdrawals.

TURICUM PRIVATE BANK

June 2022

Global Market Focus Monthly

View	Equities	View	Fixed Income

United States

Equities: Hawkish tilt by the FED makes us more cautious on US equities due to elevated valuations, recent correction has, however, provided some entry points on quality stocks that generate good cashflow. Strong earnings momentum twinned with a solid growth backdrop still provide rationale for US equities.

Fixed Income: We anticipate at least 3 additional rate hikes this year equivalent to a further 1.5% increase in Fed funds rate. The yield curve suggests more aggressive rate hikes, US fixed income is starting to look more appealing. We still favour Treasury Inflation Protected Securities as we expect inflation to be persistent and settle above pre-COVID levels.

Europe

Equities: European markets face significant pressure from ongoing conflict in Ukraine. Strong reliance to Russia and Ukraine on the agricultural and commodity front likely to keep prices elevated and dampen economic growth prospects. Europe could face a stagflationary shock.

Fixed Income: Conditions in Europe remain favourable in the fixed income space. Market expectations for monetary policy action is overdone. We take preference to Italian & Spanish debt as yields have rallied too far.

United Kingdom

Equities: UK offers the most attractive valuations relative to other developed markets. It's large exposure to inflationary resistant sectors such as commodities, financials and insurance adds significant value in current market conditions. Rising rates are a potential headwind.

Fixed Income: Back-to-back rate hikes have provided upward pressure on yields. We expect some cooling off from the BOE as growth slows. Fixed income looks more attractive now.

Emerging Markets

Equities: Structural and geopolitical issues persist in areas such as China and India. However, we expect a strong recovery in Chinese markets in the 2nd half of the year as loose policy filters through.

Fixed Income: Policy support makes Chinese bonds more appealing, although geopolitical issues pose downside risks. We expect India to take strong monetary policy action. Hawkish central bank has continued to put pressure on Brazilian debt.

Other Markets

Gold: Inflation expected to lift prices in short term, risk-off providing support.

Oil: Chinese reopening applying upside pressure.

GBP/EUR: BOE rate actions serves to buoy Sterling, further tightening expected.

EUR/USD: EUR expected to continue weakening in light of Ukraine conflict but monetary action next month likely to provide support to EUR.

- Overweight+
- Overweight
- Neutral+
- Underweight
- Underweight-