RM Smart Strategy Fund

Minutes of the Investment Committee meeting of

1 March 2023 at 3.30 pm

Fundamental:

Economy: Last month's economic data remained mixed. However, we can see **a certain recovery in consumer sentiment**, which is also reflected in the assessment of the economic situation by companies in the service industry. The hard statistics on industry, on the other hand, have been rather weak in recent weeks, so that the downturn in growth seems to continue. Finally, the development of foreign trade, which increasingly reflects a significant slowdown in the economy of goods, is still worrying.

Inflation: Inflation data from Europe, Switzerland, Japan and the US were all disappointing. Japan and Switzerland have reached new highs in inflation. The decline in monetary depreciation remained disappointing in Europe and the US.

Fiscal and monetary policy: We must therefore continue to expect strong interest rate hikes by the central bank. Especially in Europe, we should even expect a sharp increase in key interest rates in March. The SNB should follow this trend. Only the Bank of Japan seems to be sticking to its low interest rate policy.

Geopolitics: Even on the anniversary of the Russian invasion of Ukraine, there are no discernible solutions to the conflict. At the same time, Russian rhetoric is becoming increasingly aggressive towards the West. A credible mediation role by China or India does currently not seem possible, so geopolitical tensions remain high for the time being.

Financial markets: Last month's inflation data led to some significant changes in interest rate expectations. In particular, the expectation that central banks could ease monetary policy as early as the second half of the year has disappeared. The resulting rise in interest rates has led to a temporary end to the New Year's rally.

Chart technical:

S+P The short-term pause took place as expected. A resumption or the upward trend is possible, but the current level is not yet oversold, so the break could last a while. Ideally, the convergence zone (*MA200, boundary broadening formation, resistance zone) holds. Among them, there is the risk of a false breakout (broadening formation?). The overall technical picture has improved (broadening formation, risk vs. defensive sectors, **50 DMA > 200 DMA), which is also reflected in the fact that the market has adjusted its interest rate expectations strongly upwards without breaching the mentioned zone so far. In view of the economic slowdown (extent of the monetary damage is only yet to be seen) and the uncertain interest rate policy, volatility (data dependency) is likely to continue, making a sideways link in the zone between 3700 and 4300 realistic before the movement gains sustainability.

*MA = Moving Average
**DMA = Daily Moving Average

SMI The pause seems to be weakening, which makes a resumption possible. Again, however, the current level is not yet oversold, so the break could drag on a bit. The medium-term buy signal formed in November remains intact. However, this still has to prove itself and break through the convergence zone (channel line, resistance zone). Here, too, against the background of persistent volatility, a sideways movement (10,500/11,400) seems realistic before the movement gains sustainability.

ESTX50 The expected short-term correction has not yet taken place but is still indicated. Due to the specification of the indicators and the short-term market range which no longer follows, the correction could be somewhat stronger than for the other indices. The medium-term buy signal is intact.

Gold The short-term and medium-term buy signal is intact. For the long-term rotational movement, only a hair's width is still missing. The correction (greatly overstretched short- and medium-term levels) has occurred. In the short term, a resumption is in the offing. However, the medium-term level is still just above the neutral zone, which could take some time. Ideally, the zone of 1790 (around 50% of the movement) is not violated.

Oil No change. As expected, the support zone of 75 was broken down with a low of 70.08 (practically in the middle of the price range of 67 and 72 that the Biden administration has proclaimed as the target range for replenishing the greatly reduced strategic reserves). The next support at around 65 has not not reached. Whether this still will happen or not will depend on whether the short-term intact resumption has the power to trigger a medium-term buy signal (medium-term divergence has held, but second peak possible) (until a short-term overbought level is reached at the latest). Until then, the medium-term sell signal remains intact. If the short-term resumption fails, a small head and shoulder formation with target ~64 threatens, which would reach the next support. This could lead to the second medium-term peak.

Yield 2-year US government bonds
A short-term breather has taken place and as expected, has led to a correction in the stock markets. However, the long-term level is greatly overstretched and a medium-term sell signal has formed. However, another spike remains possible before the signal is effectively triggered. So is it more than just a short-term breather (resulting

in another medium-term spike)? The market has recently adjusted its expectations significantly upwards (to an expected 5.3% at the end of 2023!) while the correction (S&P500 ~ -5%) has so far been reasonably limited, which can be interpreted as a sign of strength. The question now is whether the market must continue to adapt to them (before the medium-term sell signal is triggered)! The recently higher-than-expected inflation data (January ***PCE +1.8% vs. expected 1.3%) could lead to an increase in the target range (December projection at 5 to 5.25%). The market, for its part, expects a peak of 5.4% in 2023. The data dependency (economy, inflation) is high and the assumption of a sideways bound of the markets thus remains realistic. Technically, a short-term pause (breather for equities) is now in the offing. If this is limited (support at 4.1%/4.3%), then the risk of a further medium-term peak is high afterwards.

***PCE Personal Consumption Expenditure

Currencies Against our expectations, the USD turned higher against both EUR and CHF and gained a few points. The real interest rate differential between the 3 currencies speaks provisionally for the American currency.

Purchases February

- none

Sales February

- none

Next Meeting: 5. April 2023 at 9.00 am