RM Smart Strategy Fund

Minutes of the Investment Committee meeting of

8 February 2023 at 02.00 pm

Fundamental:

Economy: The outlook for growth in the industrialized nations remains negative. While consumer sentiment is improving slightly at a very low level, the outlook for industry is increasingly deteriorating. Retail sales are now also beginning to reflect the weak mood among consumers. However, we have not yet reached a recession. For the time being, the labour market remains very strong in almost all industrialised nations.

Inflation: The peak of inflation is behind us. Oil and gas are already trading well below the levels immediately prior to the Russian invasion of Ukraine. As to core inflation, however, progress has been less pronounced or has not occurred at all. Particularly striking is the eurozone, which seems to be struggling with the beginning of a possible wage/price spiral.

Fiscal and monetary policy: Consequently, the central banks of the US, Europe and the UK have continued to raise interest rates. However, short-term real interest rates remain negative for the time being, which suggests further significant interest rate hikes. Should the ECB make good on its announcement of another significant interest rate hike in March, the SNB will also be under pressure to raise money market rates by half a percent.

Geopolitics: The development of the war in Ukraine does not suggest an imminent end to the conflict. Tensions between the US and China have grown again in the face of Chinese spy balloons. Discussions in Europe about further support for Ukraine will remain controversial.

Financial markets: January was a very good start to the New Year. However, it is striking that although the bond markets are discounted in a significant cyclical slowdown, the markets expect equities to show only a brief dip in earnings. That doesn't seem to go well together.

Chart technical:

S+P The intact short-term resumption had enough power to break through the important convergence zone (MA200, Broadening Formation bound, resistance zone) upwards, confirming the medium-term buy signal. The movement is now oversold, which is a short-term pause. Ideally, the convergence zone holds. Underneath, there is the risk of a false outbreak. Overall, the technical picture has improved strongly, reflecting expectations of a continued declining inflation, a steadfast labour market, an imminent end to the cycle of interest rate hikes and a brief and mild recession. But given the economic slowdown (the extent of the monetary damage is yet to be seen) and the market's "we fight the FED" mode, volatility is likely to continue, making a sideways peg in the 3700-4300 zone realistic before the move becomes sustainable.

SMI The short-term resumption has led the course to the convergence zone. The short break has already begun here. The medium-term buy signal formed in November remains intact. But this still has to be proven! Firstly, the formation of the oscillators is not entirely clear, secondly, a long-term rotational movement has not yet taken place and thirdly, a clear breakthrough is still missing. Here, too, against the background of persistent volatility, a sideways movement (10,600/11,400) seems realistic before the movement gains sustainability.

ESTX50 A short-term correction, which could be slightly stronger than for the other indices, is also indicated here. However, the medium-term buy signal seems to have been confirmed.

Gold The short-term buy signal and the medium-term buy signal have become true, with the target even briefly exceeded at 1925. For the long-term rotational movement, only a hair's width is missing. The greatly overstretched level (short and medium term) has now led to a correction, which is likely to continue for some time. Ideally, the correction stops in the zone from 1790 (about 50% of the movement) to 1835/30.

Oil No change. As expected, the support zone of 75 was broken 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 was not reached. Whether this still happens 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) (until a short-term overbought level is reached at the latest). Until then, the medium-term sell signal remains intact.

Yield 2-year US government bonds

The short-term breather has not occurred, but seems likely to follow now. The long-term level is greatly overstretched. At the same time, a medium-term sell signal has formed. But another peak is possible. Is it more than just a short-term breather? This would fit in with an expected break. The market continues to expect the Fed to cut the key interest rate by the end of 2023 but has recently adjusted its expectations significantly upwards (to an expected 4.8% at the end of 2023). The question now is whether he must continue to adapt them! If the market holds up to some extent in this process, then an important step towards sustainability has been taken. However, the fluctuations could be strong, after all, expectations are still below the target range of 5 to 5.25% specified by the Fed and the data dependency (economy, inflation) is high.

Currencies Neither the euro nor the dollar is expected to make major moves in the short term.

Purchases January

- U-Blox
- Walt Disney
- Idorsia

Sales January

- Sika
- Daimler Truck
- Swatch

Next meeting: March 1 2023 at 03.30 pm