RM Smart Strategy Fund

Minutes of the Investment Committee meeting of

12 January 2023 at 03.00 pm

Fundamental:

Economy: The economic outlook has not improved in the past month. China has now slipped even deeper into recession in view of the disruption of the supply side due to the sharp increase in corona patients. An immediate trend reversal does not seem to be imminent, even in view of the New Year celebrations. In Europe, the very dark scenarios of electricity and gas shortages have not occurred. However, the underlying problems of the economy remain enormous. And in the USA, too, consumers' willingness to buy has declined despite a stable labor market, and service providers are reporting expectations of negative growth for the first time.

Inflation: Overall inflation rates appear to have peaked due to lower energy prices. In the US, the core rate continued to decline slightly. In Europe and Japan, on the other hand, underlying core inflation continues to rise.

Fiscal and monetary policy: Further interest rate hikes are to be expected. The difference between inflation and money market interest rates is still -1.5 percent in the USA, -2.9 percent in Europe, -3 percent in Japan and -1 percent in Switzerland. Historically normal, however, are slightly positive real interest rates.

Geopolitics: Also, in the new year we continue to be exposed to the terrible images from the Ukraine, where an end to the fighting is not in sight. The geopolitical situation in Asia remains tense. In the US, the government now faces a very volatile majority of opposition in the House of Representatives, which will, for better or worse, lead to an increased orientation of American policy inwards and leave space for other nations on the international scene.

Financial markets: The financial markets have made a positive start to the year. However, this seems to be taking place against the background that interest rates on the bond market have fallen due to growing recession expectations. However, analysts' earnings expectations still reflect positive growth over the next twelve months.

Chart technical:

S+P The expected pause has taken place. Despite the breakthrough of various indicators, there was no far-reaching sales rush and the support zone of around 3800 could be defended. The short-term resumption of the uptrend is intact. At the same time, a medium-term buy signal seems to have formed. However, this is not yet to be trusted, as the pattern does not (yet) correspond to the usual course. Nevertheless, a positive view is taken that the medium-term indicators did not follow the "pause".

The decisive factor will now be whether the short-term resumption has enough strength to break through the important convergence zone (MA 200, Broadening Formation limit, resistance zone) upwards. The outstanding indicators (especially risk vs defensive sectors, VIX or sentiment vs positioning) call for patience. It is conceivable that the fluctuations (sideways phase) will continue until the medium-term design becomes clearer.

SMI Here, too, the expected short-term pause has taken place. There was no technical damage that would tarnish the overall picture. The medium-term buy signal formed in November remains intact. However, this still has to prove itself analogous to the USA! Firstly, the formation of the oscillators is not clear enough and secondly, a long-term rotational movement has not yet taken place. Caution therefore seems to be still appropriate.

ESTX50 The expected pause has taken place. However, the Stoxx600 holds the MA 200 as a support zone, which is positive. The medium-term buy signal has also formed here, but is also not clear enough. The short-term resumption is intact. However, since the medium-term movement is more advanced than in the indices shown above, there are likely certain limits. The above comments still suggest a certain degree of caution, despite a surprisingly positive chart.

Gold The short-term buy signal and the medium-term buy signal have come true. The movement followed the ideal script, which was described in November 2022. The support zone of around 1730 has held and the resistance zone at 1760/1790 has been breached. The next target is 1925.

Oi As expected, the support zone of 75 was broken with a low of 70.08. The next support at around 65 was not reached. Whether this takes place or not will depend on whether the looming short-term resumption has the power to trigger a medium-term buy signal. Until then, the medium-term sell signal remains intact.

Yield 2-year US government bonds

The long-term level is greatly overstretched. At the same time, a medium-term sell signal has formed, and the short-term sell signal (pause expected) is also intact. The market does not believe that the Fed will raise the key interest rate above the targeted high of 5.1% (it expects 4.95%) and even assumes that it will start to slowly lower it again (to an expected 4.5% by the end of 2023).

And this is exactly where the opportunities and dangers lie! If the market is right, inflation would have to continue to cool down more than expected (any data release will fluctuate accordingly), which in turn will take pressure off the Fed. If this stops the rate hike cycle and signals possible cuts as the market expects, then new highs on the stock markets are likely to be reached. If, on the other hand, the market is wrong (resulting in further medium-term peaks), then adversity threatens for the time being. If the market is ultimately right, this is unlikely to become apparent until the Fed's March or even May meeting at the earliest. From this point of view, an immediate breakout to new highs may therefore be doubted. The road will remain rocky and data-dependent.

Currencies In the case of the euro against the Swiss franc and dollar, the short-term buy signal remains intact. However, the oscillators no longer follow the price movement, which is a correction or even a sell signal in the offing.

Purchases December

- none

Sales December

- none

Next meeting: 8 February 2023 at 02.00 pm