FK Market Commentary

A publication of Finanz Konzept AG, Zurich

1. Edition 2022

IMPRINT

Publisher Finanz Konzept AG Fraumünsterstrasse 27, 8001 Zürich, Schweiz
Marketing Lars Oberle, Jeremy Blaser
Composition Lars Oberle
Assistance Jeremy Blaser, Patrik Szent-Ivany, Mark Lazarev
Frequency halbjährlich
Art Direction HRCD Design Bureau, Heiko Rossmeissl
Images Milan Rohrer, Josefstrasse 20, 8005 Zürich, Schweiz

ORDER THE MARKET COMMENTARY

via e-Mail info@finanz-konzept.ch or on our **homepage** www.finanz-konzept.ch/newsroom/

Dear customers of Finanz Konzept A, Dear readers!

In the second half of the year, the economy and markets recovered quickly, but the coronavirus and the global development of the pandemic remain a key uncertainty factor keeping market participants out of breath, even two years after the initial headlines. In addition, high inflation figures kept markets and central banks busy. Investors, however, still enjoyed solid stock market returns, with the S&P 500 ending this year more than 40% above pre-pandemic levels. The last six months alone have contributed over 11% to this growth. In Europe and the rest of the world, results are mixed, with the DAX among the weaker European indices, up 2.28% since June.

The overall positive second half of the year was characterized by two leading themes that provided shocks in between: First, high inflation, or rather high inflation expectations due to loose monetary policy, which helped the economy recover from the pandemic, and second, the evolution of the pandemic itself, which is a balancing act between adequate measures policy and damage minimization. China took over the role of the problem child in the past half/year and the crypto market remains true to its line of high volatility and rapid development, reaching new highs despite powerful corrections. Real estate markets remain hot, implied by the banks' fast-growing mortgage portfolios. We are watching the situation closely and are ready to take a fact-based position.

We wish you an exciting read!

Yours sincerely,

Lars Oberle

Director of Finanz Konzept AG

INTERNATIONAL INVESTOR AWARD WINNER 2020

FINANZ KONZEPT INDEPENDENT WEALTH MANAGEMENT FIRM SWITZERLAND// 2020

In Short

Money and Capital Markets Capital market interest rates in % (10 year bonds)

	30.06.21	31.12.21	6 M	12 M
CHF	-0.24	-0.135	↗	↗
EUR (DE)	-0.203	-0.179	↗	↗
GBP	0.717	0.972	↗	↗
USD	1.444	1.515	↗	↗
JPY	0.0542	0.0701	↗	↗

- Federal Reserve cuts bond purchases monthly since November
- ECB lets pandemic-related emergency purchase program expire at end of first quarter 2022

We recommend:
- Short-dated maturities & inflation-linked bonds
- Reduce bond allocation in the context of rising interest rates & taper

Stock Markets Indices

	30.06.21	31.12.21	6 M	12 M
SMI	11 942.72	12 875.66	↗	↗
EUR STOXX 50	4 064.30	4 298.41	↗	↗
FTSE 100	7 052.62	7 384.54	↗	↗
S&P 500	4 297.72	4 766.18	↗	↗
Nikkei	28 707.04	28 971.71	↗	↗
DAX	15 698.64	15 884.86	↗	↗

- Economic recovery fires up global growth
- Market is on an upward trend, but is vulnerable to changes in monetary policy

We recommend
- Maintain U.S. allocation as momentum due to the rapid recovery and strong earnings reports could continue
- Underweight chinese stocks as future political/regulatory developments remain uncertain

Forex Markets Currencies

	30.06.21	31.12.21	6 M	12 M
EUR / CHF	1.0970	1.0358	↘	↘
EUR / USD	1.1858	1.1374	↘	↘
EUR / JPY	131.72	130.935	↘	↗
GBP / CHF	1.2794	1.2339	↘	↗
USD / CHF	0.9251	0.9110	↘	↗

- US dollar with dominant year
- Strength of the Swiss franc could cause problems for exporters
- Turkish lira at record low

We recommend:
- Increase/keep USD and CHF weight
- Buy the dips (EUR und Yen)

Commodities in USD

	30.06.21	31.12.21	6 M	12 M
Rohöl WTI (USD)	75.13	79.32	↗	↗
Gold (USD)	1 770.34	1 814.95	↗	→
Silber (USD)	26.14	23.06	↘	↘
Platin (USD)	1 077.50	965.50	↘	↘

- Gold appreciates only slightly
- Rising energy prices
- Natural gas shortages lead to extreme futures prices

We recommend:
- Increase exposure in energy sector
- Long-term position along energy transition
- Incresae gold positions

Crypto-Markets

	30.06.21	31.12.21	6 M	12 M
BTC (USD)	35 040.84	46 306.45	↗	↗
ETH (USD)	2 274.55	3 682.63	↗	↗
XRP (USD)	0.71	0.831	↗	↗
SOL (USD)	35.56	170.30	↗	↗
LTC (USD)	144.14	146.41	↗	↗

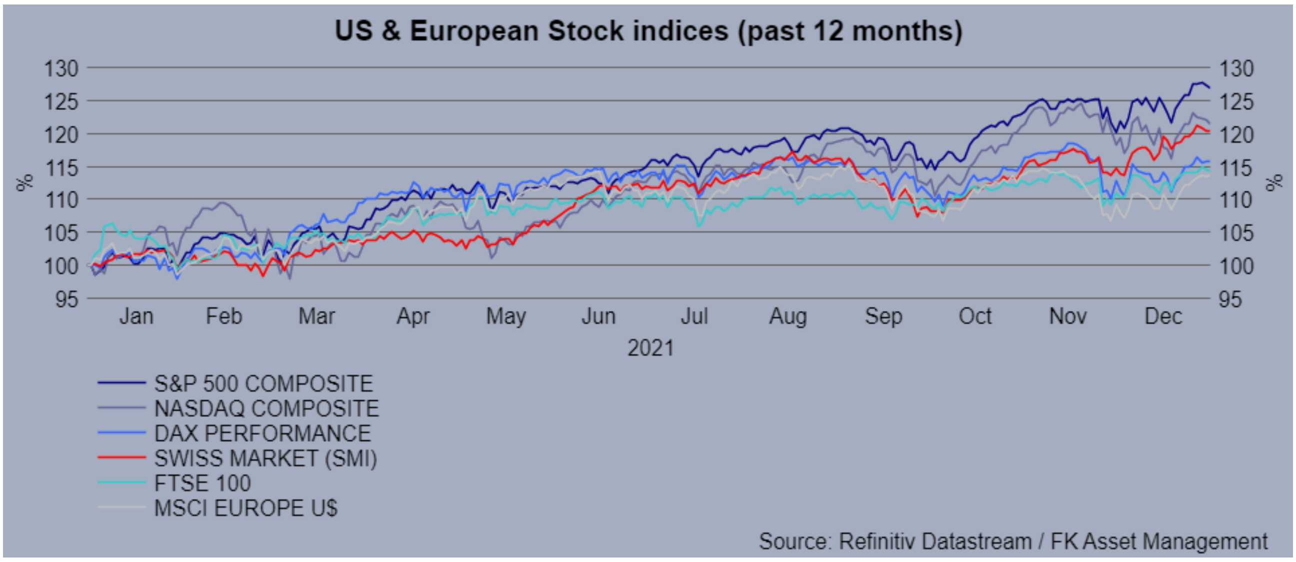
- Crypto market reaches important milestones (Bitcoin ETF & institutional investments)
- Volatile year with record highs & sharp corrections in between

We recommend:
- Hold positions
- Partial profit taking on upswings
- Diversification into solid altcoins like Solana/Cardano

The (seemingly) infinite bull market

In the second half of the year, global stock markets again posted gains. However, the volatility shows that market participants are well aware of the uncertain economic and pandemic situation. Nevertheless, the upward trend of the first half of the year persisted. The S&P 500 grew to new highs in the late summer months on strong corporate earnings, but corrected in September under inflationary pressures, approaching taper and macro data pointing to weaker growth. Highly valued tech and communications stocks in particular corrected sharply. Although macro indicators (unemployment, purchasing managers' index and retail sales) fell, they remained at expansionary levels, which is why the market recovered quickly. Despite new concerns about the Omicron variant, the S&P 500 moved to new record highs at the end of the year. European markets went through a similar story. The beginning of the second half of the year was marked by the widespread easing of measures and corresponding catch-up effects, boosting economic activity. Finally, concerns about inflation, supply shortages and rising energy prices emerged, causing equity prices to consolidate. In November, key macro indicators recovered from the October low, but Covid-19 case rates are rising again across Europe, so renewed measures against the spread of the virus hampered the economic recovery. The November estimates of inflation were at 4.9%, well above the ECB's target of 2%.

Asian markets moved in a mixed fashion, with dependence on events in China being common factor. Thus, the potential default of Evergrande, the Chinese real estate tycoon, dragged neighboring markets down as spillover effects were feared. The same was true of China's regulations in the education and technology sectors. In Pakistan, markets reacted in the short term to the political & humanitarian crisis caused by the Taliban takeover in August. In the fall, optimism in Asia initially rose thanks to largely declining case numbers and an interest payment made by Evergrande. However, inflation and rising energy prices eventually depressed investor sentiment again. In Japan, the economy picked up thanks to looser measures following a lightning wave of infections in September, but here too Omicron ultimately put the brakes on optimism. Inflation moved into positive territory here, but a spike as in Western markets is rather unlikely. Energy exporters such as Colombia, Russia, Kuwait, Qatar and Indonesia benefited from rising commodity prices, mainly due to accelerating economic activity. Other emerging markets are struggling with high inflation, for example Brazil with a reading of 10.25% in October.
Global developments in the context of tapering and the path out of the pandemic remain a challenge, as it is unclear whether monetary and economic policy measures have been deployed in time.



Bond markets under stress test

Already in the first half of the year, the world's bond markets offered a lot of excitement, as described in the last issue of our Market Commentary. In general, we observed a reduction in the synchronicity of the markets. This can be attributed to the differences in inflationary and economic developments. Interest rates in the U.S. and the EU initially fell during the third quarter due to flattening economic growth, but investors then increasingly focused on inflation and the increasingly defensive stance of central banks, which caused interest rates to rise again. Towards the end of the year, inflation in the U.S. stood at a whopping 6.8% and in the eurozone 4.9%, both figures well above central bank targets. Switzerland is less affected at 1.5%. This is due to the expensive Swiss franc on the one hand and a lower weighting of energy sources in the consumer index on the other. Investors' expectations of a tighter monetary policy came true in November, when the Fed and the ECB announced tapering (reduction of bond purchases). Accordingly, the yield curve flattened. Combined with the reduced risk appetite associated with Omikron, government bond yields fell. Both government and corporate bonds in the high-yield segment were sold en masse.

The Fed announced in December that it would reduce its bond purchases by $30 billion a month. This rightly caused unease among market participants. The decision was interpreted as a signal that the Fed had underestimated inflation and that it was less temporary than previously suspected. Originally, when the taper started in November, a monthly reduction of $15 billion was in place. It may become apparent that this sharp change in program from the loose monetary policy of recent years could cause unusual volatility in asset prices. U.S. government bonds are considered the basis of calculation for a number of assets. An unexpectedly sharp change in U.S. key interest rates can lead to a painful revaluation of many assets (real estate, debt, precious metals, stocks, etc.) Interest from foreign investors in the U.S. bond market has decreased enormously in the wake of the pandemic. It was up to the Fed to cover the resulting excess supply, so during 2020 the Fed increased its balance sheet from $4.4 trillion to $7.4 trillion with securities purchases to stabilize the market. Whether the accelerated tapering is timely, or the stimulus packages were too large and inflation has gotten out of control, the next few months will tell.

An interesting observation in global bond markets has been that the highest yielding bonds this year have come exclusively from emerging markets. It was initially expected that it would be these types of securities that would suffer as government stimulus measures were dismantled, but things turned out differently. For example, South African government bonds with a maturity of 10 years closed the year with a net return of 8.7%.

Selected 10 year government bond yields (past 12 months, in %)

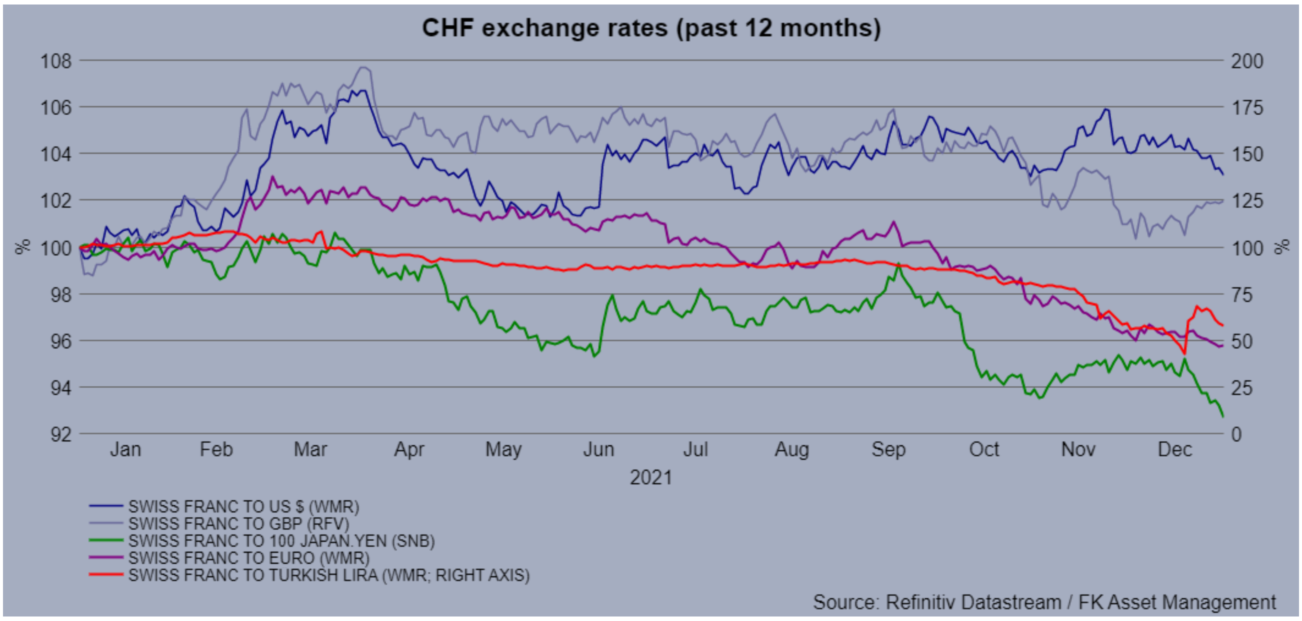
	01.01.2021	30.06.2021	31.12.2021	Change (YoY)
China	3.281	3.083	2.783	-0.498
United States	0.912	1.444	1.515	0.603
United Kingdom	0.175	0.717	0.972	0.797
Switzerland	-0.528	-0.24	-0.135	0.393
Germany	-0.599	-0.203	-0.179	0.42
Japan	0.021	0.0542	0.0701	0.0491
South Africa	8.66	8.88	9.35	0.69

Strong dollar and swiss franc & progress in the Crypto-Market

This year, the US dollar dominated the foreign exchange market. The dollar index, which measures the dollar against the world's seven largest currencies, gained 7% this year. In the process, the euro lost approx. 7%, and depreciated by around 5% against the Swiss franc. The dollar and franc have moved virtually sideways since the summer. The Japanese yen lost about 5% against the Swiss franc. The dominance of the dollar is likely to continue in the first half of 2022, given the economic recovery and the prospect of interest rate hikes. The SNB could come under pressure to follow along and raise interest rates, potentially ending the era of negative interest rates in the event of an inflation-driven rate hike in other major markets such as the US. This would cause the Swiss franc to appreciate even further, making CHF-EUR parity quite a realistic scenario. An extraordinary and at the same time astonishing observation is the Turkish lira. Against the general logic, the central bank, manipulated by President Erdogan, surprised with an interest rate cut, although inflation is in the high double digits. A momentous experiment. The lira lost more than 30% against the U.S. dollar.

Right next to the world of fiat currencies, the crypto market redefined the term "volatility." After the massive crash at the beginning of the summer, bitcoin bumped sideways in the lower areas of the charts, drawing discussions about the decline of cryptocurrencies. This was followed by enormous growth in July and August, a painful correction in September, and finally a new record high of over $68,000. Even more impressive are the returns for the so-called "altcoins," which are largely in the triple digit range. But here, too, as quickly as they grew, they fell again. At the end of the year, one Bitcoin could be bought for $ 46,306.45. Numerous risk-hungry investors burned their fingers during the development in the last half-year. However, the crypto market also reached some important milestones: the first Bitcoin futures ETF and countries recognizing cryptocurrencies as official currencies (El Salvador: Bitcoin and Myanmar: Tether). The coming months and years are sure to bring more exciting developments and opportunities.

The world's major central banks have embraced relatively high inflation in favor of economic recovery in 2021, adding significant liquidity to the market. This year also marks the end of stimulus payments from the U.S. government, and bond purchases will be scaled back. Whether the Fed's plans can calm inflation, or to what extent interest rate hikes will come, remains to be seen. However, as market participants, one should be aware of the possibility and be prepared to act accordingly.

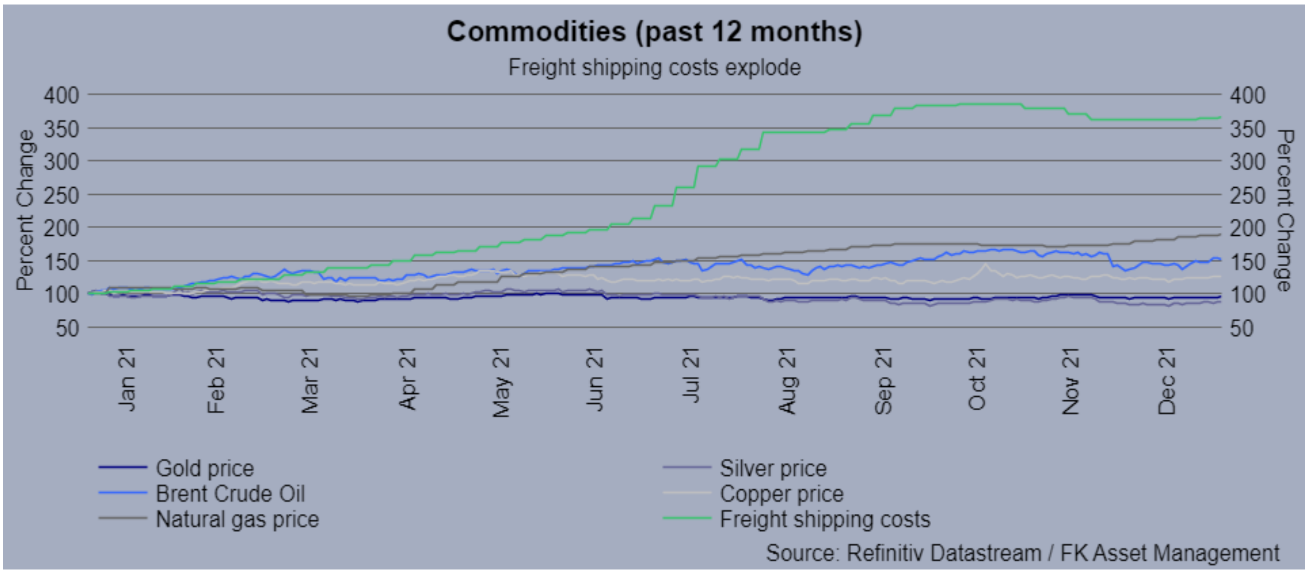


Crisis in the commodity markets?

The commodity markets continued to provide plenty to talk about in the first half of the year. In the third quarter, the global easing of measures made itself felt as the population returned to its normal consumption patterns, which led to a noticeable increase in the price of gasoline. The price of gold initially fell during this period, even briefly dipping below $1,700 in August, but has since recovered steadily, driven by high and rising inflation and falling real interest rates. Prior to November and the discovery of Omicron, which again brought enormous uncertainty to the markets, prices of industrial metal futures also picked up, boosted by the resumption of economic activity worldwide. However, on the occasion of Omicron, the commodities sector experienced a sharp sell-off in November, which was to be short-lived.

Rapidly rising energy prices are worth a closer look. Over the past six months, prices seemed to know only one direction. The cross-market price spike came from a perfect storm of faltering supply, triggered by supply shortages around the globe, and exploding demand, caused by the rapid market recovery. Energy producers massively scaled back production in 2020, and now there are not enough energy sources. Simple economics applied, you get a shortage, causing prices to skyrocket. However, regional factors also played a role here: Europe's bet on clean energy added fuel to the fire in this situation. North Sea wind and hydroelectric power from Norway are the two main sources of clean energy, and the capacity of those has decreased enormously. This has forced Europe to switch back to fossil fuels like natural gas. But reserves here are extremely thin, and at the same time too little gas is arriving from Russian pipelines, exacerbating the shortage. Calm returned to the markets in early December, with one factor being the unseasonably warm first weeks of winter. This gave producers time to catch up with supply. Nevertheless, the price level of natural gas futures is still 500% above the five-year average.

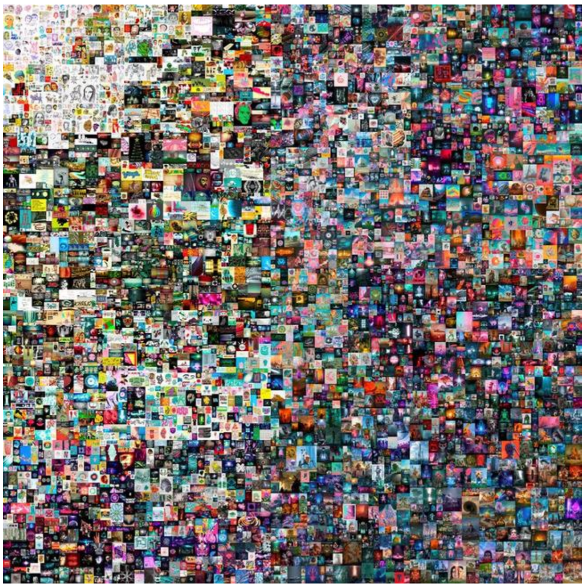
There was also an investment opportunity in the context of the pandemic-related supply chain issues, which also had their impact on the largely rising commodity prices. Those who were able to anticipate and interpret the supply bottlenecks and positioned themselves accordingly in freight futures would have collected returns of over 250% last year.



Exkursion: NFTs

The world of cryptocurrencies and blockchain is moving rapidly, and has been for several years. In the crypto space in 2021, the most exciting story is that of NFTs (Non Fungible Tokens). Simply put, NFTs are code on the blockchain that ensures that a certain function can only be performed a certain number of times. In doing so, each of these entries on the blockchain are unique (= non-fungible). This makes NFTs demonstrably scarce, mobile and programmable commodities. The headlines this year were mostly written by the staggering amounts associated with NFT purchases. The trading volume of NFTs this year was over $23 billion! Ironically, one of the largest transactions of these digital assets took place at the renowned auction house Christie's. Up for auction was the artwork "The First 5000 Days" by artist Mike Winkelmann (aka "Beeple"), pictured below on the left. Winkelmann set out in 2007 with his project "Everydays" to create a digital artwork every day for the next 5000 days. "The First 5000 Days" is the collage of these artworks and sold for a whopping $69 million. The first real NFT collection is called "CryptoPunks" and consists of 9,999 unique pixel characters generated by an algorithm (below right). Transactions in the high six-figure range take place here on a regular basis. Fascinating, considering that "CryptoPunks" were available for free in 2017.

Admittedly, the market for NFTs is currently buoyed by huge hype, with the benefits of the technology clearly being secondary. For some, the market is profitable, but countless people are jumping on the bandwagon uninformed, driven by fear of missing out on profits. Such hysteria also makes it easy for scammers to scam people out of millions in a matter of minutes, either with empty promises or hacks. But NFTs offer much more potential applications than selling a few images on the blockchain. In principle, they can be used to represent the ownership of virtually any unique object, from art to collectibles or even real estate. The explosive growth of NFTs in the past year will certainly go down in the history books, but usually such hype is followed by disillusionment. Whether that will also be the case here remains to be seen, but is to be expected.



Für jedes Bedürfnis die richtige Lösung

Wir bieten Ihnen eine vollständig offene Produkt- und Dienstleistungsarchitektur mit einer breiten Palette. Unser Ziel ist es, Ihre persönlichen und individuellen Bedürfnisse zu erfüllen.

DIENSTEISTUNGSÜBERSICHT

FKVerwaltungsmandat

1. Bedürfnisse erörtern

2. Risikoprofil ermitteln

3. Strategie-entscheidung

4. Implementierung der Ziel-investitionen

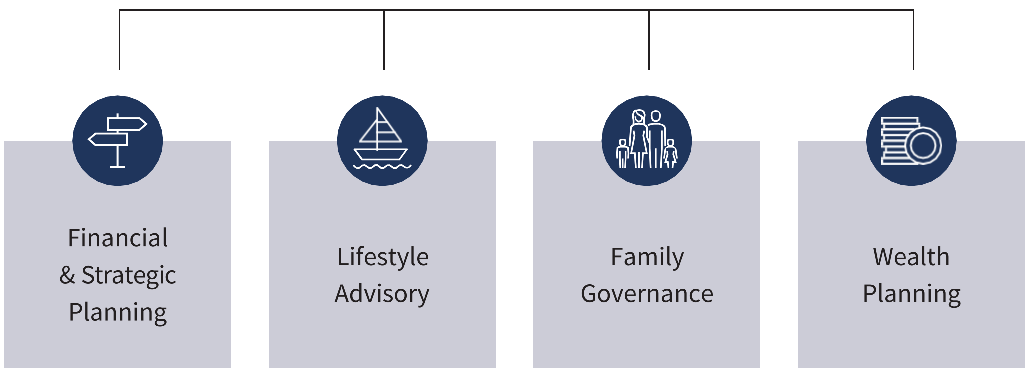
5. Überwachung und Verwaltung des Vermögens

FKAusführungsmandat

- Fonds
- Social Investing
- Robo-Advisory
- Krypto-Investing

FK Family Office Services

FK Vermögensberatung



FINANZ KONZEPT

Finanz Konzept AG
Fraumünsterstrasse 27 · 8001 Zürich · Schweiz
Telefon 0041 44 204 34 64 · info@finanz-konzept.ch
www.finanz-konzept.ch