FK Market Commentary

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Dear clients of Finanz Konzept AG, dear readers!

After a tough 2022, the first half of 2023 has been a respite for the stock market, with most major indexes being positive YTD, and YTY. Technology stocks have been the biggest winners, in a large part thanks to the AI hype ever since chat GPT was released in late 2022. With technology stocks thriving, it was also the U.S. who performed exceptionally well with the S&P 500 being up 15.91% in the first half of 2023. Almost completely erasing the losses from 2022. Nevertheless, not everything has gone smoothly in 2023, with a number of US banks, most notably Silicon Valley bank going bust, and Swiss bank Credit Suisse being saved by a forceful takeover by rival UBS. The Banks failures can largely be attributed by the contractionary monetary policy taken by most central bank in an attempt to curb inflation, which greatly devalued the already existing bonds and caused huge unrealized losses for banks. Some Banks had to realize these losses as depositors lost confidence which eventually lead to bank runs.

As in 2022 Central banks have continued to play a key role in the markets in the first half of 2023. As central banks have seemingly begun to taper off their restrictive monetary policy, investors are hopeful that a so-called soft landing will be successful. Initial fears about financial institutions seem to have subsided after a few months of relative stability in banking. If however Inflation were to return to 2022 levels and central banks need to further raise interest rates, we may well see a return of the banking crisis as unrealized losses would skyrocket. Crypto currencies have recovered from the lows of last year with many including Bitcoin almost doubling in price, showing that the FTX collapse has not heralded in the end of crypto currencies. Commodities are largely down, with energy taking a big hit following a mild winter in Europe. Amid the Ukraine conflict grain prices have fallen, however as Russia has not renewed the black sea grain deal, uncertainty and price increases may have to be expected moving into the latter half of 2023.

We wish you a thrilling 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 % (10y government bonds)

	31.12.22	30.06.23	6 M	12 M
CHF	1.589	0.965	↘	↘
EUR (DE)	2.573	2.393	↘	↘
GBP	3.670	4.386	↗	↘
USD	3.830	3.820	↘	↘
JPY	0.440	0.401	↗	↗

- Central banks continue to raise interest rates, but begin to slow down
- Inflation remains a global problem, but some jurisdictions struggle more then others

We recommend:
- 10-year US Treasury Bonds are attractive

Stock Markets Indices

	31.12.22	30.06.23	6 M	12 M
SMI	10'729.40	11'280.29	↘	↘
EUR STOXX 50	3'651.83	4'003.92	↘	↘
FTSE 100	7'451.74	7'531.53	↘	↘
S&P 500	3'839.50	4'450.38	↘	↘
Nikkei	26'094.50	33'189.04	↘	↘
DAX	13'923.59	16'147.90	↘	↘

- Conflict in Ukraine continues and uncertainty remains relatively high
- Technology stocks rally
- US and Japan outperform

We recommend:
- Be warry of technology stocks as some may be overpriced on AI hype
- China and the UK have potential, but uncertainty remains

Forex Markets Currencies

	31.12.22	30.06.23	6 M	12 M
EUR / CHF	0.9893	0.9768	↘	↘
EUR / USD	1.048	1.05	↘	↘
EUR / JPY	142.25	137.60	↘	↘
GBP / CHF	1.1182	1.1374	↗	↘
USD / CHF	0.9244	0.8953	↗	↗

- Swiss franc soars in value as others sink
- Euro outperforms other currencies
- Japanese yen is very Week

We recommend:
- JPN Yen is a strong buy
- USD is attractive
- Chinese Yuan is attractive

Commodities in USD

	31.12.22	30.06.23	6 M	12 M
Crude WTI (USD)	80.26	70.64	↘	↘
Gold (USD)	1'819.70	1'921.10	↗	↗
Silver (USD)	23.86	22.81	↗	↗
Platinum (USD)	1’082.90	913.20	↘	↘

- Commodities drop
- Energy prices begin to return to normal
- Ukraine war and grain deal cause uncertainty in grain

We recommend:
- Silver under 22$ is a buy
- Hold gold

Crypto-Markets

	31.12.22	30.06.23	6 M	12 M
BTC (USD)	16'539.61	30'389.00	↘	↘
ETH (USD)	1'199.06	1'926.97	↘	↘
XRP (USD)	0.34193	0.47603	↘	↘
SOL (USD)	9.91	17.99	↘	↘
LTC (USD)	70.34	107.30	↘	↘

- Crypto currencies bounce back
- High volatility

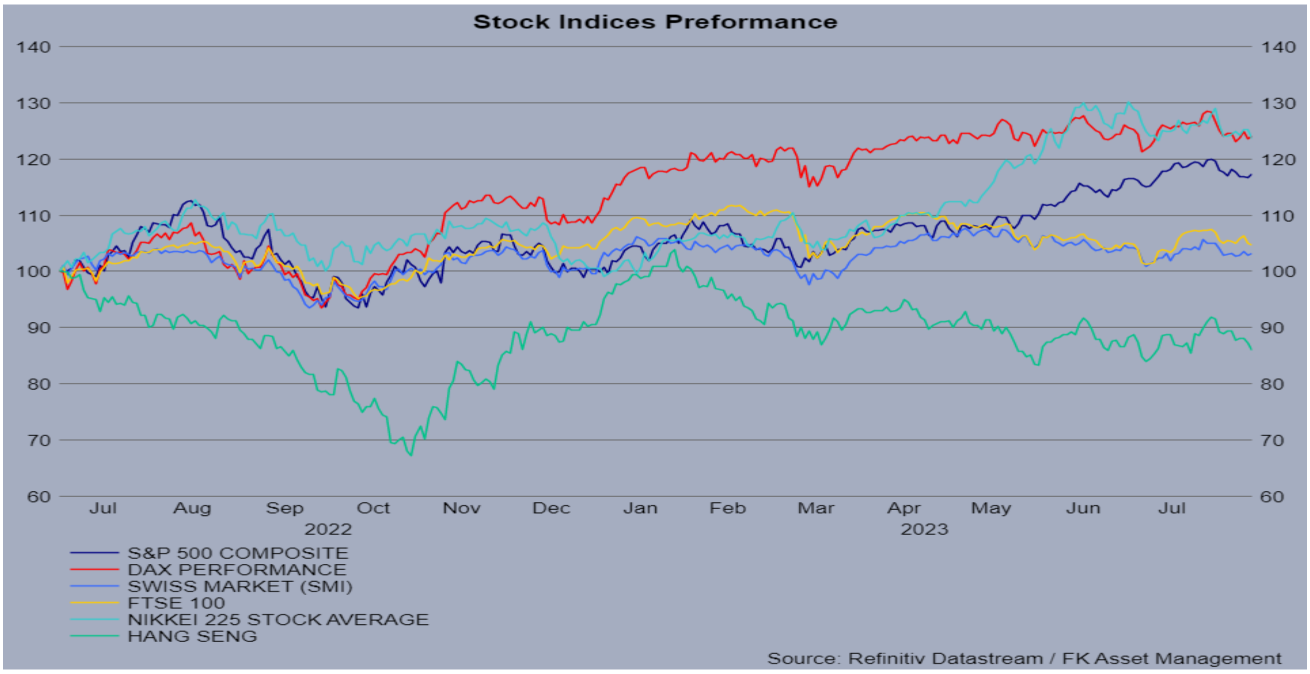
We recommend:
- Taking some profits
- Consider risk appetite, may want to consider exiting/trimming position

Tech is in the green

The first quarter of 2023 has been littered with banking turmoil with four US banks failing, and swiss bank Credit Suisse being forcefully bought for pennies on the dollar by rival UBS in regulators response to a bank run as depopsitors lost confidence in the scandle ladden bank. Nevertheless the mini banking crissis seems to have been mostly contained with the Dow Jones U.S. banking index (DJUSBK), which measures US banks preformance, falling aproximatly 10.67% ytd until june 30th. And the STOXX Europe 600 Banks Index (SX7P), which measures European banks, being up aproximatly 9.36% ytd until June 30th.

Moving the focus away from the financial and banking industries, stocks have generally been up the first six months of 2023. The S&P 500 was up 15.91% which can be largely attributed to the technology sector with NVIDIA (NVDA) being the biggest winnner of the AI craze, being up 195.50%. Aside from technology, cruise lines were the biggest winners of the first half of 2023, largely attributed to the end of the covid 19 pandemics and cruises beginning to fill up to pre-pandemic levels, beating expectations. In Europe the returns are varried, with the DAX Index preforming the best of the major indices rising 15.98% YTD by the end of June. In the same timespan the Euro STOXX 50 was up 9.64%, the SMI was up 5.13%, and the FTSE 100 lagged behind with just 1.07% returns. In Asia the japansese Nikkei surprised with a 27.19% increase, although a large part can be attributed to the weak Yen as in USD terms the Nikkei rose more in line with other indexes with 15.21% returns. 2023 has not been neerly as kind to chinese firms, as the Hang Seng Index lost 4.37% and the Shanghai Stock Exchange only preformed slightler better with a plus of 3.65%.

We expect a correction of the markets in the second half of 2023 or the first half of 2024. The Inflation in most countries stayed above the goal rates of the respective central banks, even with the already relativly high interest rates. This occurs whilst the Eurozone is already in a recesion, and the United Kingdom just barely avoids a technical recesion. Also in the US the short to medium term future also looks quite bleak. Although the unemployment numbers of 3.6% are relativly low, the real income of workers has dropped significantly in the past years as wage growth has lagged behind Inflation. In order to maintain their lifestyles US workers have been cutting into their savings, which as a result have been quickly diminishing. This means that sooner or later consumption must decrease. As Consumption drops so will production and profit resulting in a downturn in the stock valuations. The same of course also holds for Europe, where the UK is among the most effected due to Inflation remaining very high, even whilst the policy rates are extremly high, whilst simultaniously receiving only little foreign investment.



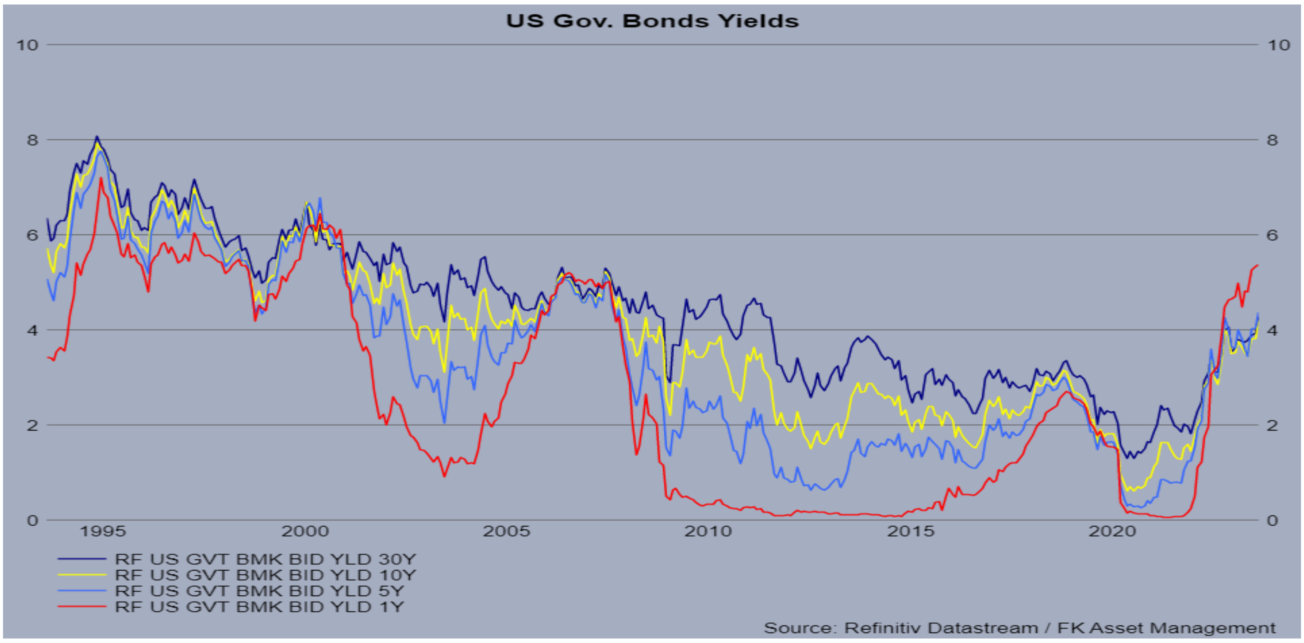
Deffensive through 2023

In the first half year of 2023 the world's Central banks have for the most part, as already in 2022 continued to raise interest rates. This even as their rapid rate hikes were largely the cause for the mini banking crisis. In the US there were three rate hikes in the first six months of the year, although the size of each individual rate hike was smaller than those we saw in 2022. This trend of a slowing restrictive monetary policy can also be seen with the European Central Bank in the eurozone, and the SNB in Switzerland. In the UK no slowdown is in sight as inflation remains very high. The job of Central banks is currently quite difficult, as they have no choice other than to keep their restrictive monetary policy to battle inflation, but wish to avoid or mitigate a recession as much as possible. The ECB has an especially difficult job managing inflation, as it is in charge of the entire eurozone which consist of countries with vastly different needs and inflation rates. The US, German, and British government bonds all have inversed yield curves, indicating that investors expect future rate drops. These drops should however not be expected before 2024.

Although Japan still has low inflation levels compared to many other countries, its inflation rate of 3.3% in June is still 65% higher than the Japanese national banks target rate of 2%. As such sooner or later Japan also will have to raise rates, and depart from their ultra-expansionary policy. Japans ultra-low interest rates can to a large degree also be blamed for the poor performance of the Yen, which whilst good for exports has made imports far more expensive. The Japanese central banks move to loosen their yield curve control from 0.5% to 1% has been an indicator that more restrictive monetary policy will follow.

As China continues to struggle economically many have began to look at the People Bank of China, china's central bank for help. In response the People Bank of China has pledged to enact policy which increase domestic demand. In practice they have so far reduced the policy rate by 10 basis point, which most experts have deemed insufficient and call for more action. Whether this will occur is yet to be seen.

The Bond Yields of AAA- and BBB-ratings of US firms were overall lower in the first half of 2023 than in the end of 2022 staying within 0.5% of the 2022 rate. In the first days of August we now see the biggest spike in Bond prices indicating that firms may need to expect higher borrowing costs for the rest of 2023. During a recession it is also more likely that firms will have their rating downgraded, and if this occurs all else equal the interest rates firms will have to pay will also increase. As many countries are already in a recession, or are expected to go into a recession in the coming months, we recommend avoiding Bonds from industries which will be heavily affected by recessions such as hospitality, construction, and retail.



Strength in Europe

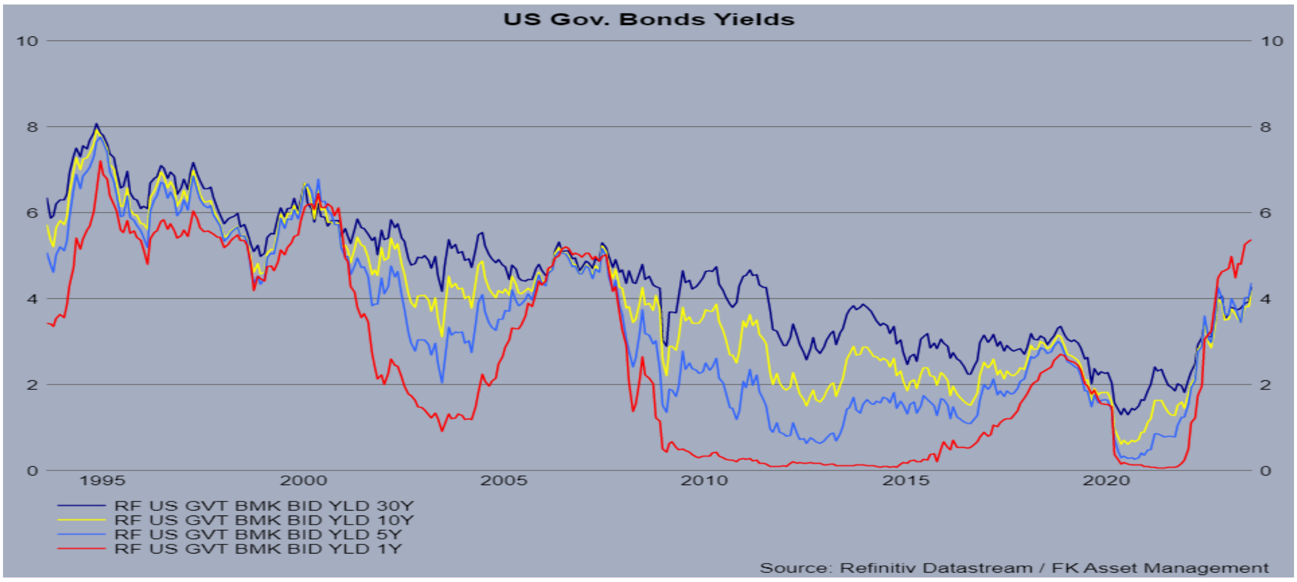
The Swiss franc and the Euro have outpreformed the wider market. A strong Euro and Swiss franc makes investments in other currencies comparativly attractive. The Japanese yen preformed especialy poorly falling 12.78% compared to the Swiss franc, and 10.50% compared to the US dollar. The poor preformance of the Yen can largeley be explained by the Japanese central bank having kept their ultra low interest rates, which make the japanese Bonds extremly unatractive and causing capital outflows.

The Chinese renminbi is a further currency that has preformed very poorly in the first half of 2023. Compared to the Swiss franc the renminbi fell 9.63%, and compared to the US dollar 5.13%. The poor preformance of the renminbi can largely be blamed on the underwealming recovery following the termination of the zero-covid policy in late 2022. China currently grapples with high youth unemployment and underemployment, public and private debt, and trade conflicts with the US. All of which have hampered consumption and investment.

The British pound is one of the few currencies which have outpreformed the Swiss franc. The relative appreciation for the British pound can be largely attributed to the aggressive restricitve monatary policy by the Bank of England, as they have increased the Bank rate from 4% to 5% in the first haf of the year. Further rate hikes are expetced. The demand for these higher yield bonds has created additional demand for the Britisch pound which in turn caused it to appreciate.

The Russian rubel has preformed significantly worse in the first half of 2023 than in 2022. In the first six months the rubel fell 22.53% against the US dollar. It apears that the international sanctions, including the price cap on russian oil has significantly affected the strength of the rubel. That being said, as the oil price has also fallen in general, it is unclear to what exent the rubel 's downturn can be blamed on the sanctions versus the overall falling oil prices seem globaly.

As the other central banks are beginning to cool down, and some may even be beginning to consider a return to more expansionary monatary policy, the yield spread between Japanese bonds and those of other major economies is predicted to shrink in the next 1-2 years. This in turn should cause the Japanese yen to appricate as the bond market will once again become more competive. This is why it is our opinion that the Japanese yen represents a good buying opportunity. The British pound on the other hand, we see as unattractive in the medium to long term. This is because the current value of the British pound largely is dependent on the yield gap in the bond market, which we expect to decrease in the medium to long term as the UK gets a handle on inflation and the Bank of England drops the interbank rate.



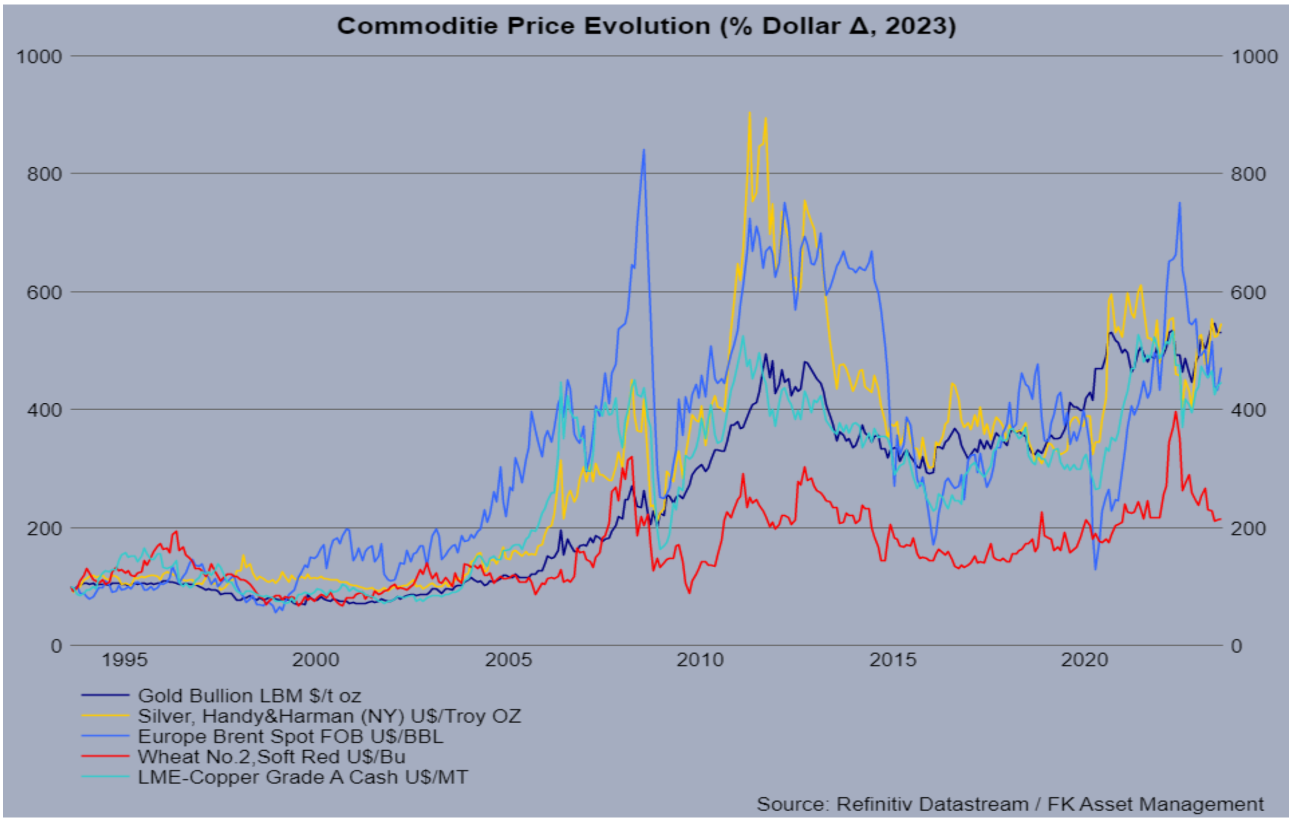
Comodieties drop, Gold stays strong

Commodity prices have largely fallen in the first half of 2023, with energy and grain falling the most. The fall in energy prices can largely be attributed to the mild winter in Europe, paired with the strong USD and high degrees of macroeconomic uncertainty. The oil prices have been quite volatile in the first half of the year. In April the price spiked largely due to Saudi Arabia willingly decreasing their oil output by 1 million barrels per day, from 10 million to 9 million barrels per day. At the same time the OPEC agreed on extending its current production cuts until 2024, and then in 2024 dropping production a further 1.4 million barrels a day to 38.31 million BPD.

The price of precous metals have been somewhat mixed. Gold rose 5.58% outpacing the US inflation, whilst platinum, and silver have both fallen since the start of the year. Platinum fell 15.63%, whilst silver fell just 4.40% after recovering from its low in march of $20 following a 16.64% fall. The semi-precious metals traded mostly sideways as copper fell just 0.72% by the midyear point, and iron ore fell just 3.40%. Lithium was by far the biggest loser in the semi-precious metals segment with a fall of 40.81%. The huge fall in lithium prices is due to slower than expected growth in the Electric car market, in which Lithium is the core component in the batteries.

The grain prices have thus far fallen in 2023, ending June 30th down 16.05%. Although grain has been negative since the start of the year, a great deal of uncertainty remained regarding the black sea grain deal between Ukraine and Russia which caused a temporary spike in prices in june. Since then Russia has decided not to renew the deal which again lead to an increase in the grain prices.

Despite production slowdown, we believe that oil and other energy commodities are not a good buy in the coming months due to the weak global economy and falling demand. For semi precious metals, as with oil, we see demand falling in the coming months due to the weak global economy and therefore see them as generally unattractive. For precious metals, on the other hand, we continue to believe that gold is a good hedge against inflation and fits well in a diversified portfolio. We also belive that silver under $22 represents a purchase opportunity. The comodity price for grain will to a large extent depend on how Ukraine manages to get their grain to the global market, potentially without a black sea grain deal.

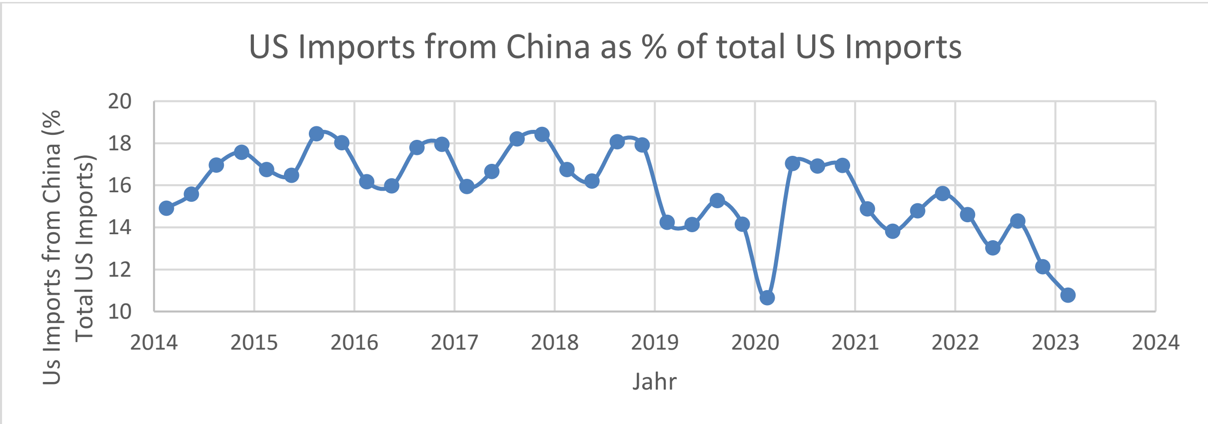


Excursion: American Chip Embargo on China

The Relationship between the USA and China was never the best, but in the past few years they have significantly deteriorated. In 2018 Under US president Donald Trump the US began a trade war with China, that at its peak saw over 250 billion dollars' worth of products from china be hit with additional tariffs. And over 60 billion dollars of American goods imported to china were hit with similar tariffs. Since then the relationship between the world's two biggest economies has further deteriorated. US President Joe Biden has gone even further than the tariffs, which were already considered illegal by the WTO, and enacted a full-on embargo on all things surrounding high tech AI chips. In a bid to make the ban on Chip exports to China more effective, the US has pressured its allies to enact similar bans. The US has focused particularly on the Netherlands, Japan, and Korea who are all key countries in the production of modern-day AI chips. China has responded to the US embargo by restricting the export of Gallium and Germanium, two metals which China is the primary producer, and which are both needed in the chip making process.

For the markets the quarrel between the US and China means lower evaluations for companies which strongly rely on trade between these two countries. Firms which directly suffer due to the US China relationship will of course be even more so affected by the conflict. For example, Huawei, the telecommunications giant, has suffered a great amount from the US singling them out and completely banning the export of chips to them, whilst simultaneously also banning their products in the US. Among other consequences this had led to Huawei being forced to sell their smartphone brand Honor to a Chinese state-owned company as Huawei could not get the necessary products from their suppliers in the US. For the US chipmaker Micron technologies, the conflict has also been especially painful, as china has banned the use of Micron chips in key industries. This ban in practice reduced the demand for micron chips in China by about half, which represents a double-digit percentage expected loss in sales according to a spokesperson for Micron. The uncertainty between the US and China is also more generally bad for investors in Chinese stocks as the appetite of US investors and Institutions for Chinese stocks is currently quite small. Firms with their headquarters in the west, or those that do a lot of business in the west have also been divesting from China in response to fears the conflict between the US and China will further escalate, endangering the supply chains for their businesses.

The quarrel between the US and China, as well as the American sanctions on Russia, in particular the sanctions on the US dollar reserves of the Russian central bank are also of paramount interest for foreign exchange markets. Whilst China has for some years now attempted to become more independent from the US dollar, it has only been fairly recently, since these latest events that the dedollarisation movement has begun to pick up steam. The world has seen the weaponization of the US dollar against Russia, and many countries, particularly developing countries fear the US may also deploy this weapon against them. Due to the current dominance of the US dollar, it is unlikely any real change will be seen in the short to medium run. Nevertheless, if the de-dollarization trend continues, which seems likely, the demand for US dollars can be expected to drastically decrease. As demand decreases, so will the US dollars relative strength to other currencies, and if demand falls enough the US Federal Reserve will have no choice but to buy up the surplus supply of US dollars in a bid to avoid runaway inflation from the devalued USD. The problem being that due to the shear amount of USD currently in circulation, the foreign exchange reserves of the FED may prove insufficient, and with the trade deficit the US finds itself in, getting new currencies may prove extremely difficult.



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FK Discretionary Mandate

1. Discussing of your needs

2. Identifying your risk profile

3. Strategy decisions

4. Implementation of your investment goals

5. Active monitoring and management of assets

FK Execution Only Mandate

- Funds
- Social Investing
- Robo-Advisory
- Crypto-Investing

FK Family Office Services

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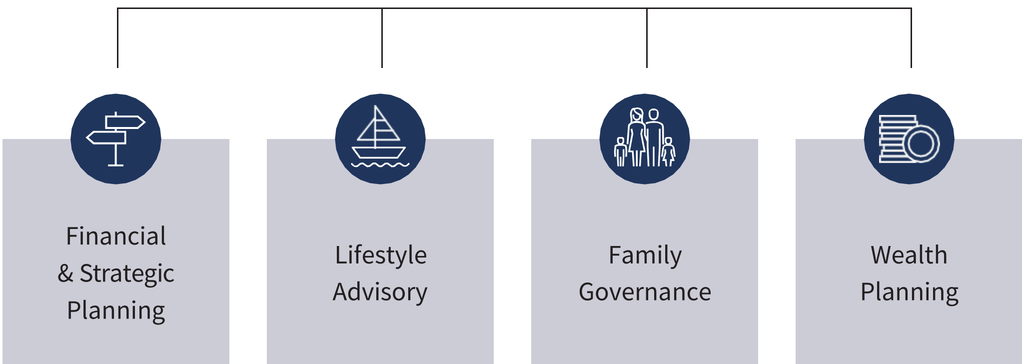

FINANZ KONZEPT

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