MARKET OPPORTUNITIES

July 2021

- Global Tensions
- Jobs
- The role of a central bank

Core Capital Management S.A.

46, Place Guillaume II, L-1648 Luxembourg
info@corecapital.eu Tel:+352 2621 1969

www.corecapital.eu

Markets – June 2021

Equity indices	Jun 2021	2021
MSCI ADWI	1.20%	11.40%
MSCI World	2.34%	14.19%
S&P 500	2.22%	14.41%
Euro Stoxx 50	0.61%	14.40%
DAX	0.71%	13.21%
FTSE 100	0.21%	8.93%
Nikkei 225	-0.24%	4.91%
OMX 30	0.95%	20.72%
OMXC 25	5.32%	10.96%

Bond indices	Jun 2021	2021
Global Treasuries	-1.23%	-4.61%
Global High Yield	0.20%	2.08%

Currencies	Price	Jun 2021
EUR/USD	1.1858	-3.02%
EUR/SEK	10.1395	-0.06%
USD/SEK	8.5509	3.05%
USD/DKK	6.2712	3.10%

Interests	Jun 2021
US T-bill 3M	0.040
Euribor 3M	-0.542
Libor Fix 3M	0.078
Stibor Fix 3M	-0.046
Cibor Fix 3M	-0.207

Other	Jun 2021	2021
Gold	-7.17%	-6.76%
Brent Crude Oil	8.38%	45.04%
HFRX Index	0.38%	3.73%

Global tensions are still on a rather low level compared to recent years; however, one place is highly contested and is perhaps the most important island in the world, Taiwan. The island is the world dominant center for semiconductor foundries, which has also been featured in various news stories during the first half of the year as there has been a shortage. In the 1990's Europe had a strong position in the industry, but it has since fallen off, meanwhile the US is reliant on the foundries in Taiwan and China is falling behind. These are all noticeable as the EU has announced a focus on raising domestic production, US is aiming to lead the world and China is focusing on the industry in their 5-year plan.

For the month of June, the jobs figures in the US are back in strength, however somewhat worrying is the rising inflation and the large gap between new hirings and the jobs openings. Many businesses in the hospitality sector, restaurants, travel and hotels are all lacking staff and experiencing difficulties hiring. This is pushing up wages and sign-on bonuses for companies like McDonald's as well as many others. The risk with this sudden rise in wages is of course that there will be a need to raise prices to compensate, potentially increasing inflation. Despite this, long rates have continued to decline and the hunt for yield is becoming increasingly difficult.

Looking back more than the last decade, sharp increases in interest rates were not uncommon. The decision by the Federal Reserve could take the market by surprise by raising the interest rates by 0.5% or even 1%, often in connection with rising inflation, the Federal Reserve as an example raised rates 2.5% in October 1979. Today the Federal Reserve is more predictable, and the market reacts accordingly, this means that the market is almost driving the Federal Reserve. The Federal Reserve's monetary policy goals are to achieve maximum employment and stable prices. It's difficult to see how these goals can be achieved in today's situation where government spending is skyrocketing, asset purchase programs are inflating markets and said markets are dictating Fed policy. So why does this hold any reliance? Simple, because today we have inflation and no or even negative interest rates, meaning that any cash is being devalued over time by the Federal Reserve and other central banks.

• Market outlook

Equities

We continue being overweight in equities, though as mentioned in previous letters the overweight has been reduced slightly. We still believe that equities provide the best return profile in the market though valuations are getting increasingly stretched with new all time highs.

We continue to expect increased summer volatility and are ready to deploy cash should we see an attractive entry point following a correction.

Fixed income

We remain cautious on the fixed income markets and view the overall risk/reward of the asset class as rather unattractive. We have seen lower long term rates which has helped drive our long duration bonds and continue to watch for movements on the yield curve in the months ahead.

Alternatives

With stretched valuations and low yields we continue to review potential positions in the alternatives space, though we are still very avoidant of hedge funds we are increasingly interested in uncorrelated returns from real assets.

Foreign Exchange

We still think that the US will be the first to reduce QE and raise rates, with EU lagging behind. We are awaiting the Fed's Jackson Hole Symposium in August for better guidance on potential interest rate hikes and the Fed's view on inflation which should give more clarity for the direction of the USD.

Core Capital Management S.A.

46, Place Guillaume II, L-1648 Luxembourg
info@corecapital.eu Tel:+352 2621 1969

www.corecapital.eu

Holding of the Month
Fundsmith Equity Fund

The fund invests in global companies with a no-nonsense approach, avoiding companies which are highly leveraged or has complex business models.

For May the fund returned +5.87%.