

Anlage- und Produktmeeting

27. Juni 2023



Reuss Private

Rate Increase Marks A Year Since SNB Tightening Began

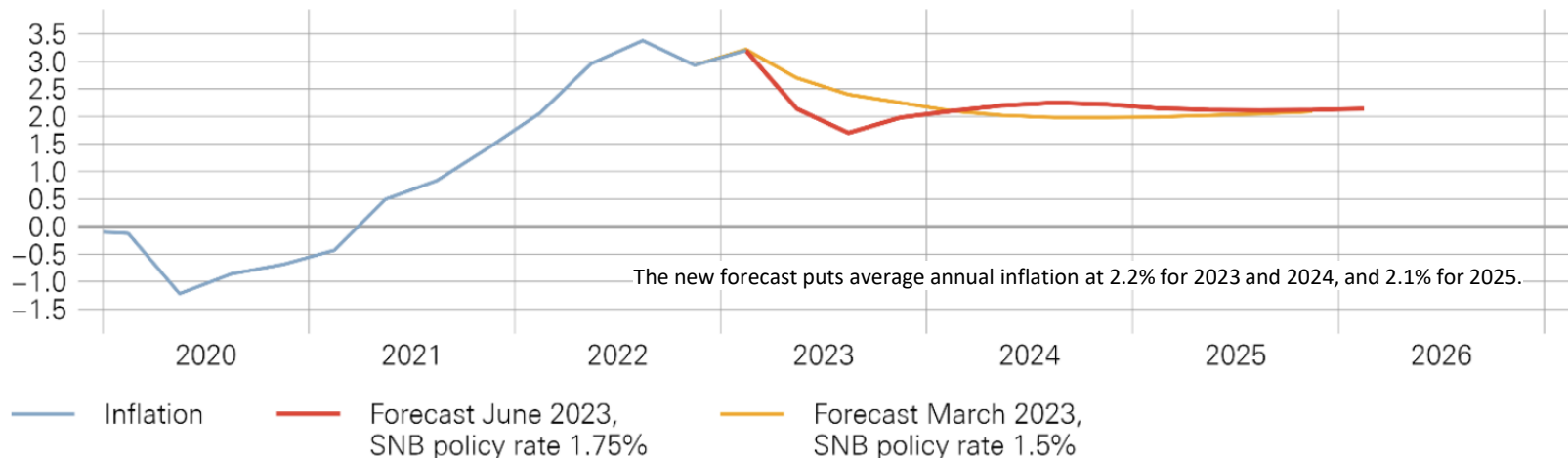


SNB raises policy rate to 1.75% (+25 bps rate hike)

The SNB is tightening its monetary policy further and is raising the SNB policy rate by 0.25 percentage points to 1.75%. In doing so, it is countering inflationary pressure, which has increased again over the medium term. It cannot be ruled out that additional rises in the SNB policy rate will be necessary to ensure price stability over the medium term.

Inflation has declined significantly in recent months, and stood at **2.2% in May**. This decrease was above all attributable to lower inflation on imported goods, in particular lower prices for oil products and natural gas.

From 2024 onwards, the new forecast is higher than in March, despite today's increase in the SNB policy rate. The reasons for this are ongoing **second-round effects**, higher electricity prices and rents, and more persistent inflationary pressure from abroad.

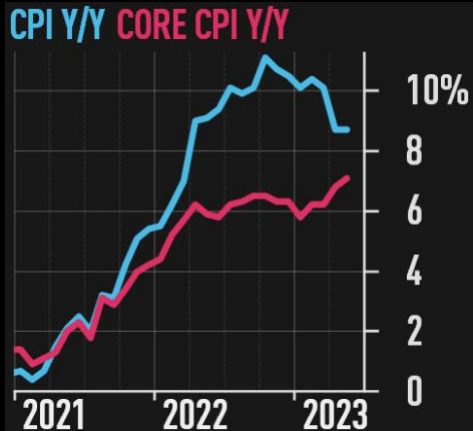


Source: Bloomberg, SNB

UK Inflation Overshoots Again

UK May inflation reading puts pressure on BOE

United Kingdom		Browse	08:41:15	06/21/23	06/28/23					
Economic Releases		All Economic Releases	View Agenda Weekly							
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
22)	06/21 08:00				CPI MoM	May	0.5%	0.7%	1.2%	--
23)	06/21 08:00				CPI YoY	May	8.4%	8.7%	8.7%	--
24)	06/21 08:00				CPI Core YoY	May	6.8%	7.1%	6.8%	--
25)	06/21 08:00				Retail Price Index	May	374.7	375.3	372.8	--
26)	06/21 08:00				RPI MoM	May	0.5%	0.7%	1.5%	--
27)	06/21 08:00				RPI YoY	May	11.2%	11.3%	11.4%	--
28)	06/21 08:00				RPI Ex Mort Int.Payments (YoY)	May	10.2%	10.3%	10.4%	--



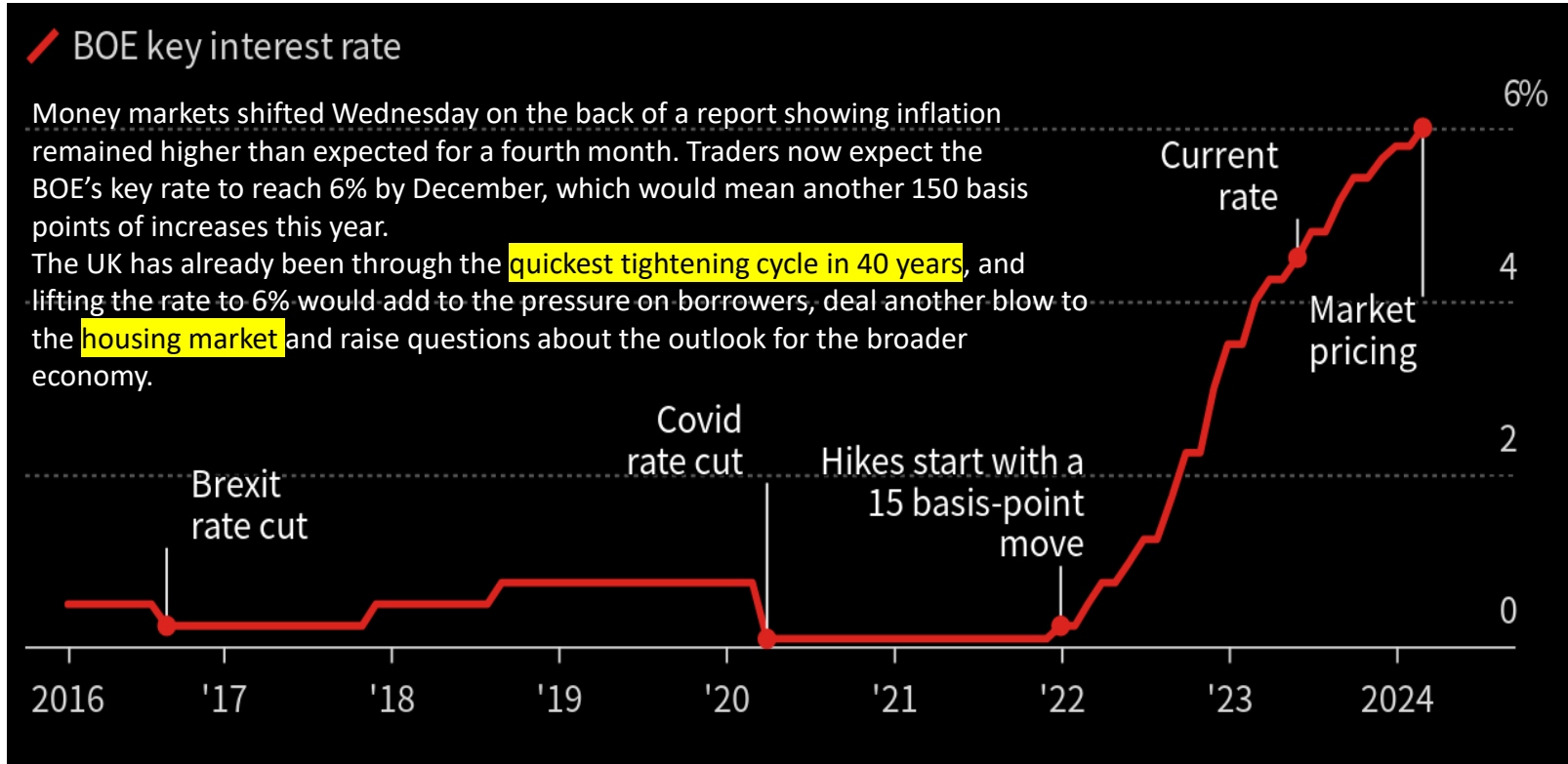
Source: Bloomberg

UK inflation remained higher than expected for a fourth month, ratcheting up pressure on the BOE to hike interest rates more aggressively.

- CPI gained 8.7% in May, the same as the month before.
- Core inflation accelerated unexpectedly to 7.1% from 6.8%.
- Economists had expected a headline reading of 8.4% and for core to remain unchanged.

UK Interest Rates Heading for Levels Last Seen in 2001

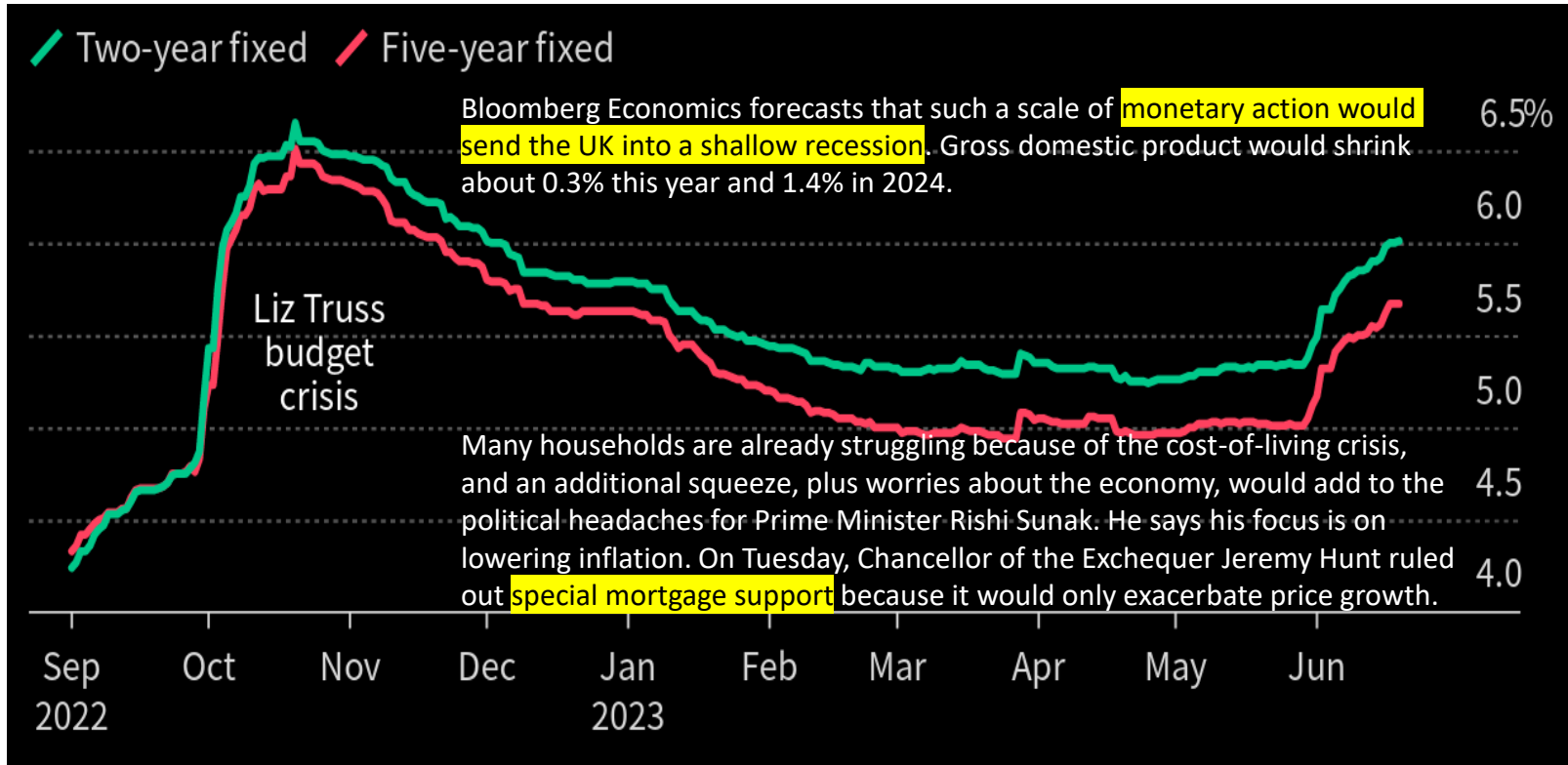
Traders are pricing in 6% borrowing costs by early next year



Source: Bloomberg


Key UK Mortgage Rate

Loans are pricing in BOE hiking benchmark rate 5.75% to 6% this year



Source: Bloomberg

BOE Steps Up Inflation Fight With Surprise Rate Hike

 Markets price in 30% chance rate to peak at 6.25% by February 2024



Source: Bloomberg

BOE Rate 5.00% (50 bps hike)

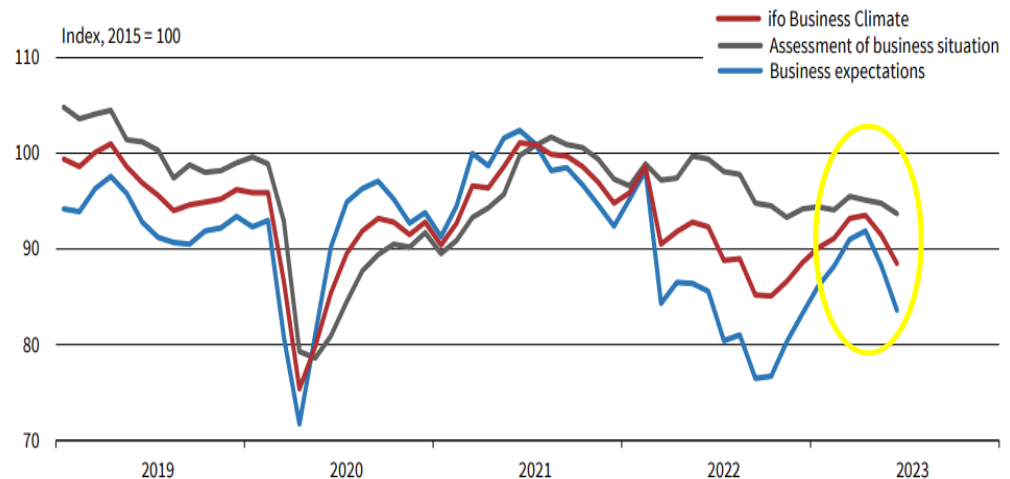
- The Bank of England unexpectedly raised its benchmark interest rate by a half percentage point, stepping up its fight against the worst bout of inflation since the 1980s and warning it may have to hike again.
- The nine-member Monetary Policy Committee voted 7-2 for an increase to 5%, the highest level in 15 years and the biggest move since February. Markets had priced in only a 40% chance of a half-point hike, with most economists anticipating a quarter point.
- Policymakers said persistent price gains would require further tightening and the minutes included nothing to rein in market expectations for rates peaking around 6% — a two-decade high. The pound erased its gains on recession concerns.

ifo Business Climate Index declines

Results of the ifo business survey for June 2023

Germany					Browse	14:09:20	06/26/23	-	07/03/23	
Economic Releases					All Economic Releases	View <input checked="" type="radio"/> Agenda <input type="radio"/> Weekly <input type="radio"/>				
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	06/26	10:00			IFO Business Climate	Jun	90.7	88.5	91.7	91.5
22)	06/26	10:00			IFO Current Assessment	Jun	93.5	93.7	94.8	--
23)	06/26	10:00			IFO Expectations	Jun	88.1	83.6	88.6	88.3

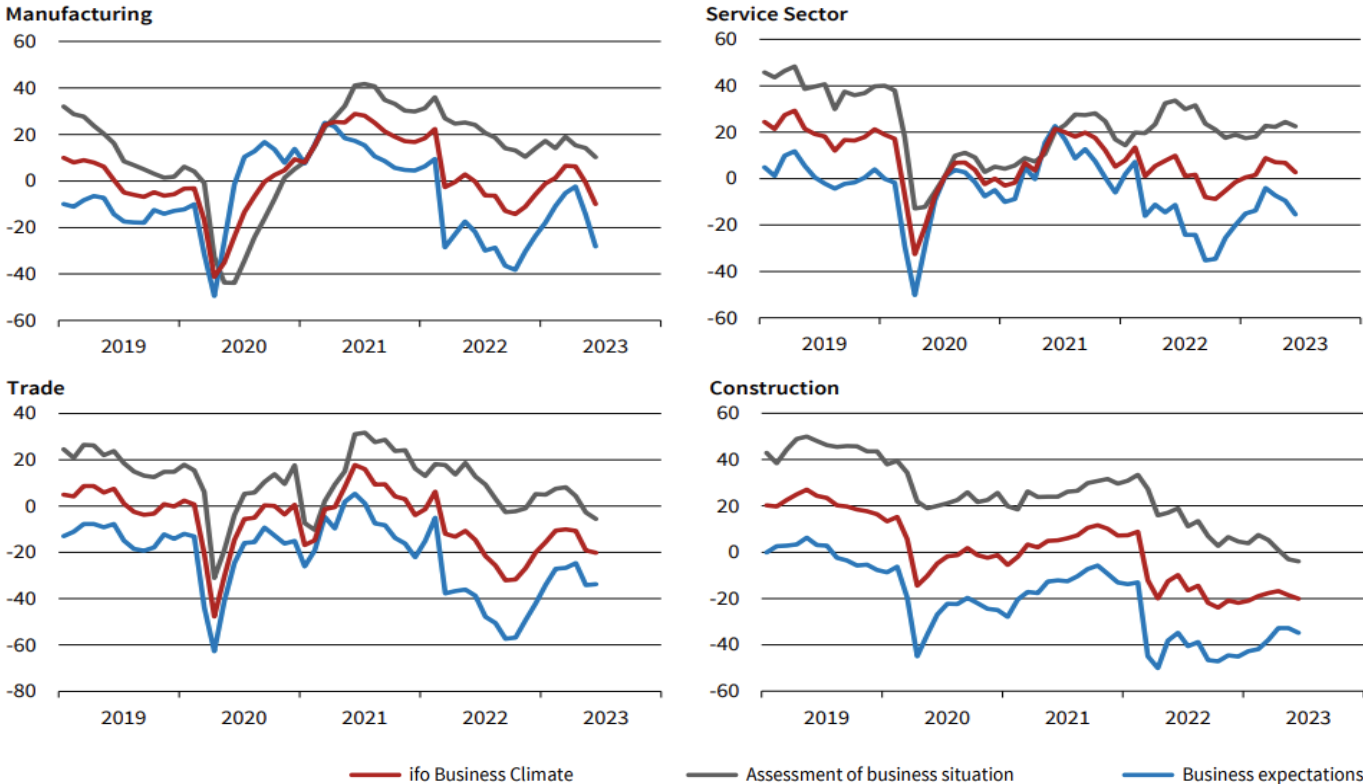
Sentiment in the German economy has clouded over considerably. In June, the ifo Business Climate Index fell to 88.5 points, down from 91.5 points in May. Expectations were markedly pessimistic, and companies' assessments of their current situations were worse. Germany's business outlook deteriorated to the lowest level this year. The Ifo expectations gauge fell to 83.6 in June from 88.3 in the previous month, much lower than anticipated. Above all, the weakness in the manufacturing sector is steering the German economy into turbulent waters.



Source: Bloomberg, ifo Business Survey, June 2023

ifo Climate, Situation, and Expectations by Sector

Results of the ifo business survey for June 2023

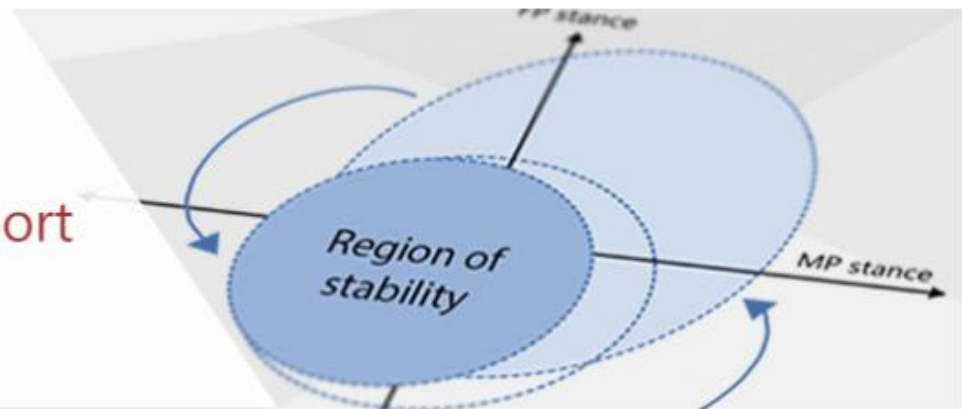


Source: ifo Business Survey, June 2023

BIS Annual Economic Report 2023

Central banks stay the course as inflation fight gets tougher, BIS says

BIS Annual Economic Report 2023



The report analyses the risks posed by the unique mix of high inflation and financial stability risks. Central banks are tightening against a backdrop of high debt and asset prices, a legacy of risk-taking in financial markets when interest rates were low for long.

Bank closures in early 2023 were the most striking example of such risks materialising but far from the only one. Hidden leverage and liquidity mismatches in the non-bank financial sector are another vulnerability. **If central banks must tighten more or for longer to achieve price stability, the risk of financial stress will grow.**

This publication is available on the BIS website (<https://www.bis.org/publ/arpdf/ar2023e.htm>).



Source: BIS

BIS Annual Economic Report 2023

Press release

- Central banks are determined to conquer inflation, even if the last mile to price stability may be the most challenging.
- There is a material risk of further financial stress as the financial system adjusts to the end of low-for-long interest rates.
- To safeguard stability and trust, monetary and fiscal policy must operate within a "region of stability".

According to the BIS's Annual Economic Report 2023, the gains made so far in the fight against inflation owe much to supply chains easing and commodity prices falling. But **labour markets are still tight** and price growth in services has proved harder to tame. There is a material risk that an inflation psychology will take hold, where wage and price increases start to reinforce each other. **Interest rates may need to stay higher for longer than the public and investors expect.**



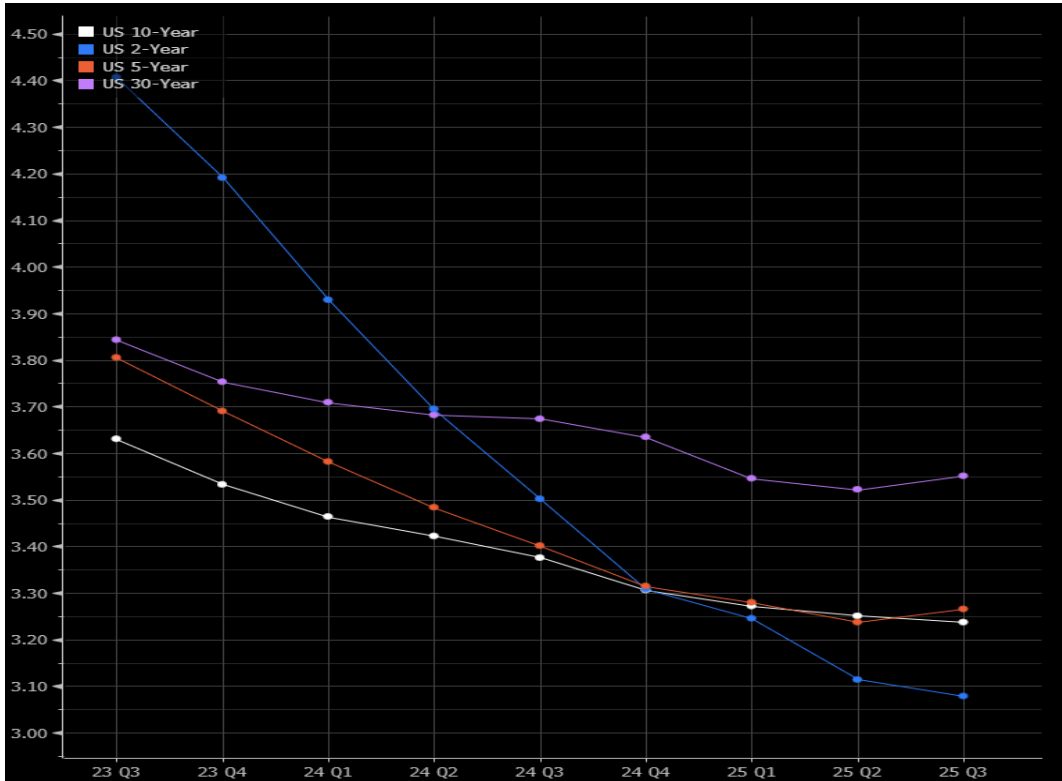
“ *The key policy challenge today remains fully taming inflation, and the last mile is typically the hardest. The burden is falling on many shoulders, but the risks from not acting promptly will be greater in the long term. Central banks are committed to staying the course to restore price stability and protect people's purchasing power.* ”

Agustín Carstens, General Manager of the BIS

Source: BIS

When Will US Yield Curve Turn Positive?

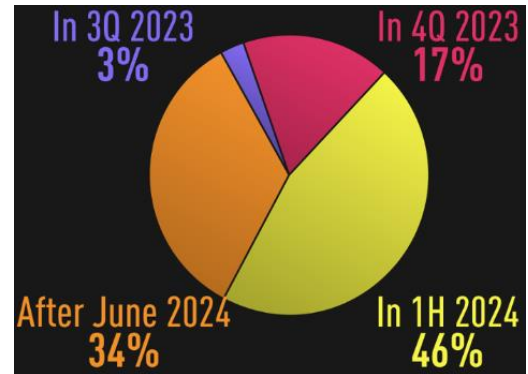
US yield curve will remain inverted into next year



Source: Bloomberg

A Bloomberg MLIV poll showed 80% of respondents predict the US yield curve will remain inverted into next year and almost half expect at least two more Fed hikes.

Fed rate increase next month, with swaps showing an almost quarter-point of additional tightening priced in by the July meeting.



Surging Commentary on FED “Tightening”

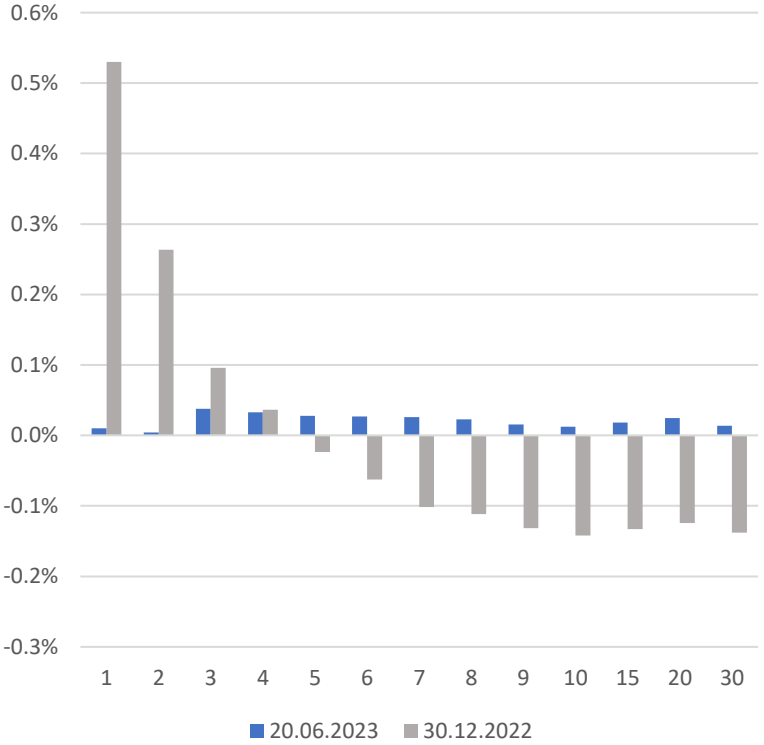
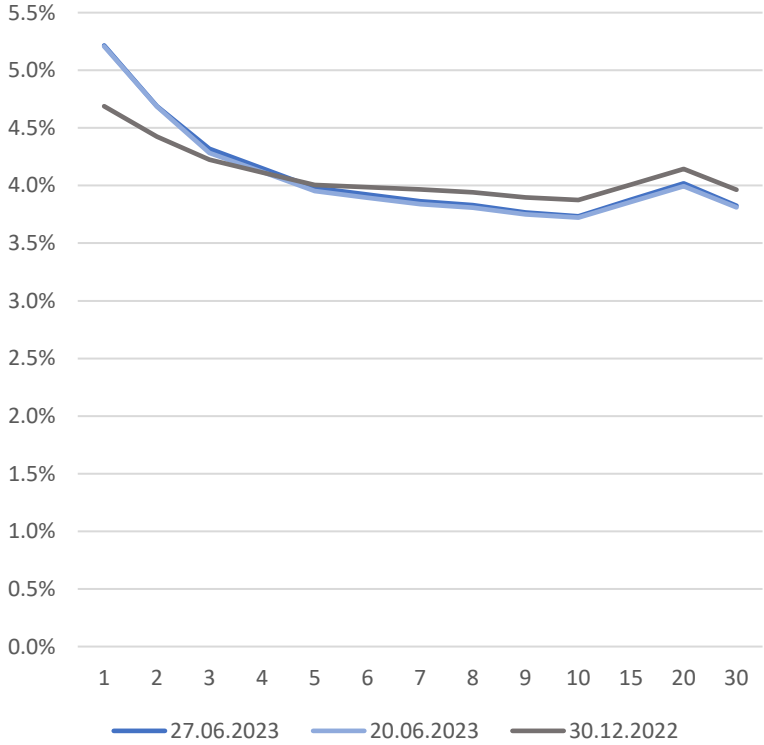
Funds keep on flowing into iShares 20+ Year Treasury Bond ETF even as chances for a July hike rise.



Source: Bloomberg

US Treasury Yield Curve

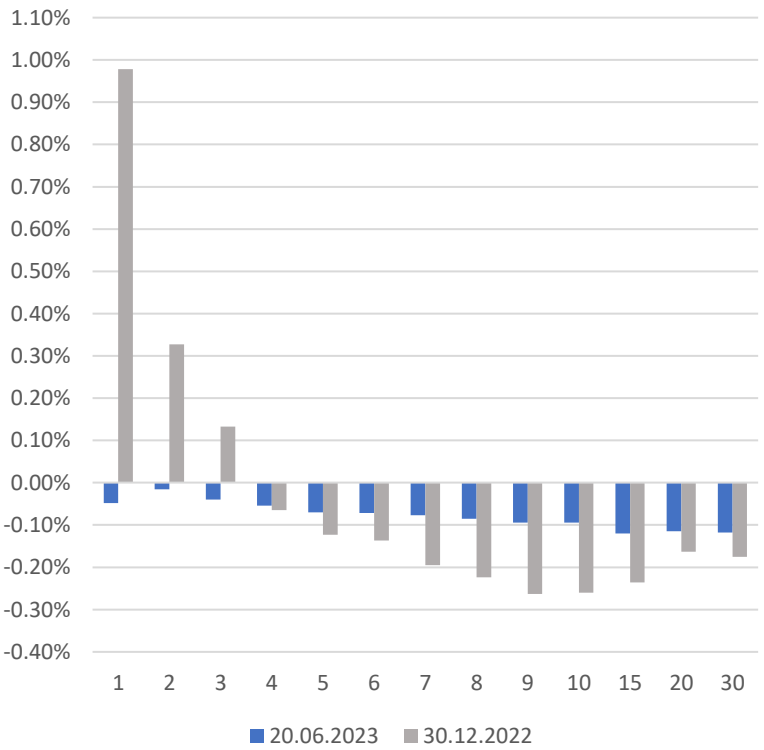
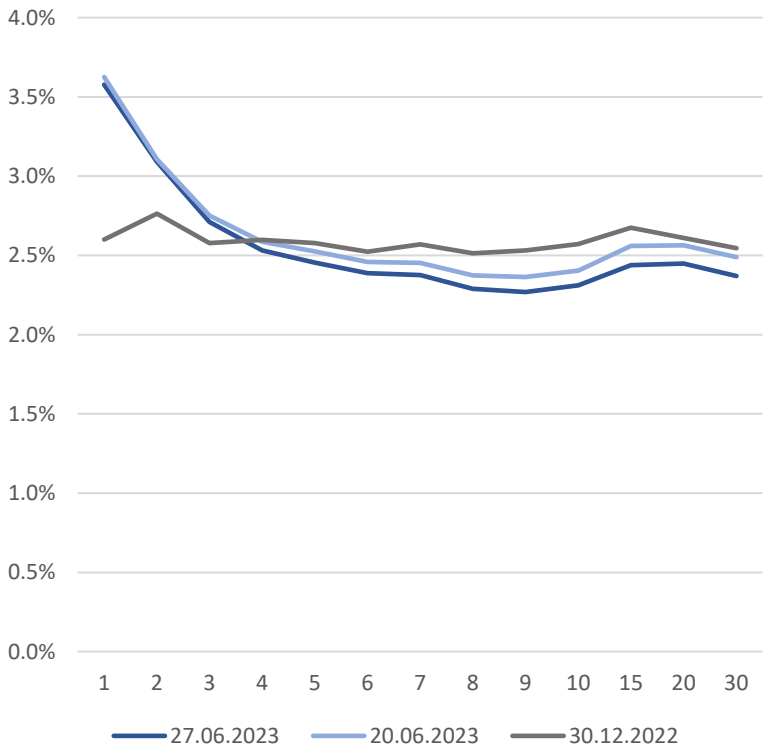
Yield curve changes YTD & MTD



Source: Bloomberg, RPAG Asset Management

German Sovereign Yield Curve

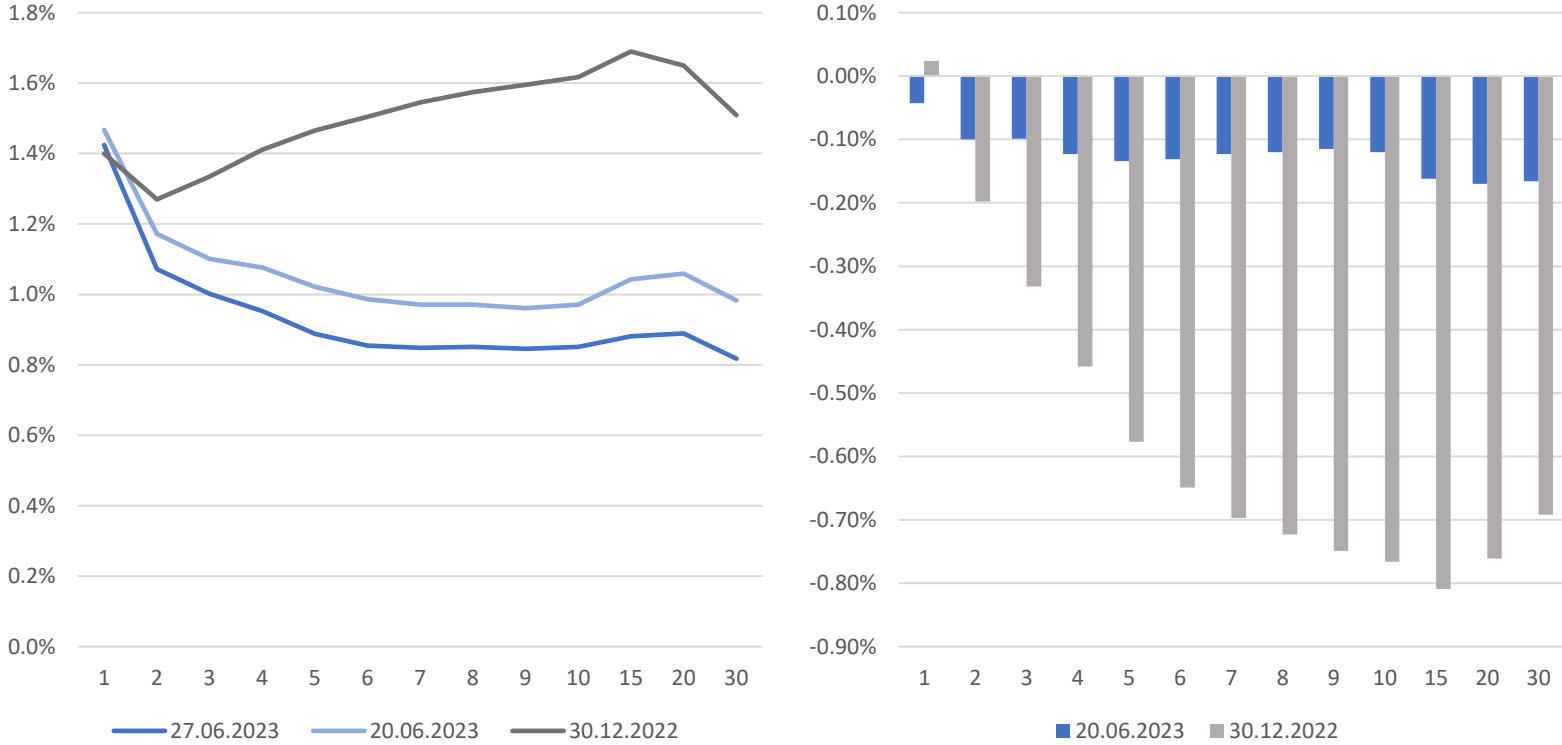
Yield curve changes YTD & MTD



Source: Bloomberg, RPAG Asset Management

Swiss Sovereign Yield Curve

Yield curve changes YTD & MTD



Source: Bloomberg, RPAG Asset Management

Central Banks Rate Analysis

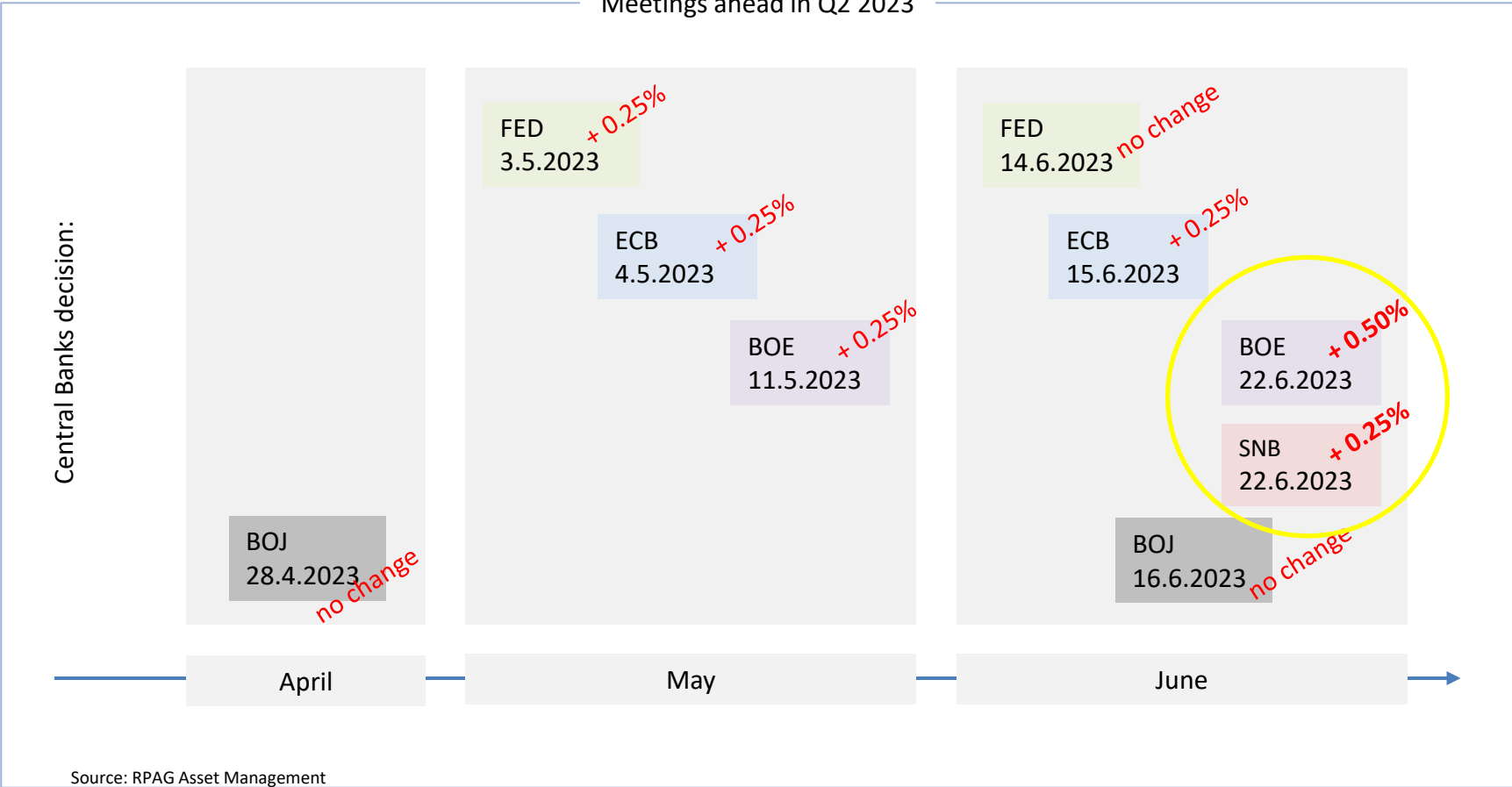
ECB / FED



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Central banks meetings overview in Q2 2023

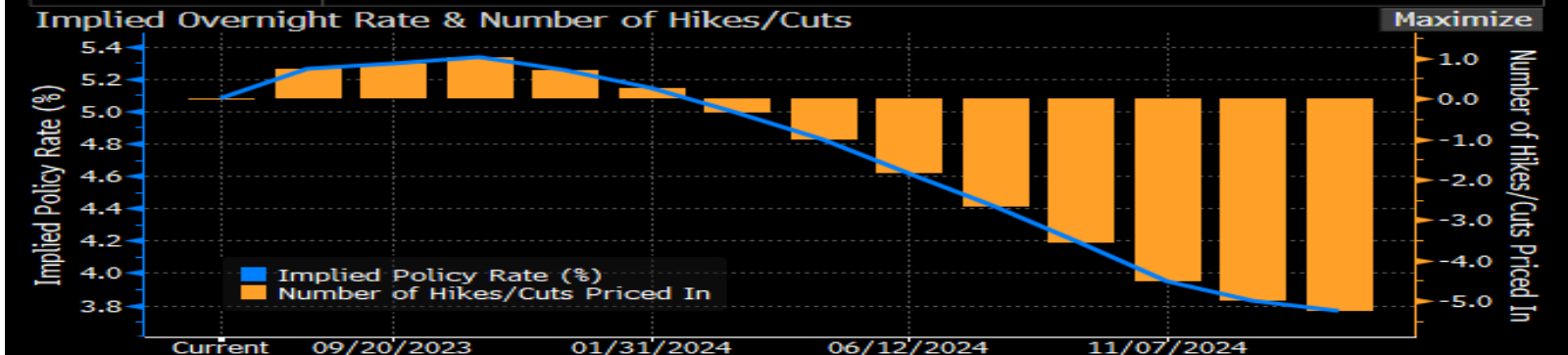
Meetings ahead in Q2 2023



Fed Funds Target Rate Interest Rate Probability

Implied Overnight Rate & Number of Hikes/Cuts

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
07/26/2023	+0.739	+73.9%	+0.185	5.262	0.250
09/20/2023	+0.869	+13.0%	+0.217	5.295	0.250
11/01/2023	+1.024	+15.5%	+0.256	5.334	0.250
12/13/2023	+0.717	-30.7%	+0.179	5.257	0.250
01/31/2024	+0.249	-46.8%	+0.062	5.140	0.250
03/20/2024	-0.342	-59.1%	-0.085	4.992	0.250
05/01/2024	-1.012	-67.1%	-0.253	4.825	0.250
06/12/2024	-1.834	-82.1%	-0.458	4.619	0.250
07/31/2024	-2.671	-83.7%	-0.668	4.410	0.250
09/18/2024	-3.548	-87.8%	-0.887	4.191	0.250
11/07/2024	-4.516	-96.8%	-1.129	3.949	0.250
12/18/2024	-4.991	-47.5%	-1.248	3.830	0.250
01/29/2025	-5.251	-25.9%	-1.313	3.765	0.250

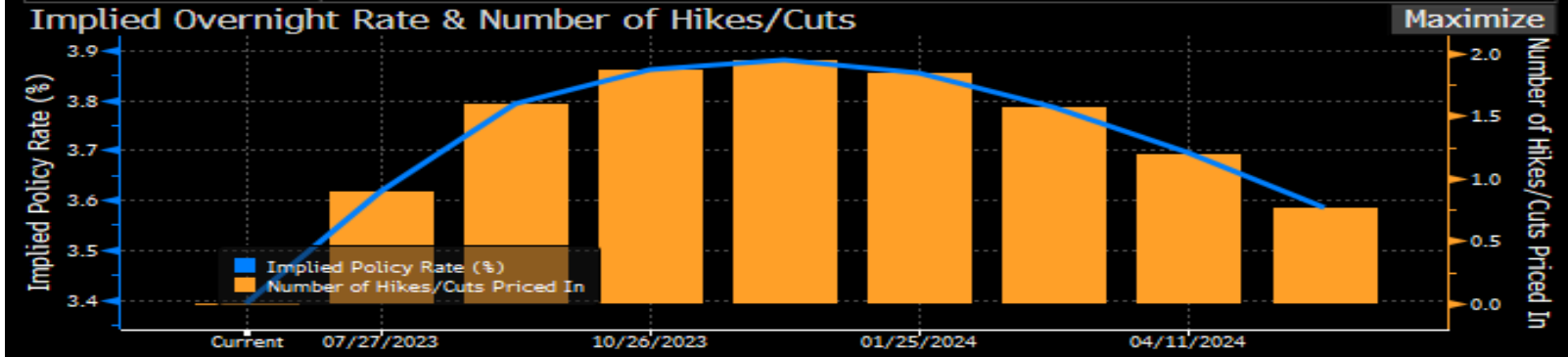


Source: Bloomberg

ECB Target Rate Interest Rate Probability

Implied Overnight Rate & Number of Hikes/Cuts

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
07/27/2023	+0.898	+89.8%	+0.224	3.617	0.250
09/14/2023	+1.601	+70.4%	+0.400	3.793	0.250
10/26/2023	+1.869	+26.8%	+0.467	3.860	0.250
12/14/2023	+1.948	+8.0%	+0.487	3.880	0.250
01/25/2024	+1.843	-10.6%	+0.461	3.853	0.250
03/07/2024	+1.571	-27.2%	+0.393	3.785	0.250
04/11/2024	+1.200	-37.1%	+0.300	3.693	0.250
06/06/2024	+0.769	-43.1%	+0.192	3.585	0.250

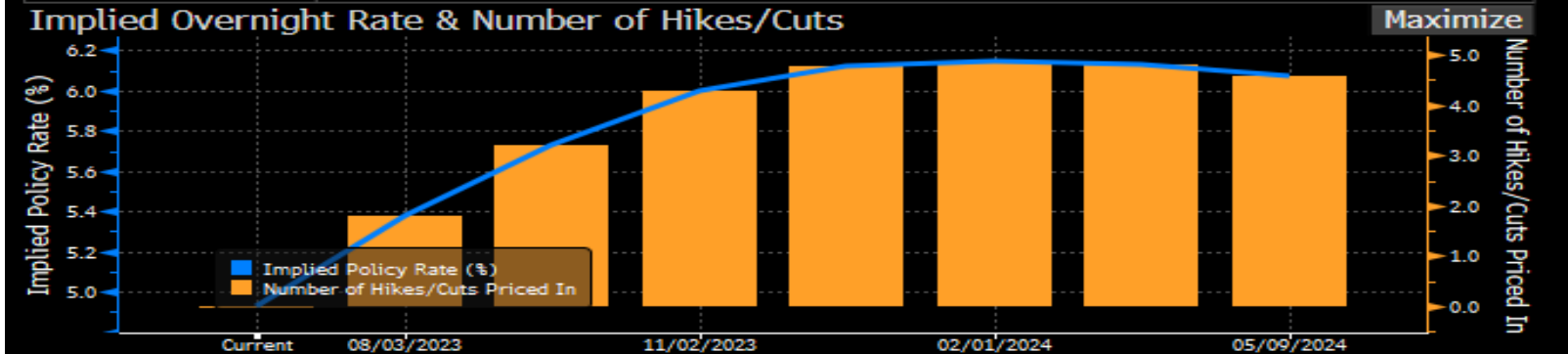


Source: Bloomberg

BOE Target Rate Interest Rate Probability

Implied Overnight Rate & Number of Hikes/Cuts

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
08/03/2023	+1.791	+179.1%	+0.448	5.376	0.250
09/21/2023	+3.209	+141.8%	+0.802	5.730	0.250
11/02/2023	+4.282	+107.3%	+1.071	5.998	0.250
12/14/2023	+4.764	+48.2%	+1.191	6.119	0.250
02/01/2024	+4.872	+10.8%	+1.218	6.146	0.250
03/21/2024	+4.807	-6.5%	+1.202	6.130	0.250
05/09/2024	+4.565	-24.2%	+1.141	6.069	0.250



Source: Bloomberg

Credit Spreads

iTraxx Crossover / CDX HY / CDX EM



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Credit Spreads: iTraxx Europe Crossover

ITRX XOVER CDSI GEN 5Y



Source: Bloomberg

Credit Spreads: CDX North America High Yield Index

CDX HY CDSI GEN 5Y SPRD



Source: Bloomberg

Credit Spreads: CDX Emerging Markets Index

CDX EM CDSI GEN 5Y SPRD



Source: Bloomberg

Haftungsausschluss



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