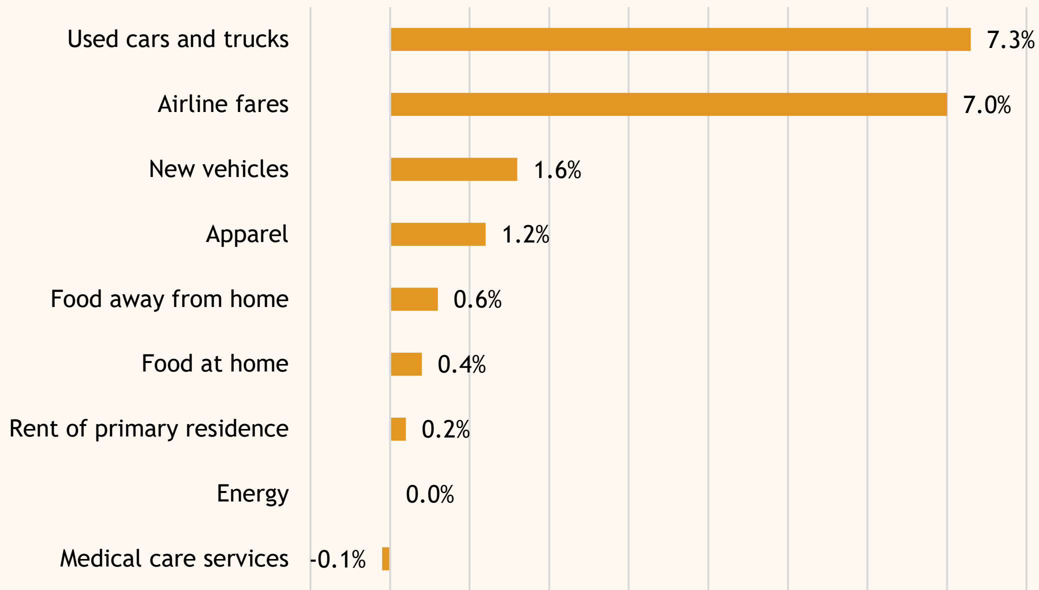
Key Economic Figures/Events of the Week

- Despite continuing debates about the inflation, markets have had a positive week. Along with the strong demand for yield, bond markets rally has been buoyed by the retreat in 10-year benchmark US Treasuries yield to 1.43%, down from 1.63% a week ago, which is a sign that investors are willing to look past inflation fears, at least for now.
- As the next steps in terms of the monetary policy are currently of big concern to the markets, all the attention was on the CPI data in the US and the ECB's monetary policy meeting. US CPI has come in higher than expected, 0.6% in May from April, and 5% year-over-year. In terms of the year-over-year figure, base effects are in play, considering the slump that occurred last May. Other than that, the biggest part of the increase is temporary in nature, caused by airline ticket and hotel prices or automobile and truck prices due to semiconductor shortages, among other things. The question regarding how wages will evolve still stands, and the picture here is less clear. Some unemployment benefits are not yet phased out and it is believed they disincentivize the job search.

Ease of restrictions and supply shortages drive the surge in inflation
(increase from April)



Source: Bloomberg

- Major central banks have continued to look past temporary bouts of inflation. ECB remains determined to uphold its stimulus programme, as it keeps purchasing bonds at a higher pace than in the first months of the year. Notably however, there have been a divergence in views about the stimulus among the ECB members.

Weekly Investment Insights

- Leftist candidate Pedro Castillo is most likely the winner of the Peru presidential elections, although he will have won only by a very small margin. His victory was already priced in pre-election and no selloff of Peruvian bonds ensued this week. That has been positively complemented by a general risk appetite on the market, as well as Castillo's message to investors that he is committed to pay the country's debt and refrain from nationalization of key mining industry companies. We believe that some deterioration in Peru's market-friendly policies will ensue but will take some time; an overturn of the situation near term is not likely, as the President does not have the support of the majority of lawmakers in the country. Peru (BBB+/A3/BBB+) is currently one of the highest-rated among major Latin American countries, second only to Chile (A/A1/A-). We continue to hold some Peruvian corporate issuers for which we have a high conviction, but the total weight does not exceed 3.5% in any of our portfolios.

Strategy

We believe that the sentiment on the markets right now is driven by the fear of missing out ahead of the summer holiday season, which will most likely be a very strong phase of the economic growth in the US. We continue to stay invested, but with cautiousness in mind. This week we have received allocations in new bonds by meat processing JBS (BB+/Ba1), Georgian Railways (BB-/B+) and the Moroccan manufacturer and distributor of chemical products OCP (BB+/BB+). We have also purchased bonds by the Indonesian Paiton Energy (BBB-/Baa3) on the secondary market.

We hope you will find this information useful and we will be glad to answer your questions

AXIOMA Wealth Management AG
Bleicherweg 50, CH-8002 Zurich
Tel.: + 41 43 305 07 10
info@axiomag.ch
www.axiomag.ch

Disclaimer