quantumrock

September 2022

Market Commentary

Market Commentary September 2022

The energy market remains tight in many parts of the world, and monetary tightening appears to be continuing. Against this backdrop, global recession concerns also persist.

In addition to the already existing interest rate and recession fears, China's zero-covid policy is once again a burdening factor. For example, a new lockdown was imposed in the megacity of Chengdu after over 100 cases of infection were reported in the city.

These factors bring a high degree of uncertainty and weigh on global equity markets accordingly.

Several central bank meetings are scheduled for the coming week. The focus will be on the ECB decision on September 8 - the consensus seems to favour a key rate hike of up to 75 bp. Policymakers are increasingly concerned about high and rising inflation in the euro area and the risk of inflation expectations becoming entrenched. Still, the doves on the Governing Council may argue for as little as 50 bps, given the current high cost of energy and rising concerns about the economy.

By and large, however, it seems realistic that the majority of the Governing Council would like to bring interest rates to neutral levels as soon as possible so that governments can offset the economic impact of the energy crisis and the euro is not weakened further.

On the other hand, the Fed's next monetary policy decision is not due until the second half of September. Recently released labour market data for August showed that the U.S. hiring metrics remain robust, with 315,000 jobs added and a significant increase in the labour force participation rate. However, these factors could move monetary policymakers to raise key interest rates significantly again in September.

Inflation concerns, which are not abating, also continue to influence the bond markets. Rising energy prices, for example, continue to be a constant factor weighing on consumer prices. In this context, rising inflation hurts bond markets, as it causes central banks to raise short-term interest rates to cool down the economy and thus curb inflation.

In addition to alpha-seeking trading strategies, investments in commodities can be an attractive alternative to diversify and hedge portfolios in times of heightened inflation concerns. Corresponding price movements have already been registered in the commodity sector in recent months. It can be assumed that commodities could provide suitable protection against such price movements, especially in the event of persistently high inflation. Investments in precious metals currently also present a sensible diversification of broad portfolios. Diamonds and precious stones should also offer further potential for risk mitigation. The current situation calls for a broader positioning of portfolios than has been customary to date.

In Focus: Inflation and Commodities

- Uncertainty on the financial markets remains high.
- Further interest rate hikes are expected from the Fed and the ECB.
- A broader positioning of portfolios appears sensible in view of the market situation.
- Commodities, such as raw materials, precious metals as well as diamonds and gemstones represent an attractive opportunity for diversification.

Risk Disclaimer

General disclaimer

All product-related information in this document is intended solely for professional investors in the EEA within the meaning of Directive 2014/65/EU on financial instruments (MiFID II Directive) of the European Parliament, accredited investors in the U.S. as defined in Rule 501 of Regulation D promulgated under the Securities Act, or persons entitled to receive such information under other applicable laws.

The information and statements contained in this document are presented in summary form and have been prepared solely for marketing and informational purposes. Neither the information contained in this presentation nor any opinion expressed herein is binding upon or constitutes a solicitation, offer or recommendation to buy, sell or dispose of any investment, to engage in any other transaction or to provide any investment advice or service. Any such offer is made only by means of a final confidential memorandum for a private offering and only in jurisdictions where permitted by law.

This document is provided as promotional material and is not binding. The strategic information provided has been prepared for the general information of investors. It is not intended to replace the investor's own market research or other legal, tax or financial information or advice. They do not contain all the information required for important economic decisions and may differ from the information and assessments of other sources or market participants. We assume no liability for the accuracy, completeness or timeliness of this document. All statements are based on our assessment of the current legal and tax situation. All opinions reflect Quantumrock's current assessment and are subject to change without notice.

Investment Performance

The representations of performance contained herein do not constitute a representation that such performance will continue in the future or that any investment scenario or performance will be even approximately as described. Any investment described herein is an example only and is not a representation that the same or even similar investment scenarios will occur in the future or that the investments made will be profitable. No representation is made that any investment will or is likely to produce profits or losses similar to those presented. In fact, there are often wide discrepancies between past performance results and actual results achieved with a particular trading program.

The gross performance presented in this document takes into account all costs incurred at portfolio level (e.g. trading costs) and assumes reinvestment of any distributions. Costs incurred at client level, such as management and performance fees, are not included.

Because clients have different fee arrangements and depending upon the timing of a specific investment, net performance for an individual client may vary from the gross performance stated herein. Actual returns will vary among clients in accordance with the terms of the pertinent investment management agreements. Investment returns and the principal value of an investment will fluctuate and may be quite volatile and depend, among other things, on the tax treatment of the personal circumstances of each investor. In addition to exposure to adverse market conditions, investments may also be exposed to changes in regulations, change in providers of capital and other service providers. Investors risk loss of their entire investment. Past performance is no guarantee of future results.

Forward looking statements

Certain information contained in this material constitutes forward-looking statements, which are identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "project," "estimate," "intend," "continue" or "believe" or the negative thereof or other variations or comparable terminology. Such statements are not guarantees of future performance or activities. Due to various risks and uncertainties, actual events or results or the Company's actual performance may differ materially from those expressed or contemplated by such forward-looking statements.

For illustrative purposes only.

Examples of our processes and other ideas presented herein are for illustrative purposes only. There is no guarantee that Quantumrock will acquire any position mentioned in these examples or ideas or that any such position will be profitable.

Quantumrock GmbH

Luise-Ullrich-Str. 4
82031 Grünwald
Phone: +49 89 255 421 92 E-Mail: info@quantumrock.ai

Quantumrock GmbH is a contractually bound intermediary of Quantumrock Capital GmbH according to § 3 para. 2 WpIG. All strategies and investment opportunities presented are the responsibility of the liability umbrella Quantumrock Capital GmbH in its capacity as portfolio manager.