

MID-YEAR REVIEW INVESTMENT-THESES

2023



Diem Client Partner AG

Dianastrasse 5 | 8002 Zürich | Schweiz
Tel +41 43 888 55 88 | Fax +41 43 888 55 89
www.clientpartner.ch | diem@clientpartner.ch

DIEM CLIENT PARTNER

MID-YEAR REVIEW

INVESTMENT-THESES 2023

A **self-critical review** at our **theses from January** including our outlook for the second half of the year.

Equity markets

1. 2023 is likely to trend neutral to slightly positive overall. 1st half more difficult, 2nd half easier.

⊖ **Driven by a resilient economy in the U.S., the stock market performed surprisingly positively.**

The 2nd half will be more volatile. The economy is likely to further lose steam. There will be less liquidity available. Cautiously positioned investors and high share buybacks still provide support.

2. The 1st half will be more difficult. In Europe and the USA, we will come close to a recession, which will also affect corporate profits.

✓ **Economic growth is weakening. However, at a slower pace than expected.**

The scenario remains the same. A stubbornly high inflation precludes central banks from cutting rates. This means that the economy lacks the necessary stimulus. A recession scenario is therefore still possible.

Geographic regions

3. Europe remains interesting.

⊖ **European stocks did very well. Technology, luxury and industrials even better.**

European equities are still cheaper than American equities. However, US equities are doing particularly well when the global economy is accelerating. However, we do not see that happening. We also keep a defensive focus within Europe.

Sectors

4. We prefer defensive stocks.

✗ **These performed well until May. Only the last few weeks, which were dominated by artificial intelligence, were not good for our defensive stocks.**

We remain defensively positioned for the 2nd half and favor stocks from the pharmaceutical industry and non-cyclical consumer stocks.

5. We prefer tech stocks to cyclicals.

✓ **Tech performed better.**

Tech stocks will outperform cyclicals such as industrials and auto stocks in an economic slowdown.

6. Gold stocks are slightly more interesting than energy stocks among real assets.

✓ **Energy stocks were among the worst performers.**

In real assets, we consider gold and gold equities to be interesting for the 2nd half of the year.

7. Growth stocks such as internet and software are important for the 2nd half. Caution about Value.

⊖ **Already in the 1st half the internet and software were performing well.**

The stocks stay in the portfolio.

Bonds

8. We see the 10-year US government bond yield at 3% at the end of the year.

✗ **The 10-year interest rate has hardly changed.**

Interest rates are likely to fall slightly at the long end.

9. Hybrid bonds offer huge catch-up potential.

⊖ **Short-dated hybrid bond investments from sound issuers performed similarly to the bond market.**

We continue to favor hybrids due to the high expected returns.

Currencies

10. We see the USD stronger than the CHF and the EUR.

✗ **USD was weak. The EUR slightly stronger.**

We still expect a reversal in the USD. The EUR should remain stable against the CHF.

✓ Our hypothesis is correct so far.

⊖ Our hypothesis is only partially correct so far.

✗ Our hypothesis is wrong so far.