

Market Monthly

August 2016

Highlights

- **Economics:** The first estimate of US 2Q16 GDP came in much weaker than expected at 1.2% vs 2.5% expected and 0.8% previous. Unemployment figures have also remained steady around 4.9%. In the Eurozone the first 2Q16 reading came in at 0.3% for the quarter, as expected but below the previous 0.6% while the unemployment rate remains at 10.1%.
- **Inflation:** US core CPI reporting for Jun show that the YoY inflation remains at 1.0% and the FY16 forecast also remains at 1.3%. The Eurozone June was in line with expectations at 0.2%, down from the previous 0.4%. This brings the annualized reading just above negative territory at +0.1% vs -0.1% previously. The FY16 forecast has increased slightly to 0.3% (0.2%). The CPI forecast for FY2016 for Russia is remains at 7.1%; for China 1.9% (1.9%), for Brazil 6.4% (6.4%) and world at 2.7%.
- **Central bank interest rates:** The Fed July meeting was yielded an unchanged at 0.50% with general dovish tone. In the July meeting there was no change in their policy, but after the recent Brexit vote the general increase in volatility in the European market was observed. EM: China kept the RRRⁱ at 17.00 and kept its 12M lending rate at 4.35% and 12M deposit rate at 1.5%. India left its repo rate at 6.50%, Russia's key rate remained at 10.50%, and Brazil SELIC at 14.15%.
- **Capital market rates:** Both US treasury yields and German Bund yields rebounded slightly after the Brexit vote but remained roughly unchanged for July. We see EUR bond prices as remaining supported over the longer term as QE continues in terms of lower negative yield and allocation thresholds as well as the inclusion of non-bank HG corporate debt.
- **Forex:** EURUSD finished June at 1.116 with the USD still stronger from its high of 1.1527 at the beginning of May. The current median EURUSD forecast slightly stronger at 1.09 (1.10) for the end of 2016ⁱⁱ.
- **Bonds incl. High Yields (Nⁱⁱⁱ):** EM and HY bond prices have increased only slightly in June while stronger energy commodities weakened and the USD stayed strong. Since near-zero/negative policy rates and negative real rates are seen persisting in Europe for several years, we continue investing in up to 2023 maturities of European DM bonds to improve yield.
- **Equities (U):** We remain in an underweight position in equities as we are in the middle of the summer months and going into the Q2 earnings season. Recent economic figures, such as improving unemployment

numbers but no improvement in wages, show that the US economy has room for improvement.

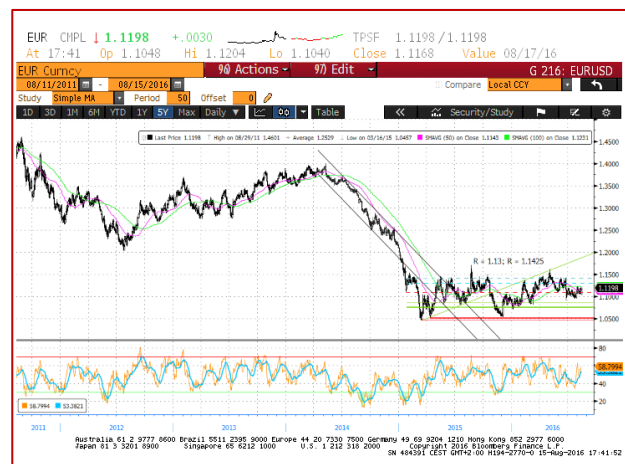
- **Commodities (U):** Crude Oil(WTI) weakened to USD41.6 \$\$/bbl at the end of July.

Investment Ideas^{iv}

- We look to continue to diversify the fixed income portions while volatilities in selective stocks are appealing and offer attractive yields via short covered calls for our Dividend Basket.
- Keeping overall equity allocation low for the time being.

Standard	Volatility	Value	Net Chg	%Chg	Δ AVAT	200	Time	%Ytd	%YtdCur
1) Americas									
11) Dow Jones		18448.41	-33.07	-0.18%	-13.56%	08/25		+5.87%	+2.21%
12) S&P 500		2172.47	-2.97	-0.14%	-5.76%	08/25		+6.29%	+2.61%
13) NASDAQ		5212.20	-5.49	-0.11%	-12.46%	08/25		+4.09%	+0.49%
14) S&P/TSX Comp		14630.72	+4.48	+0.03%	-5.94%	08/25		+12.46%	+16.45%
15) MEX IPC		47734.20	-9.41	-0.02%	+7.55%	08/25		+11.07%	+0.33%
16) IBOVESPA		57722.14	+4.25	+0.01%	-18.53%	08/25		+33.15%	+57.41%
2) EMEA									
21) Euro Stoxx 50		2983.07	-4.62	-0.15%	-33.64%	12:40		-8.71%	-8.39%
22) FTSE 100		6825.00	+8.10	+0.12%	-31.90%	12:40		+9.33%	-5.48%
23) CAC 40		4404.24	-2.37	-0.05%	-29.30%	12:40		-5.02%	-4.69%
24) DAX		10506.77	-22.82	-0.22%	-39.31%	12:55		-2.20%	-1.86%
25) IBEX 35		8590.70	-8.80	-0.10%	-53.82%	12:40		-9.99%	-9.67%
26) FTSE MIB		16617.78	-93.00	-0.56%	-41.22%	12:40		-22.41%	-22.14%
27) OMX STKH30		1406.35	+1.27	+0.09%	-0.55%	12:55		-2.80%	-5.75%
28) SWISS MKT		8115.89	-25.39	-0.31%	-23.22%	12:40		-7.96%	-7.96%
3) Asia/Pacific									
31) NIKKEI		16360.71	-195.24	-1.18%	-18.42%	08:15		-14.04%	-0.70%
32) HANG SENG		22909.54	+94.59	+0.41%	-10.40%	10:09		+4.54%	+0.86%
33) CSI 300		3307.09	-1.88	-0.06%	-24.05%	09:01		-11.36%	-16.73%
34) S&P/ASX 200		5515.47	-26.42	-0.48%	+4.96%	08:47		+4.15%	+5.31%

Performance Equity Markets YTD^v



EURUSD Technical Chart, Bloomberg

ⁱ Required Deposit Reserve Ratio, or the minimum capital Chinese banks must hold with the PBoC. Currently at 17%, cut in 5 steps from 20% at the beginning of 2015

ⁱⁱ Source: Bloomberg 11.08.2016 (103 bank contributors)

ⁱⁱⁱ How to read: (U) underweight; (N) neutral; (O) overweight

^{iv} See rationales on our web page www.aspermontcapital.ch

^v Return from beginning of the year till current date

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