

Market Monthly

April 2017

Highlights

- Economics:** The third estimate of 4Q16 came in not only above expectations at 2.1%, but also higher than the 1.9% previous. Unemployment figure is slightly lower at 4.7% with expectations of further improvement. The Eurozone the final 4Q16 GDP reading in as expected at 1.7%. The January unemployment rate improved marginally to 9.5% from 9.6% for the January figure.
- Inflation:** US core CPI reporting for February show that the YoY inflation has increased to 2.7% from 2.5%. The final Eurozone YoY CPI reading for February has increased to 2.0% as expected, keeping the 2017 forecast at 1.8%. The CPI's for 2017 forecasts are: for Russia 4.8%; for China 2.3%, Brazil 4.4% and the world 3.0%.
- Central bank interest rates:** The Fed hiked its rates to 1.00 (25 bp hike) at their March 15, 2017 meeting. EM: China still keeps their RRRⁱ at 17.00 and kept its 12M lending rate at 4.35% and 12M deposit rate at 1.5%. India has its repo rate at 6.25%, Russia's key rate was cut by 25 bp to 9.75%, while the Brazil SELIC was recently reduced further to 11.25%.
- Capital market rates:** US treasury yields continue to be range bound since the Fed increased their rates late 2016. The Bund also continues to be range bound. 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.

Tactical Asset Allocation

- Forex:** EURUSD dropped briefly below 1.05 at the beginning of March, going as high as 1.09 and then finishing the month at 1.065. The USD remains stronger as USD interest rates have increased since the December meeting. The current median EURUSD forecast predicts USD at 1.08 for the end of 2017ⁱⁱ and then into the 1.11 territory mid 2018.
- Bonds incl. High Yields (Nⁱⁱⁱ):** EM and HY bond prices have increased slowly and moderately since June 2016 and remained mostly the same. 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 (N):** The general market sentiment continues to be bullish on equities in general especially as general economic indicators are improving.
- Commodities (N):** Crude Oil (WTI) has been range bound since the end of 2016 and after a brief dip to below 50\$/bbl during the month it closed March at 50\$/bbl. and is set to remain at these levels as the OPEC continues to be accommodating.

Investment Ideas^{iv}

- We look to continue to diversify the fixed income portions while we look for further opportunities through dividend stocks in our Dividend basket.
- Keep being selective on our equity exposure, look to diversify into US themes.

Standard	Movers	Volatility	Ratios	Futures	AVAT	30D	%Chg YTD	CHF
World Equity Indices								
1) Americas	2Day	Value	Net Chg	%Chg	Δ AVAT	Time	%Chg YTD	%YtdCur
11 DOW JONES		20689.24	+39.03	+0.19%	-21.22%	04/04 c	+4.69%	+3.14%
12 S&P 500		2360.16	+1.32	+0.06%	-12.10%	04/04 c	+5.42%	+3.86%
13 NASDAQ		5898.61	+3.93	+0.07%	-4.94%	04/04 c	+9.58%	+7.95%
14 S&P/TSX Comp		15669.08 d	+84.67	+0.54%	-21.81%	04/04 c	+2.50%	+1.27%
15 MEX IPC		49342.77 d	+523.70	+1.07%	+3.37%	04/04 c	+8.11%	+17.43%
16 IBOVESPA		65768.91 d	+557.44	+0.85%	-31.32%	04/04 c	+9.20%	+13.21%
2) EMEA								
21 Euro Stoxx 50		3477.97 d	-3.69	-0.11%	-18.05%	13:09	+5.70%	+5.59%
22 FTSE 100		7326.33 d	+4.51	+0.06%	-9.72%	13:09	+2.57%	+2.12%
23 CAC 40		5102.63 d	+1.50	+0.03%	-16.73%	13:09	+4.94%	+4.83%
24 DAX		12223.97	-58.37	-0.48%	-23.79%	13:24	+6.47%	+6.36%
25 IBEX 35		10420.00 d	+58.80	+0.57%	-5.43%	13:09	+11.42%	+11.30%
26 FTSE MIB		20338.48 d	+81.38	+0.40%	-15.97%	13:09	+5.74%	+5.63%
27 OMX STKH30		1560.93	-6.38	-0.41%	+12.34%	13:24	+2.88%	+2.80%
28 SWISS MKT		8628.10 d	-18.89	-0.22%	-8.72%	13:09	+4.97%	+4.97%
3) Asia/Pacific								
31 NIKKEI		18861.27 d	+51.02	+0.27%	-2.22%	08:15 c	-1.32%	+2.58%
32 HANG SENG		24400.80 d	+139.32	+0.57%	+46.58%	10:10 c	+10.91%	+9.08%
33 CSI 300		3503.89 d	+47.85	+1.38%	+50.72%	09:01 c	+5.86%	+5.02%
34 S&P/ASX 200		5876.20	+19.64	+0.34%	-6.05%	09:16 c	+3.71%	+7.47%

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 10.04.2017 (104 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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