Market Monthly

January 2019

Highlights

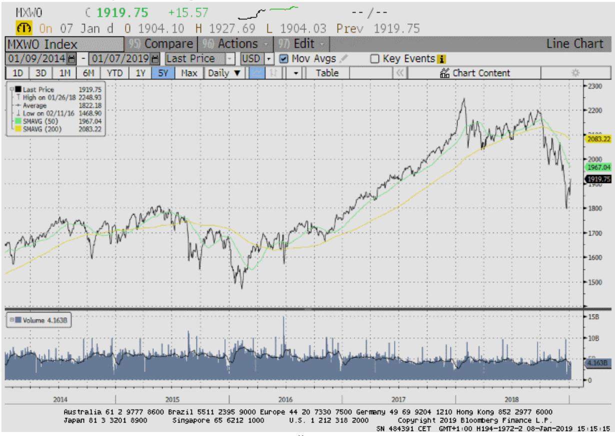
- **Economics:** In the US, the third estimate of 3Q18 GDO came in just below expectations (3.4% vs 3.5%). US unemployment figures for December were very strong with 312k new jobs created (184k expected). On the other hand, unemployment figure rose from 3.7% to 3.9%. The Eurozone also released their final 3Q18 GDP figures also slightly below expectations at 1.6% vs 1.7%, while the November unemployment rate in the Eurozone improved to 7.9% (8.1% previous).
- **Inflation:** US core YoY personal consumption expenditure reported for November came in as expected at 1.9% vs 1.8% previous, expectations for FY2018 are at 2.4%. The final Eurozone YoY CPI reading for November came in as expected at 2.0% while the 2018 forecast remains at 1.8%. The CPI's forecasts for 2018 are: Russia 2.9%; for China 2.2%, Brazil 3.7% and the world at 3.1%.
- **Central bank interest rates:** The Fed funds rates got hiked by 25bp in their December meeting to the current range of 2.25%-2.50%, ending 2018 with a total of 4 rate hikes, leaving the possibility of further rate hikes in 2019 open. The ECB's tapered asset purchase program has ended at the end of 2018 leaving the markets to anticipate their first rate hike. EM: China RRR[i] at 13.50% (50bps cut), 12M lending rate at 4.35% and 12M deposit rate at 1.5%. India's repo rate at 6.50%; Russia at 7.75% (25bps hike) and Brazil SELIC remains at 6.50%.
- **Capital market rates:** 10yr US treasury yields started right below 3.00% at the beginning of December and retracted down to 2.68%. The 10yr Bund stayed range bound in a lower range between 0.2% and 0.3%. We see EUR bond prices as remaining supported over the longer term although tapered asset purchase program by the ECB has halted at the end of 2018.

Tactical Asset Allocation

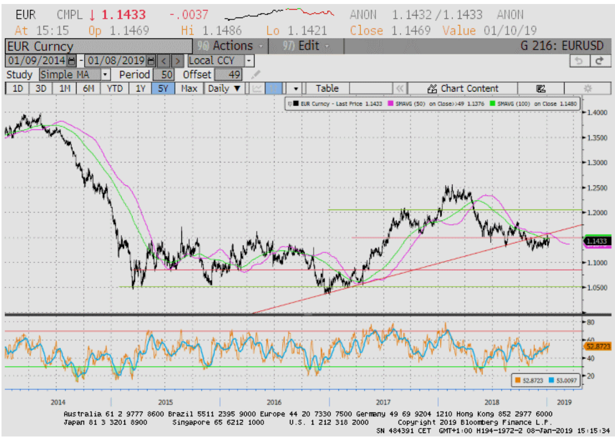
- **Forex:** EURUSD remained sideways with the EUR slightly gaining strength against the USD from 1.13 to around 1.145 in December. The median EURUSD forecast now predicts USD at 1.20 for the end of 2019[ii] and then up to 1.25 for the end of 2020.
- **Bonds incl. High Yields (N[iii]):** Since near-zero/negative policy rates and negative real rates are seen persisting in Europe for several years, we continue investing in up to 2025 maturities of European DM bonds to improve yield and look for USD bonds with shorter maturities ahead of future rate hikes.
- **Equities (N):** Equity markets witnessed a major correction as markets remain uncertain due to geopolitical trade tensions, fears on further market slowdowns especially in relation to China and revised company forecasts as a result of that. We believe that markets are oversold and that a market rebound will shape the start of 2019.
- **Commodities (N):** Crude Oil (WTI) started the month around 52$/bbl ahead of the OPEC meeting before dropping to almost 45$/bbl on the basis of higher than expected oil inventories, market slowdown that would mean lesser demand for oil and OPEC measures to only take effect in the new year.

Investment Ideas[iv]

- In alternatives we have started investing in a special type of private debt fund.
- We remain positioned for a market rebound within our Actively Managed Certificates.



Performance Equity Markets MSCI World YTD[v]



EURUSD Technical Chart, Bloomberg

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[i] Required Deposit Reserve Ratio, or the minimum capital Chinese banks must hold with the PBoC. Currently at 14.5%, cut in from 20% at the beginning of 2015
[ii] Source: Bloomberg 08.01.2018 (98 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