ASPERMONT
FINANCIAL SERVICES

Market Monthly

July 2019

Highlights

- **Economics:** In the US, the final estimate of 1Q19 GDP came in right below expectations (3.1% vs 3.2%) while US unemployment figures remain strong with unemployment at 3.6% as expected. The Eurozone released their final 1Q19 GDP figures as expected at 1.2%. The May unemployment rate in the Eurozone came in below the 7.6% expected at 7.5%.

- **Inflation:** US core YoY personal consumption expenditure reported for May came in as expected at 1.5%. Expectations for US inflation for 2019 are at 1.5%. The final Eurozone YoY CPI reading for May came in below expectations at 1.2% vs 1.3% while the 2019 forecast is at 1.2%. The CPI's forecasts for 2019 are: Russia 4.8%; for China 2.3%, Brazil 3.8% and the world at 2.9%.

- **Central bank interest rates:** The Fed funds rates took a breather at the beginning of 2019 with the Fed indicating that they can wait until they raise rates again, or even lower if need be. Current expectations for 2019 are even no further rate hikes. 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%, 12M lending rate at 4.35% and 12M deposit rate at 1.5%. India's repo rate was cut by 25bp to 5.75%; Russia cut its rate by 25bp to 7.50% and Brazil SELIC unchanged at 6.50%.

- **Capital market rates:** 10yr US treasury yields has been range bound, but lately have moved lower to 2.2% to 2.0% as market uncertainties increased. The 10yr Bund has even moved down into the negative range -0.2% to -0.4% in June. Although EUR bond prices remain supported over the longer term, yields in EUR will remain unattractive for some time.

Tactical Asset Allocation

- **Forex:** EURUSD remained sideways in the range 1.12-1.14, replicating the pattern of the last six months. The median EURUSD forecast now predicts USD at 1.15 for the end of 2019[ii] and then up to 1.20 for the end of 2020.

- **Bonds incl. High Yields (U[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 2026 maturities of European DM bonds to improve yield and look for USD bonds with shorter maturities ahead of future rate hikes.

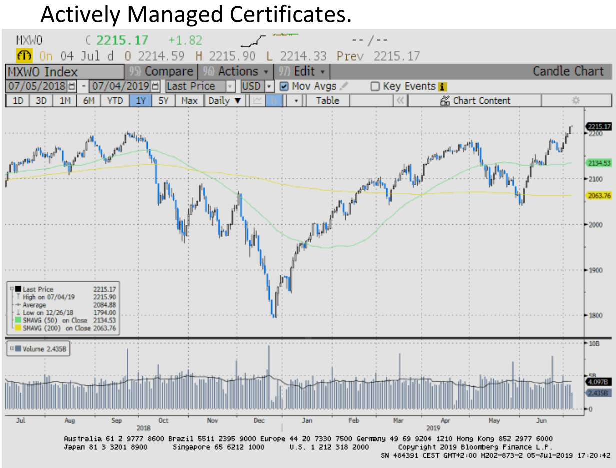
- **Equities (N):** Compared to beginning of the year, the equity markets rallied across the board, reaching year highs. Although having improved, markets remain uncertain due to geopolitical trade tensions that are in negotiation between the US and China.

- **Commodities (N):** Crude Oil (WTI) first dipped to just above 50$/bbl to then rally back to almost 60$/bbl in June as tensions in the Middle East increased while reports also showed US oil stockpiles increased.

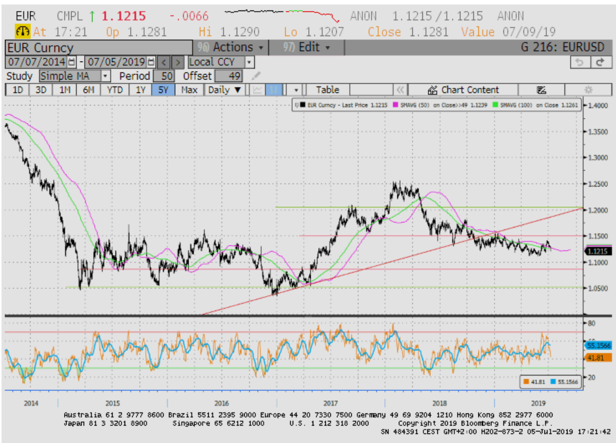
Investment Ideas[iv]

- In alternatives we are reviewing further real estate funds.

- We remain positioned for a market rebound within our Actively Managed Certificates.



Performance Equity Markets MSCI World YTD[v]



EURUSD Technical Chart, Bloomberg

[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 05.07.2019 (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