ASPERMONT
FINANCIAL SERVICES

Market Monthly

June 2018

Highlights

- **Economics:** In the US, the second estimate of 1Q18 came in below expectations and previous reading (2.2% vs 2.3%). Unemployment figures for May came in lower than expected at 3.8% vs 3.9%, the lowest since 2000. The Eurozone also released their second estimate for 1Q18 GDP as expected at 2.5%, while the April unemployment rate remained steady (8.5%), but below expectations (8.4%).

- **Inflation:** US core CPI reporting for April came in as expected at 2.5% YoY, expectations for FY2018 are slightly higher than previously at 2.7%. The final Eurozone YoY CPI reading for April came in as expected at 1.2%. The 2018 forecast remains at 1.6%. The CPI's for 2018 forecasts are: for Russia 2.7%; for China 2.4%, Brazil 3.3% and the world at 3.0%.

- **Central bank interest rates:** The Fed funds rate are currently at 1.75% with the various speeches by Fed chair members implying a possible rate hike in the very near future. The ECB's tapered asset purchase program remains at EUR 30bln a month until the end of September 2018. EM: China gave their RRR[i] at 16.00%, 12M lending rate at 4.35% and 12M deposit rate at 1.5%. India raised its repo rate by 25bps to 6.25%, Russia kept its key rate at 7.25% and Brazil SELIC at 6.50%.

- **Capital market rates:** 10yr US treasury yields saw some moves in May, trading as high as 3.1% and as low as 2.78%, but in the general range of 2.8% to 3.0%. The 10yr Bund had a similar picture going from 0.645% to 0.26% in the same month before retracting to about 0.4%. We see EUR bond prices as remaining supported over the longer term as QE continues at EUR 30bln/month until at least the end of September 2018.

Tactical Asset Allocation

- **Forex:** EURUSD experienced a reversal as the USD strengthened from 1.20 to 1.16 at the end of May, bringing the currency pair back into the 1.16 – 1.20 range. The median EURUSD forecast now predicts USD at 1.20 for the end of 2018[ii] and then up to 1.28 for the end of 2019.

- **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.

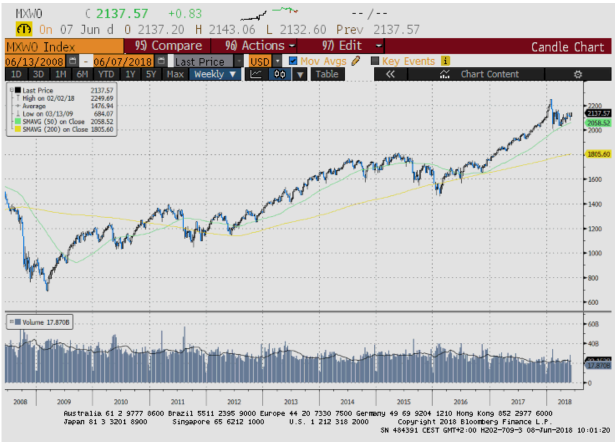
- **Equities (O):** After the recent market correction and subsequent rebound, markets remain uncertain due to geopolitical trade uncertainties, with fundamentals generally still strong. We continue to observe markets closely especially as current news about the trade talks continues to unfold.

- **Commodities (N):** Crude Oil (WTI) has been positive trading in the range of 60-68$/bbl.

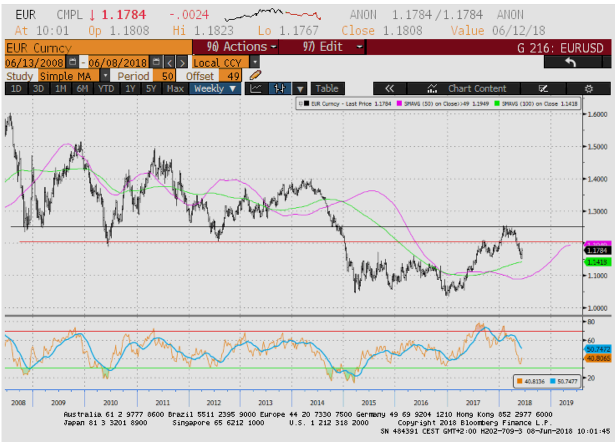
Investment Ideas[iv]

- We look to continue to diversify the fixed income portions while we look for selected opportunities through dividend stocks in our Dividend basket.

- Reposition the equity portfolio to include world markets by carefully shifting the equity exposure.



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 17%, cut in 5 steps from 20% at the beginning of 2015
[ii] Source: Bloomberg 08.06.2018 (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