

Market Monthly

March 2017

Highlights

- Economics:** The second estimate of 4Q16 came in below expectations at 1.9% (2.1% expected), but matched the initial reading of 1.9%. Unemployment figure is at 4.8% with expectations of further improvement. The Eurozone the second 4Q16 GDP reading came in just slightly lower than expected at 1.7% (1.8% expected and previous). The January unemployment rate is constant at 9.6% with a December figure of 9.6%.
- Inflation:** US core CPI reporting for January show that the YoY inflation has increased to 2.5%, higher than the 2.4% expected and 2.1% December figure. The final Eurozone YoY CPI reading for January came in as expected at 1.8%, slightly increasing the 2017 forecast to 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 kept its rates at 0.75 in their meeting on February 1, 2017. 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 remains at 10.00%, while the Brazil SELIC was reduced to 12.25 from 13.00% in their February 22, 2017 meeting.
- 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 rose to above 1.07 at the beginning of February, going as high as 1.08 and then finishing the month at 1.06. The USD remains stronger as USD interest rates have increased in the December meeting. The current median EURUSD forecast predicts USD at 1.08 for the end of 2017ⁱⁱ and then into the 1.10 territory beginning 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.

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 03.02.2017 (104 bank contributors)

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

- 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 above 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	%Chg
World Equity Indices								
1) Americas								
11 DOW JONES	20855.73	-69.03	-0.33%	-9.68%	03/08 c	+5.53%	+5.15%	
12 S&P 500	2362.98	-5.41	-0.23%	-3.48%	03/08 c	+5.55%	+5.16%	
13 NASDAQ	5837.55	+3.62	+0.06%	-4.90%	03/08 c	+8.44%	+8.05%	
14 S&P/TSX Comp	15496.98 d	-111.80	-0.72%	+2.24%	03/08 c	+1.37%	+0.67%	
15 MEX IPC	47539.22 d	+120.06	+0.25%	-30.49%	03/08 c	+4.15%	+9.24%	
16 IBOVESPA	64718.02 d	-1024.31	-1.56%	+27.47%	03/08 c	+7.46%	+9.93%	
2) EMEA								
20 Euro Stoxx 50	3389.62 d	+4.50	+0.13%	+2.26%	03/08 c	+3.01%	+2.79%	
21 FTSE 100	7334.61 d	-4.38	-0.06%	+8.79%	03/08 c	+2.68%	+0.82%	
22 CAC 40	4960.48 d	+5.48	+0.11%	-2.29%	03/08 c	+2.02%	+1.80%	
23 DAX	11967.31	+1.17	+0.01%	+15.01%	03/08 c	+4.24%	+4.01%	
25 IBEX 35	9850.50 d	+48.80	+0.50%	-11.42%	03/08 c	+5.33%	+5.10%	
26 FTSE MIB	19482.39 d	+27.34	+0.14%	-13.34%	03/08 c	+1.29%	+1.07%	
27 OMX STKH30	1578.23	+2.46	+0.16%	-12.67%	03/08 c	+4.02%	+4.18%	
28 SWISS MKT	8626.65 d	+2.68	+0.03%	-15.31%	03/08 c	+4.95%	+4.95%	
3) Asia/Pacific								
30 NIKKEI	19318.58 d	+64.55	+0.34%	-20.14%	07:15 c	+1.07%	+2.87%	
32 HANG SENG	23503.69 d	-278.58	-1.17%	-3.99%	08:36	+6.83%	+6.30%	
33 CSI 300	3426.94 d	-21.79	-0.63%	-5.43%	08:01 c	+3.53%	+3.66%	
34 S&P/ASX 200	5741.20	-18.46	-0.32%	-11.45%	07:10 c	+1.33%	+5.43%	

Performance Equity Markets YTD^v



EURUSD Technical Chart, Bloomberg

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

^v Return from beginning of the year till current date

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