Market Monthly

March 2018

Highlights

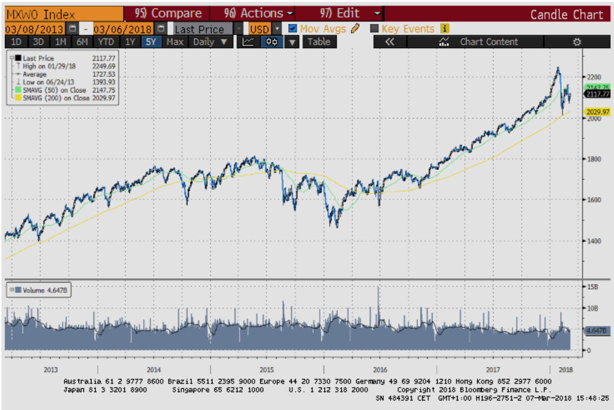
- **Economics:** The second estimate of 4Q17 came in as expected (2.5%). Unemployment figures are steady at 4.1%. The Eurozone also released their second 4Q17 GDP reading as expected at 2.7%, while the January unemployment rate improved as expected at 8.6%.
- **Inflation:** US core CPI reporting for January came in higher than expected at 2.1% YoY (1.9% expected), while expectations for FY2018 have increased from 2.0% to 2.3%. The final Eurozone YoY CPI reading for January as expected at 1.3%, below the previous 1.4%. The 2018 forecast remains at 1.6%. The CPI's for 2018 forecasts are: for Russia 3.3%; for China 2.7%, Brazil 3.7% and the world at 3.0%.
- **Central bank interest rates:** The January Fed meeting kept the fed funds rate steady at 1.5%. The possibility of further hikes in 2018 remains open. The ECB's tapered asset purchase program remains at EUR 30bln a month until the end of September 2018. EM: China still keeps their RRR[i] 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 6.00%, while in February Russia cut its key rate by -25bps to 7.50% and Brazil SELIC by -25bps to 6.75%.
- **Capital market rates:** 10yr US treasury yields are still trading above 2.7%. The 10yr Bund also continues to be range bound in its new range between 0.5 and 0.7. 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

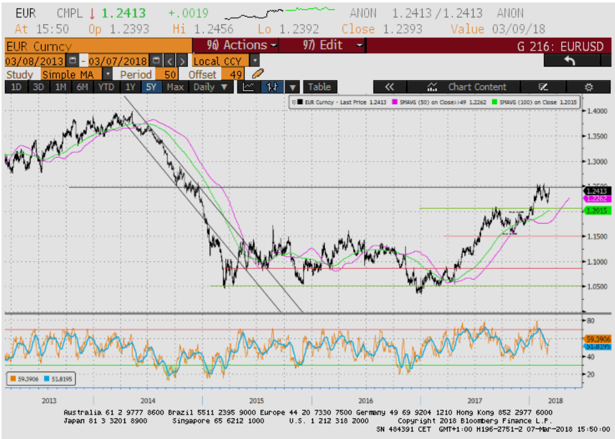
- **Forex:** EURUSD has continuously moved upwards in 2018, strengthening the EUR from 1.19 levels up to above 1.24 at the end of January. The median EURUSD forecast now predicts USD at 1.26 for the end of 2018[ii] and then up to 1.30 for the end of 2019.
- **Bonds incl. High Yields (N[iii]):** Since 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 (N):** After the recent market correction, markets remain uncertain, but still in a generally positive direction. We continue to observe markets closely especially as political events start to unfold.
- **Commodities (N):** Crude Oil (WTI) has been positive trading in the range of 60-65$/bbl while the OPEC continues to be accommodating, but ongoing inventory concerns weigh on the price of crude oil.

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 increasing 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 07.03.2018 (106 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