

Market Monthly

May 2017

Highlights

- Economics:** The first estimate of 1Q17 came in below expectations of 1.0% at 0.7%. Unemployment figures on the other hand beat expectations and reached 4.5% vs 4.7% expected and previous, showing ongoing improvements in the labor market. The Eurozone the first 1Q17 GDP reading came as expected at 1.7%. The March unemployment rate has stayed the same as previous at 9.5%, slightly higher than the 9.4% expected.
- Inflation:** US core CPI reporting for March show that the YoY inflation has slowed a bit, at 2.4% (2.6% expected, 2.7% previous) with a 2.3% expectation for FY2017. The final Eurozone YoY CPI reading for March has remained constant at 1.5% as expected, putting the 2017 forecast at 1.7%. The CPI's for 2017 forecasts are: for Russia 4.2%; for China 2.3%, Brazil 4.1% and the world 3.0%.
- Central bank interest rates:** After their March rate hike to 1.00 (25 bp hike) the Fed has kept rates unchanged with the possibility of further hikes still open. The ECB has started tapering their asset purchase program from EUR80bln a month down to EUR 60bln a month. 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 was cut by 50bp to 9.25%; Brazil SELIC is at 11.25%.
- Capital market rates:** US treasury yields continue to be range bound in the new range of 2.2% to 2.5% since the US elections. 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 dropped briefly below 1.06 mid April and has moved to above 1.09 during the course of the month. The current median EURUSD forecast predicts USD at 1.08 for the end of 2017ⁱⁱ and then into the 1.13 territory mid 2018.
- Bonds incl. High Yields (Nⁱⁱⁱ):** EM and HY bond prices have increased slowly and moderately since the beginning of the year but we remain cautious on EM and HY bond investments. 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.

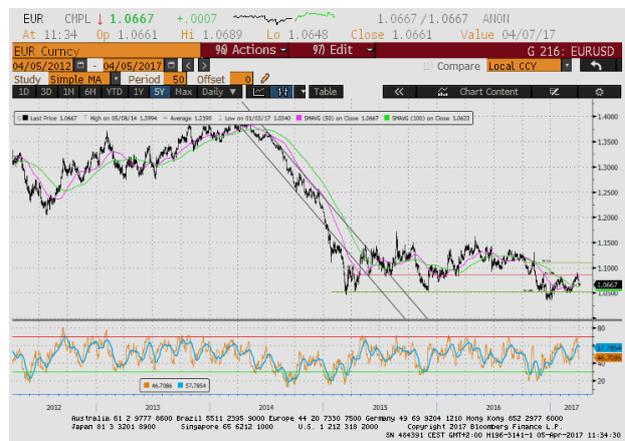
- Equities (N):** The general market sentiment continues to be bullish on equities with the S&P500 and DAX reaching new all-time highs. General economic indicators also continue to improve.
- Commodities (N):** Crude Oil (WTI) has had a volatile April with prices at the start of the month around 50\$/bbl, shooting up to 53.4\$/bbl and then dipping below 50\$/bbl and although the OPEC continues to be accommodating, recent inventory concerns have suppressed the price down to 45.5\$/bbl at the beginning of May.

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.
- Take profit on profitable equity investments that performed well YTD.

Standard	Movers	Volatility	Ratios	Futures	AVAT	30D	World Equity Indices
Value	Net Chg	%Chg	Δ AVAT	Time	%Chg YTD	%Chg	
1) Americas	2Day						
11 DOW JONES	21012.28	+5.34	+0.03%	-2.69%	05/08 c	+6.32%	+4.39%
12 S&P 500	2399.38	+0.09	+0.00%	-7.17%	05/08 c	+7.17%	+5.23%
13 NASDAQ	6102.66	+1.90	+0.03%	+6.33%	05/08 c	+13.37%	+11.31%
14 S&P/TSX Comp	15652.08 d	+70.04	+0.45%	-0.46%	05/08 c	+2.38%	-1.39%
15 MEX IPC	49505.86 d	+20.19	+0.04%	-32.59%	05/08 c	+8.46%	+14.73%
16 IBOVESPA	65526.04 d	-183.69	-0.28%	-26.76%	05/08 c	+8.80%	+8.73%
2) EMEA							
21 Euro Stoxx 50	3653.88 d	+11.77	+0.32%	+8.84%	09:13	+11.04%	+13.10%
22 FTSE 100	7314.73 d	+13.87	+0.19%	-11.56%	09:13	+2.41%	+5.39%
23 CAC 40	5400.79 d	+17.84	+0.33%	-4.05%	09:13	+11.07%	+13.13%
24 DAX	12709.58	+15.03	+0.12%	+18.33%	09:28	+10.70%	+12.75%
25 IBEX 35	11120.80 d	+24.50	+0.22%	+10.70%	09:13	+18.91%	+21.11%
26 FTSE MIB	21545.18 d	+117.08	+0.55%	-8.95%	09:13	+12.01%	+14.08%
27 OMX STKH30	1646.13	+6.63	+0.40%	+15.16%	09:28	+8.50%	+9.62%
28 SWISS MKT	9046.82 d	+7.21	+0.08%	+26.42%	09:13	+10.06%	+10.06%
3) Asia/Pacific							
31 NIKKEI	19843.00 d	-52.70	-0.26%	+3.53%	08:15 c	+3.81%	+4.91%
32 HANG SENG	24833.16 d	+255.25	+1.04%	-18.76%	09:13	+12.88%	+10.42%
33 CSI 300	3352.53 d	-6.28	-0.19%	-34.84%	09:01 c	+1.28%	-0.01%
34 S&P/ASX 200	5839.90	-30.99	-0.53%	+13.64%	09:14 c	+3.07%	+3.15%

Performance Equity Markets 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 09.05.2017 (107 bank contributors)

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

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

^v Return from beginning of the year till current date