

# Market Monthly

## November 2016

### Highlights

- **Economics:** The first estimate of US 3Q16 came in at 2.9%, this is not only higher than the previous quarter (1.4%) but also beat expectations (2.6%). Unemployment figures have risen just slightly to 5.0% (4.9%) in October. In the Eurozone the 3Q15 reading is in line with the previous reading and expectations of 1.6%. The unemployment rate remains at 10.1% with no changes expected in the next release.
- **Inflation:** US core CPI reporting for September show that the YoY inflation has increased as expected to 1.5% from 1.1%, while the FY16 forecast remains at 1.3%. The Eurozone September CPI also improved as expected to 0.4% from 0.1%. The annualized reading increased slightly to +0.4% (+0.2%). The FY16 forecast also remains at 0.3%. The CPI forecast for FY2016 for Russia is remains at 7.1%; for China 1.9%, Brazil 6.9% and the world at 2.7%.
- **Central bank interest rates:** The Fed kept rates unchanged at 0.50 during their November meeting and now all eyes are on the next December meeting. EM: China still keeps their RRR<sup>i</sup> at 17.00 and kept its 12M lending rate at 4.35% and 12M deposit rate at 1.5%. India cut its repo rate by 25bp to 6.25% in their October meeting, Russia's key rate was remains at 10.00%, while the Brazil SELIC was cut by 25bps to 14.00% in the October meeting.
- **Capital market rates:** Both US treasury yields and German Bund yields continued their post Brexit rebound reaching levels seen last at the end of May. 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.
- **Forex:** EURUSD finished September right below 1.10 after a short visit to 1.087 levels. The USD still stronger from its high of 1.1527 at the beginning of May. The current median EURUSD forecast predicts USD at 1.10 for the end of 2016<sup>ii</sup> and then into the 1.09 territory beginning 2017.
- **Bonds incl. High Yields (N<sup>iii</sup>):** EM and HY bond prices have increased only slightly in June 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.
- **Equities (N):** We remain cautious in these sideways market prior to the US elections. Q3 earnings started off well showing small improvements across the industries, but are clouded by pre-election

uncertainties. General economic indicators are stable at the time being.

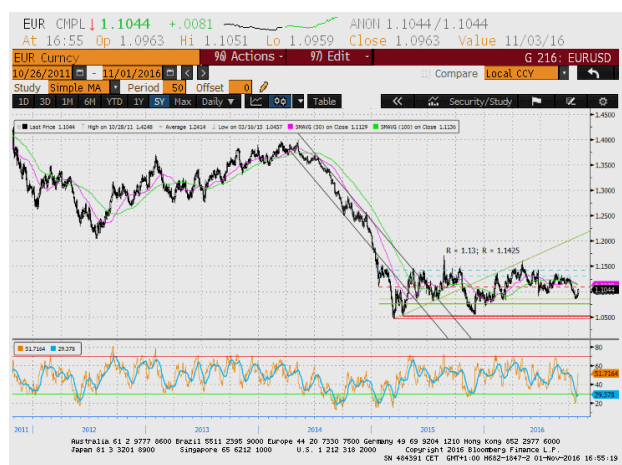
- **Commodities (N):** Crude Oil(WTI) showed weakness after rising to 51.6 mid-October, now closed the month at USD 46.8 \$\$/bbl while currently trading above USD 46 \$\$/bbl.

### Investment Ideas<sup>iv</sup>

- We look to continue to diversify the fixed income portions while volatilities in selective stocks are appealing and offer attractive yields via short covered calls for our Dividend Basket.
- Keeping overall equity allocation low for the time being.

Standard	Movers	Volatility	Ratios	Futures	AVAT	20D	%Chg YTD	%Chg
1) Americas	2Day	Value	Net Chg	%Chg	Δ AVAT	Time	%Ytd	%YtdCur
10 DOW JONES		18094.11	-48.31	-0.27%	-5.00%	16:59	+3.84%	+1.45%
12 S&P 500		2117.88	-8.27	-0.39%	+7.55%	16:59	+3.62%	+1.23%
13 NASDAQ		5171.82	-17.32	-0.33%	-4.51%	16:59	+3.28%	+0.90%
14 S&P/TSX Comp		14800.39d	+13.12	+0.09%	+4.80%	16:39	+13.76%	+14.98%
15 MEX IPC		47474.52d	-534.76	-1.11%	+39.11%	16:39	+10.46%	-2.77%
16 IBOVESPA		63923.06d	-1001.46	-1.54%	+3.50%	16:44	+47.46%	+76.59%
2) EMEA								
20 Euro Stoxx 50		3034.54d	-20.71	-0.68%	-16.77%	16:44	-7.13%	-7.72%
22 FTSE 100		6937.76d	-16.46	-0.24%	-13.81%	16:44	+11.14%	-9.79%
23 CAC 40		4483.29d	-25.97	-0.58%	-16.54%	16:44	-3.32%	-3.93%
24 DAX		10551.45	-113.56	-1.06%	-24.97%	16:59	-1.78%	-2.40%
25 IBEX 35		9069.80d	-73.50	-0.80%	-10.99%	16:44	-4.97%	-5.57%
26 FTSE MIB		16950.41d	-174.64	-1.02%	-38.58%	16:43	-20.86%	-21.36%
27 OHX STKH30		1434.26	-12.09	-0.84%	-23.99%	16:59	-0.87%	-8.68%
28 SWISS MKT		7787.27d	-40.47	-0.52%	-8.57%	16:43	-11.69%	-11.69%
3) Asia/Pacific								
30 NIKKEI		17442.40d	+17.38	+0.10%	+10.72%	07:15c	-8.36%	+3.01%
32 HANG SENG		23147.07d	+212.53	+0.93%	+10.09%	09:09c	+5.62%	+3.13%
33 CSI 300		3359.05d	+22.77	+0.68%	-11.19%	08:01c	-9.97%	-15.58%
34 S&P/ASX 200		5290.47	-27.26	-0.51%	-29.30%	07:06c	-0.10%	+2.56%

### Performance Equity Markets YTD<sup>v</sup>



EURUSD Technical Chart, Bloomberg

<sup>i</sup> 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

<sup>ii</sup> Source: Bloomberg 02.11.2016 (104 bank contributors)

<sup>iii</sup> How to read: (U) underweight; (N) neutral; (O) overweight

<sup>iv</sup> See rationales on our web page [www.aspermontcapital.ch](http://www.aspermontcapital.ch)

<sup>v</sup> Return from beginning of the year till current date

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