ASPERMONT
FINANCIAL SERVICES

Market Monthly

November 2018

Highlights

- **Economics:** In the US, the first estimate of 3Q18 came in higher than expected (3.5% vs 3.3%), but below the previous reading of 4.2%. Unemployment figures for September continued to improve and came in at 3.7% (3.8% expected). The Eurozone also released their first estimate for 3Q18 GDP a tad below the expected at 1.7% vs 1.8% (previously revised up to 2.2% from 2.1%), while the September unemployment rate remained as expected at (8.1%).

- **Inflation:** US core YoY CPI reporting for September came in as expected at 2.0%, expectations for FY2018 remain at 2.5%. The final Eurozone YoY CPI reading for September came in as expected at 2.1%. The 2018 forecast is at 1.8%. The CPI's for 2018 forecasts are: for Russia 2.9%; for China 2.2%, Brazil 3.7% and the world at 3.2%.

- **Central bank interest rates:** After the Fed funds rates got hiked by 25bp in the September meeting to the current range of 2.00%-2.25%, the possibility of further rate hikes this year remains open. The ECB's tapered asset purchase program has been reduced to by half to EUR 15bln until the end of 2018 when it is set to end. EM: China have cut their RRR[i] by 100 bps to 14.50%, 12M lending rate at 4.35% and 12M deposit rate at 1.5%. India's repo rate remains at 6.50%; Russia remains at 7.50% and Brazil SELIC was kept at 6.50%.

- **Capital market rates:** 10yr US treasury yields stayed above 3.0% in October, peaking at 3.23%. The 10yr Bund stayed range bound between 0.3% and 0.6% in the same period. We see EUR bond prices as remaining supported over the longer term as QE continues at EUR 15bln/month until the end of 2018.

Tactical Asset Allocation

- **Forex:** EURUSD saw a strong USD that started October at 1.16 and strengthened to almost 1.13. The median EURUSD forecast now predicts USD at 1.16 for the end of 2018[ii] and then up to 1.24 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.

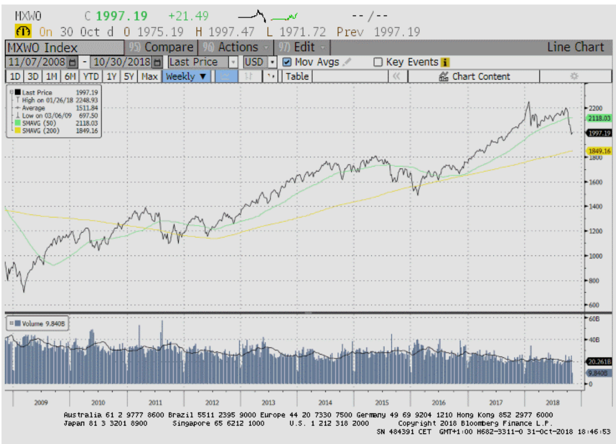
- **Equities (N):** Equity markets witnessed a strong correction of around 7% as markets remain uncertain due to geopolitical trade tensions. Fundamentals remain strong and the ongoing earnings season has been mostly positive. We continue to observe markets closely with various current news shaping the direction.

- **Commodities (N):** Crude Oil (WTI) briefly moved above 75$/bbl before moving back down to 66$/bbl.

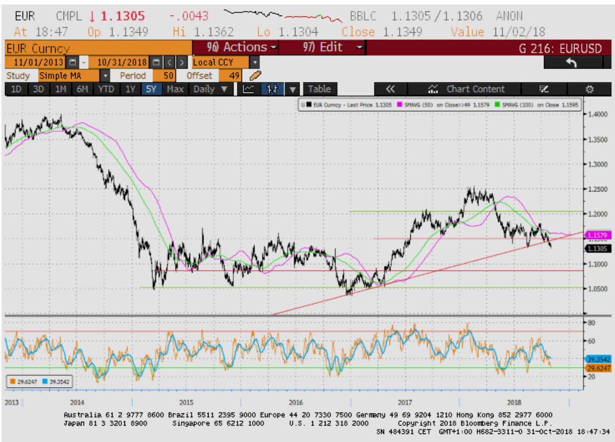
Investment Ideas[iv]

- In fixed income we are switching about 5% of the short term bonds in EUR that have negative yield to maturities into USD investments.

- We are actively looking for bargain stocks that have sold off more than necessary in the correction to take advantage of a strong rebound.



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 31.10.2018 (104 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