ASPERMONT
FINANCIAL SERVICES

Market Monthly

October 2018

Highlights

- **Economics:** In the US, the third estimate of 2Q18 came in as expected (4.2%) in line with the previous reading. Unemployment figures for August came in below 4.0% at 3.9%. The Eurozone also released their final estimate for 2Q18 GDP a tad below the expected at 2.1% vs 2.2%, while the August unemployment rate remained as expected at (8.1%).
- **Inflation:** US core YoY CPI reporting for August came in as expected at 2.0%, expectations for FY2018 remain at 2.5%. The final Eurozone YoY CPI reading for August came in as expected at 2.0%. 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 3.1%.
- **Central bank interest rates:** The Fed funds rate got hiked by 25bp in the September meeting to currently a range of 2.00%-2.25% with the Fed chair members implying possible further rate hikes this year. The ECB's tapered asset purchase program remains at EUR 30bln a month until the end of September 2018 and then at EUR 15bln until the end of 2018 when it is set to end. EM: China have their RRR[i] at 15.50%, 12M lending rate at 4.35% and 12M deposit rate at 1.5%. India's repo rate remains at 6.50% while Russia hiked its key rate by 25bps in their September meeting to 7.50% and Brazil SELIC was kept at 6.50%.
- **Capital market rates:** 10yr US treasury yields moved above 3.0% in September in line with the rate hike by the Federal Reserve. The 10yr Bund stayed also moved up starting at around 0.3% and moving to a high at 0.54% 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.

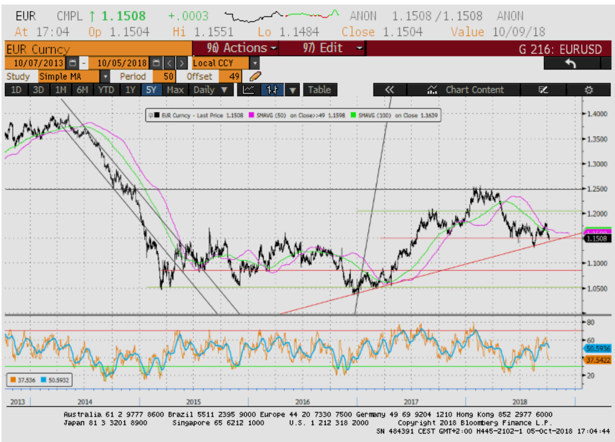
Tactical Asset Allocation

- **Forex:** EURUSD saw the USD remaining strong and range bound trading between 1.16 and 1.18 in September. The median EURUSD forecast now predicts USD at 1.16 for the end of 2018[ii] and then up to 1.26 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 and subsequent rebound, markets remain uncertain due to geopolitical trade uncertainties, with fundamentals generally still strong. We continue to observe markets closely with various current news shaping the direction.
- **Commodities (N):** Crude Oil (WTI) moved above 70$/bbl to 74$/bbl.

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 shifting 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 04.10.2018 (103 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