Market Monthly

April 2019

Highlights

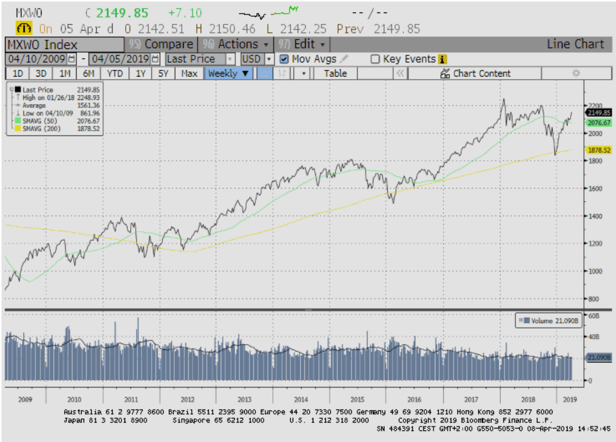
- **Economics:** In the US, the third estimate of 4Q18 GDP came in just below expectations (2.2% vs 2.3%). US unemployment figures are expected to remain strong with unemployment at 3.8% as expected. The Eurozone released their final 4Q18 GDP figures lower than expected at 1.1% vs 1.2% expected. The February unemployment rate in the Eurozone came in as expected at 7.8%.
- **Inflation:** US core YoY personal consumption expenditure reported for January came in lower than expected at 1.8% vs 1.9% expected. Expectations for US inflation for 2019 are at 1.6%. The final Eurozone YoY CPI reading for February came in as expected at 1.5% while the 2019 forecast is at 1.2%. The CPI's forecasts for 2019 are: Russia 5.0%; for China 1.8%, Brazil 3.7% and the world at 2.8%.
- **Central bank interest rates:** The Fed funds rates took a breather at the beginning of 2019 with the Fed indicating that they can wait until they raise rates again. Current expectations for 2019 are one to two further rate hikes. The ECB's tapered asset purchase program has ended at the end of 2018 leaving the markets to anticipate their first rate hike. EM: China RRR[i] at 13.50%, 12M lending rate at 4.35% and 12M deposit rate at 1.5%. India's repo rate cut again by 25bps to 6.00%; Russia at 7.75% and Brazil SELIC at 6.50%.
- **Capital market rates:** 10yr US treasury yields has been range bound between 2.6% and 2.8% after a short dip at the beginning of the year. The 10yr Bund has moved downwards and broke out of the 0.2% - 0.3% range at the end of the month. We see EUR bond prices as remaining supported over the longer term although tapered asset purchase program by the ECB has halted.

Tactical Asset Allocation

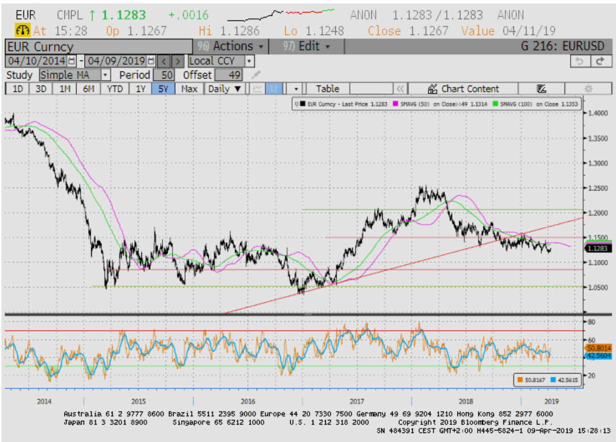
- **Forex:** EURUSD remained sideways in the range 1.12-1.14, replicating the pattern of the last five months. The median EURUSD forecast now predicts USD at 1.16 for the end of 2019[ii] and then up to 1.22 for the end of 2020.
- **Bonds incl. High Yields (U[iii]):** Since near-zero/negative policy rates and negative real rates are seen persisting in Europe for several years, we continue investing in up to 2026 maturities of European DM bonds to improve yield and look for USD bonds with shorter maturities ahead of future rate hikes.
- **Equities (N):** Equity markets have continued on their rebound, now three months running, after they sold off in December. Although having improved, markets remain uncertain due to geopolitical trade tensions that are in negotiation between the US and China. We believe that markets were oversold and that this rebound will continue early in Q2, but we have started to take profit in some select cases.
- **Commodities (N):** Crude Oil (WTI) has increased to around 60$/bbl in March with OPEC action continuing and various sanctions disrupting oil supplies pushing oil higher for the time being.

Investment Ideas[iv]

- In alternatives we are reviewing further real estate funds.
- We remain positioned for a market rebound within our Actively Managed Certificates.



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 14.5%, cut in from 20% at the beginning of 2015
[ii] Source: Bloomberg 09.04.2019 (97 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