

# Market Monthly

## July 2016

### Highlights

- Economics:** The third estimate of US 1Q16 GDP came in stronger than expected at 1.1% vs 1.0% expected and 0.8% previous, this continues on the improvement since the first reading of 0.5%. Jobless claims have remained steady while the unemployment rate has seen improvements to 4.7% from 5.0% and beat the expectations of 4.8%. The Eurozone's final 1Q16 GDP reading was revised back up to 0.6% from 0.5% while the unemployment rate remains at 10.1%.
- Inflation:** US core CPI reporting for May confirmed the previous 0.4% reading. Current YoY CPI stands at 1.0% vs 1.1% previous and a downward adjustment of the FY16 forecast to 1.3% from 1.6% previous. The Eurozone May reading increased to 0.4% from the April 0.0%, this leaves the annualized reading in negative territory at -0.1% vs -0.2% previously. The FY16 forecast remains at 0.2%. The CPI forecast for FY2016 for Russia is now at 7.1% (7.2%); for China 1.9% (1.9%), for Brazil 6.4% (6.4%) and world at 3.6% (3.6%).
- Central bank interest rates:** The Fed June meeting was yielded an unchanged at 0.50% with general dovish tone. In the June meeting there was no change in their policy, but after the recent Brexit vote the ECB expects EU growth to slow. EM: China kept the RRR<sup>i</sup> at 17.00 and kept its 12M lending rate at 4.35% and 12M deposit rate at 1.5%. India left its repo rate at 6.50%, Russia's key rate was cut by 50bps to 10.50%, and Brazil SELIC was unchanged at 14.15%.
- Capital market rates:** Both US treasury yields and German Bund yields were pushed lower over the course of the last month. The treasury yield was more affected on the longer duration, while the move in the Bund was uniform throughout the tenors. 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 finished June at 1.1073 with the USD continuously strengthening from its high of 1.1527 at the beginning of May and the Brexit vote contributing to European instability. The current median EURUSD forecast still at 1.10 for the end of 2016<sup>ii</sup>.
- Bonds incl. High Yields (N<sup>iii</sup>):** EM and HY bond prices have increased only slightly in June with strengthening metals, stronger energy commodities and a stronger USD. 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.

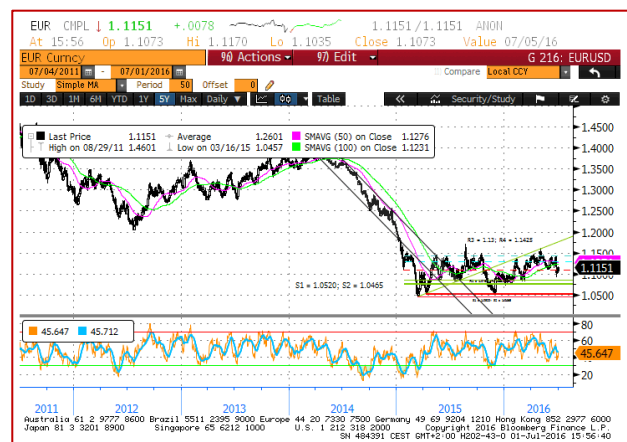
- Equities (U):** We remain in an underweight position in equities as we head into the summer months and before the upcoming earnings season. Recent economic figures, such as improving unemployment numbers but no improvement in wages, show that the US economy has room for improvement.
- Commodities (U):** Crude Oil(WTI) around USD49 \$\$/bbl at the end of June.

### 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	Volatility	Ratios	Futures	AVAT	20D	Time	%Ytd	%YtdCur
<b>1) Americas</b>								
1) DOW JONES	17978.53	+48.59	+0.27%	-9.38%	16:04		+3.18%	+0.25%
2) S&P 500	2105.94	+7.08	+0.34%	+0.38%	16:04		+3.03%	+0.11%
3) NASDAQ	4869.07	+26.40	+0.55%	-8.69%	16:04		-2.76%	-5.52%
4) S&P/TSX Comp	14064.54	+27.80	+0.20%	+2.41%	06/30		+8.11%	+12.88%
15) NEX IPC	45972.92	+6.43	+0.01%	-16.28%	15:44		+6.97%	-1.68%
16) IBOVESPA	51789.55	+262.62	+0.51%	+15.69%	15:49		+19.47%	+42.82%
<b>2) EMEA</b>								
21) Euro Stoxx	2878.88	+14.14	+0.49%	+1.76%	15:49		-11.89%	-12.14%
22) FTSE 100	6560.51	+56.18	+0.86%	+5.83%	15:49		+5.10%	-7.69%
23) CAC 40	4268.52	+31.04	+0.73%	-20.58%	15:49		-7.95%	-8.20%
24) DAX	9774.40	+94.31	+0.97%	-15.24%	16:04		-9.02%	-9.27%
25) IBEX 35	8259.80	+96.50	+1.18%	-1.04%	15:49		-13.46%	-13.70%
26) FTSE MIB	16227.20	+29.42	+0.18%	+3.24%	15:49		-24.24%	-24.45%
27) OMX STRH30	1340.14	+16.57	+1.25%	-5.24%	16:04		-7.37%	-9.79%
28) SWISS MKT	8066.85	+46.70	+0.58%	-20.61%	15:49		-8.52%	-8.52%
<b>3) Asia/Pacific</b>								
31) NIKKEI	15682.48	+106.56	+0.68%	-14.96%	08:15		-17.61%	-6.22%
32) HANG SENG	20794.37	+358.25	+1.75%	+9.91%	06/30		-5.11%	-7.89%
33) CSI 300	3154.20	+0.28	+0.01%	-14.86%	09:01		-15.46%	-19.90%
34) S&P/ASX 200	5246.61	+13.23	+0.25%	-7.51%	08:52		-0.93%	-1.04%

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 (04.07.2016 (102 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

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

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