

# Market Monthly

## February 2017

### Highlights

- Economics:** After the high final US 3Q16 GDP reading of 3.5%, the first estimate of 4Q16 came in below expectations at 1.9% (2.2% expected). Unemployment figures continue the positive picture and came in slightly higher at 4.8% (4.7% previous). In the Eurozone the first 4Q16 GDP reading came in just slightly higher than expected at 1.8% (1.7% expected). The unemployment rate also beat its expectation of 9.8% with a December figure of 9.6%.
- Inflation:** US core CPI reporting for December show that the YoY inflation has increased to 2.1% as expected, bringing the final 2016 figure to 1.3%, in line with the last forecast. The final Eurozone CPI reading brought the final Eurozone Inflation reading for 2016 to +0.2% with a forecast for 2017 of 1.4%. The final CPI's for FY2016 for Russia 7.0%; for China 2.0%, Brazil 8.8% and the world at 2.6%.
- Central bank interest rates:** The Fed kept its rates at 0.75 in their meeting on February 1, 2017. 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 has its repo rate at 6.25%, Russia's key rate remains at 10.00%, while the Brazil SELIC was reduced to 13.00 from 13.75% in their January 11, 2017 meeting.
- Capital market rates:** US treasury yields continue to be range bound since the Fed increased their rates late 2016. The Bund continued its rebound but stopped shy of the end 2015 levels. 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 rose to above 1.07 at the beginning of February, going as high as 1.0829. The USD remains stronger as USD interest rates have increased in the December meeting. The current median EURUSD forecast predicts USD at 1.05 for the end of 2017<sup>ii</sup> and then into the 1.10 territory beginning 2018.
- Bonds incl. High Yields (N<sup>iii</sup>):** EM and HY bond prices have increased slowly and moderately since June 2016 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.

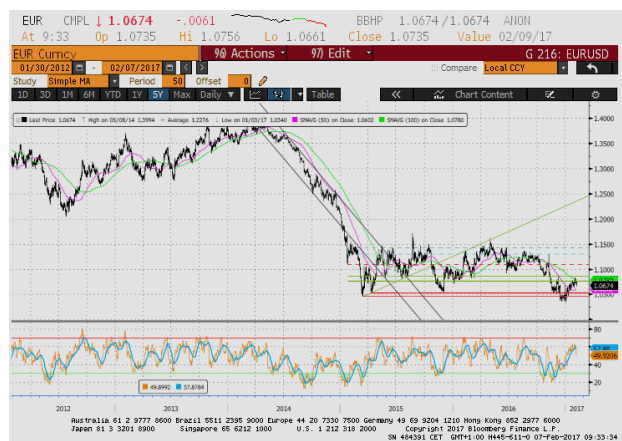
- Equities (N):** The general market sentiment is bullish on US equities as the US president has stated his support for the local markets. General economic indicators are stable at the time being.
- Commodities (N):** Crude Oil (WTI) has been range bound since the end of 2016 above 50 \$\$/bbl and is set to remain at these levels as the OPEC continues to be accommodating.

### 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.
- Keep being selective on our equity exposure, look to diversify into US themes.

Standard	Movers	Volatility	Ratios	Futures	AVAT	20D	%Chg YTD	CHF
<b>World Equity Indices</b>								
1) Americas	2Day	Value	Net Chg	%Chg	Δ AVAT	Time	%Ytd	%YtdCur
11 DOW JONES		20052.42	-19.04	-0.09%	-15.98%	02/06 c	+1.47%	-0.52%
12 S&P 500		2292.56	-4.86	-0.21%	-11.71%	02/06 c	+2.40%	+0.40%
13 NASDAQ		5663.55	-3.21	-0.06%	-4.02%	02/06 c	+5.21%	+3.15%
14 S&P/TSX Comp		15456.94 d	-19.45	-0.13%	-4.10%	02/06 c	+1.11%	+1.07%
15 MEX IPC		47225.10 d	+130.03	+0.28%	+34.61%	02/03 c	+3.47%	+1.71%
16 IBOVESPA		63992.93 d	-961.00	-1.48%	-11.89%	02/06 c	+6.25%	+8.72%
<b>EMEA</b>								
20 Euro Stoxx 50		3237.68 d	-0.63	-0.02%	+2.60%	09:41	-1.61%	-2.15%
22 FTSE 100		7200.65 d	+28.50	+0.40%	-8.99%	09:41	+0.81%	-0.91%
23 CAC 40		4776.85 d	-1.23	-0.03%	+26.26%	09:41	-1.76%	-2.30%
24 DAX		11534.48	+24.64	+0.21%	-10.06%	09:56	+0.47%	-0.09%
25 IBEX 35		9335.10 d	-22.20	-0.24%	+85.03%	09:41	-0.18%	-0.73%
26 FTSE MIB		18728.10 d	+34.45	+0.18%	-16.74%	09:41	-2.63%	-3.17%
27 OMX STKH30		1553.31	+4.42	+0.29%	-31.72%	09:56	+2.63%	+2.96%
28 SWISS MKT		8352.58 d	+21.65	+0.26%	-20.19%	09:41	+1.61%	+1.61%
<b>Asia/Pacific</b>								
30 NIKKEI		18910.78 d	-65.93	-0.35%	-15.26%	07:15 c	-1.07%	+1.15%
32 HANG SENG		23331.57 d	-16.67	-0.07%	+13.39%	09:10 c	+6.05%	+3.96%
33 CSI 300		3365.68 d	-7.52	-0.22%	-20.05%	08:01 c	+1.68%	+0.58%
34 S&P/ASX 200		5621.92	+6.35	+0.11%	+18.06%	07:09 c	-0.77%	+3.04%

### 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 10.02.2017 (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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