Market Monthly

January 2017

Highlights

- **Economics:** The third and final estimate of US 3Q16 came in higher than expected (3.3%) and previous (3.2%) at 3.5%. Unemployment figures continue the positive picture and came in at 4.7% at the beginning of 2017. In the Eurozone the final 3Q15 reading came in just slightly higher than the previous reading and expectations of 1.6%. The unemployment rate also beat its expectation (10.0%) with 9.8% for the October reading.
- **Inflation:** US core CPI reporting for November show that the YoY inflation has increased to 1.6% although 1.7% was expected. At the same time the FY16 forecast remains at 1.3%. The final Eurozone CPI reading for November came in at -0.1% as expected. The annualized reading came in as expected at +0.6%. The FY16 forecast decreased slightly to 0.2% (0.3%). The CPI forecast for FY2016 for Russia is remains at 7.1%; for China 1.9%, Brazil 8.8% and the world at 2.6% (2.7% previous).
- **Central bank interest rates:** The Fed hiked its rates by 0.25 to 0.75 during their December meeting. EM: China still keeps their RRR[i] 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 was remains at 10.00%, while the Brazil SELIC stayed at 13.75%.
- **Capital market rates:** US treasury yields continued its post Brexit rebound reaching levels seen last mid 2014. 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 ended the year at 1.054. The USD remains stronger as USD interest rates have increased in the December meeting. The current median EURUSD forecast predicts USD at 1.06 for the end of 2017[ii] and then into the 1.10 territory beginning 2018.
- **Bonds incl. High Yields (N[iii]):** EM and HY bond prices have increased only slightly in June 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 new US president starts his term in office. General economic indicators are stable at the time being.
- **Commodities (N):** Crude Oil (WTI) ended the year at 53.72 $$/bbl and is set to remain at these levels as the OPEC is accommodating.

Investment Ideas[iv]

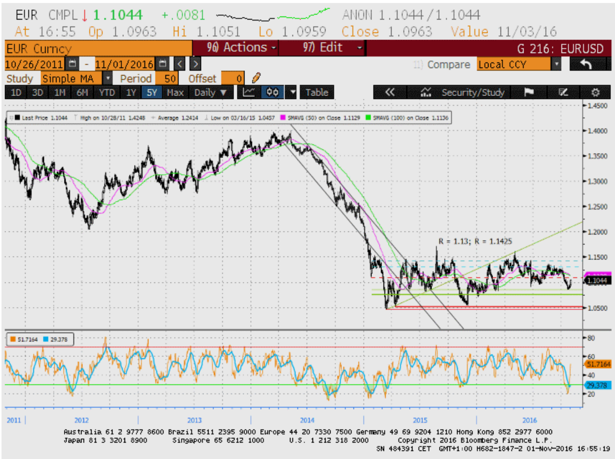
- We look to continue to diversify the fixed income portions while volatilities in selective stocks are appealing and offer attractive yields via short covered calls for our Dividend Basket.
- Keeping overall equity allocation low for the time being.

94) News | 95) Settings | World Equity Indices
Standard | Movers | Volatility | Ratios | Futures | Δ AVAT | 20D | %Chg YTD | CHF

1) Americas	2Day	Value	Net Chg	%Chg	Δ AVAT	Time	%Ytd	%YtdCur
11) DOW JONES		18094.11	-48.31	-0.27%	-5.00%	16:59	+3.84%	+1.45%
12) S&P 500		2117.88	-8.27	-0.39%	+7.55%	16:59	+3.62%	+1.23%
13) NASDAQ		5171.82	-17.32	-0.33%	-4.51%	16:59	+3.28%	+0.90%
14) S&P/TSX Comp		14800.39 d	+13.12	+0.09%	+4.80%	16:39	+13.76%	+14.98%
15) MEX IPC		47474.52 d	-534.76	-1.11%	+39.11%	16:39	+10.46%	-2.77%
16) IBOVESPA		63923.06 d	-1001.46	-1.54%	+3.50%	16:44	+47.46%	+76.59%
2) EMEA								
21) Euro Stoxx 50		3034.54 d	-20.71	-0.68%	-16.77%	16:44	-7.13%	-7.72%
22) FTSE 100		6937.76 d	-16.46	-0.24%	-13.81%	16:44	+11.14%	-9.79%
23) CAC 40		4483.29 d	-25.97	-0.58%	-16.54%	16:44	-3.32%	-3.93%
24) DAX		10551.45	-113.56	-1.06%	-24.97%	16:59	-1.78%	-2.40%
25) IBEX 35		9069.80 d	-73.50	-0.80%	-10.99%	16:44	-4.97%	-5.57%
26) FTSE MIB		16950.41 d	-174.64	-1.02%	-38.58%	16:43	-20.86%	-21.36%
27) OMX STKH30		1434.26	-12.09	-0.84%	-23.99%	16:59	-0.87%	-8.68%
28) SWISS MKT		7787.27 d	-40.47	-0.52%	-8.57%	16:43	-11.69%	-11.69%
3) Asia/Pacific								
31) NIKKEI		17442.40 d	+17.38	+0.10%	+10.72%	07:15 c	-8.36%	+3.01%
32) HANG SENG		23147.07 d	+212.53	+0.93%	+10.09%	09:09 c	+5.62%	+3.13%
33) CSI 300		3359.05 d	+22.77	+0.68%	-11.19%	08:01 c	-9.97%	-15.58%
34) S&P/ASX 200		5290.47	-27.26	-0.51%	-29.30%	07:06 c	-0.10%	+2.56%

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2016 Bloomberg Finance L.P.
SN 484391 CET GMT+1:00 H682-1847-2 01-Nov-2016 16:59:01

Performance Equity Markets 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 09.01.2017 (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