ASPERMONT
FINANCIAL SERVICES

Market Monthly

June 2017

Highlights

- **Economics:** The second estimate of 1Q17 came in above expectations (0.9%) and previous (0.7%) at 1.2%. Unemployment figures followed suit and came in lower than expected at 4.3% vs 4.4% demonstrating ongoing improvements in the labor market. The Eurozone the second 1Q17 GDP reading came as expected at 1.7% while the April unemployment rate improved marginally to 9.3% from 9.5% previous.
- **Inflation:** US core CPI reporting for April show that the YoY inflation continues to slow as it came in at 2.2% for April (2.3% expected, 2.4% previous) with the expectations for FY2017 slightly lower at 2.0%. The Eurozone YoY CPI reading for April has improved as expected to 1.9% from the previous reading of 1.5%, the 2017 forecast remains at 1.7%. The CPI's for 2017 forecasts are: for Russia 4.2%; for China 2.3%, Brazil 4.1% and the world 3.0%.
- **Central bank interest rates:** The May Fed meeting has yielded and unchanged 1.00 for the fed funds rate with the possibility of further hikes still open. The ECB has started tapering their asset purchase program from EUR80bln a month down to EUR 60bln a month since the end of April. 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 at 9.25%; Brazil SELIC got cut by 100bp to 10.25% in May.
- **Capital market rates:** US treasury yields continue to be range bound in the new range of 2.2% to 2.5% since the US elections. The Bund also continues to be range bound. 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 dropped briefly below 1.06 mid-April and has moved to above 1.12 during the course of May. The median EURUSD forecast predicts USD at 1.12 for the end of 2017[ii] and then up to 1.15 for the end of 2018.
- **Bonds incl. High Yields (N[iii]):** EM and HY bond prices have increased slowly and moderately since the beginning of the year but we remain cautious on EM and HY bond investments. 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 continues to be bullish on equities with the DAX reaching a new all-time high mid-May followed by the S&P500 at the end of May. Most economic indicators continue to improve.
- **Commodities (N):** Crude Oil (WTI) has had a very volatile May with prices at the start of the month around 50$$/bbl, down to 44$$/bbl before going to almost 52$$/bbl and ending the month just below 49$$/bbl. The OPEC continues to be accommodating, but ongoing inventory concerns weigh on the price of crude oil.

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.
- Take profit on profitable equity investments that performed well YTD.

World Equity Indices

Standard | Movers | Volatility | Ratios | Futures | Δ AVAT 30D | %Chg 1Yr | CHF

1) Americas	2Day	Value	Net Chg	%Chg	Δ AVAT	Time	%52wk	%52wkCur
11) DOW JONES		21184.04	-22.25	-0.10%	-12.42%	06/05 c	+18.21%	+17.47%
12) S&P 500		2436.10	-2.97	-0.12%	-16.27%	06/05 c	+15.49%	+14.76%
13) NASDAQ		6295.68	-10.11	-0.16%	-8.22%	06/05 c	+26.71%	+25.91%
14) S&P/TSX Comp		15409.78 d	-32.97	-0.21%	-34.30%	06/05 c	+7.94%	+2.15%
15) MEX IPC		49592.49 d	+275.12	+0.56%	-22.49%	06/05 c	+8.14%	+9.09%
16) IBOVESPA		62450.45 d	-60.24	-0.10%	-34.79%	06/05 c	+23.83%	+30.25%
2) EMEA								
21) Euro Stoxx 50		3569.07 d	-10.48	-0.29%	-27.08%	09:24	+18.89%	+17.03%
22) FTSE 100		7513.66 d	-12.10	-0.16%	+18.22%	09:24	+19.77%	+6.46%
23) CAC 40		5286.05 d	-21.84	-0.41%	-40.47%	09:24	+19.50%	+17.63%
24) DAX		12774.57	-48.37	-0.38%	+10.79%	09:39	+26.44%	+24.46%
25) IBEX 35		10842.10 d	-42.60	-0.39%	+13.99%	09:24	+22.88%	+20.95%
26) FTSE MIB		20614.31 d	-106.73	-0.52%	-32.56%	09:24	+16.96%	+15.13%
27) OMX STKH30		1637.90	-8.77	-0.53%	-41.01%	06/05 c	+21.74%	+13.45%
28) SWISS MKT		8980.69 d	-63.27	-0.70%	+64.25%	09:24	+10.21%	+10.21%
3) Asia/Pacific								
31) NIKKEI		19979.90 d	-190.92	-0.95%	-9.77%	08:15 c	+20.51%	+17.50%
32) HANG SENG		26002.37 d	+139.38	+0.54%	-3.93%	09:24	+23.64%	+22.45%
33) CSI 300		3492.88 d	+24.13	+0.70%	-35.91%	09:01 c	+9.88%	+5.45%
34) S&P/ASX 200		5667.47	-87.39	-1.52%	-2.99%	09:03 c	+5.73%	+6.67%

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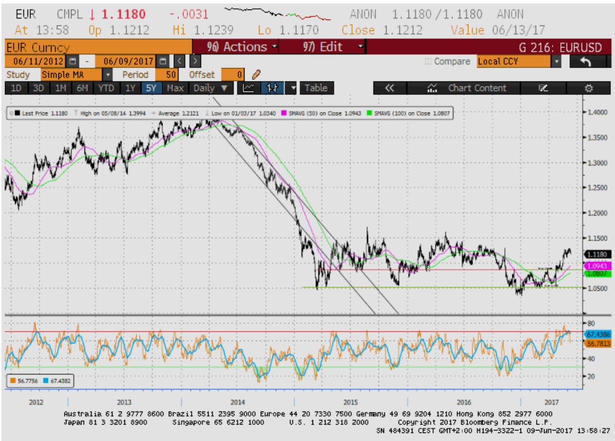
Performance Equity Markets YTD[v]



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 13.06.2017 (107 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

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