Market Monthly

May 2018

Highlights

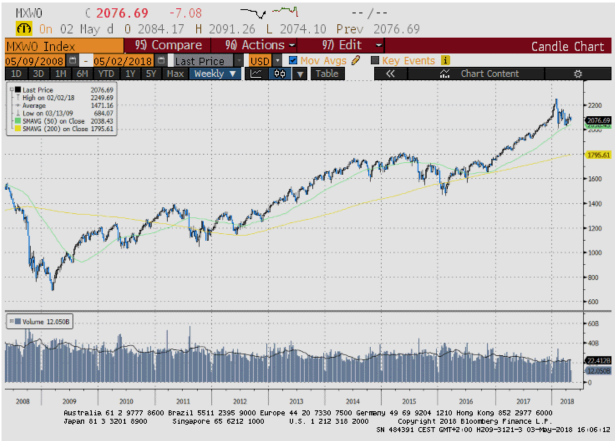
- **Economics:** The first estimate of 1Q18 came in above expectations (2.3% vs 2.0%). Unemployment figures for April came in lower than expected at 3.9% vs 4.0%, the lowest since 2000. The Eurozone also released their first estimate for 1Q18 GDP as expected at 2.5%, while the March unemployment rate remained steady as expected at 8.5%.
- **Inflation:** US core CPI reporting for March came in higher to previous, as expected at 2.4% YoY (2.2% previous), expectations for FY2018 are at 2.6%. The final Eurozone YoY CPI reading for March came in lower than expected at 1.3% (1.4% expected). The 2018 forecast remains at 1.6%. The CPI's for 2018 forecasts are: for Russia 2.7%; for China 2.7%, Brazil 3.3% and the world at 3.0%.
- **Central bank interest rates:** The May Fed meeting kept the fed funds rate 1.75% with the possibility of further hikes in 2018 still open. The ECB's tapered asset purchase program remains at EUR 30bln a month until the end of September 2018. EM: China cut their RRR[i] by 100bps to 16.00% and kept its 12M lending rate at 4.35% and 12M deposit rate at 1.5%. India has its repo rate at 6.00%, Russia kept its key rate at 7.25% and Brazil SELIC at 6.50%.
- **Capital market rates:** 10yr US treasury yields are still trading above 2.7% having advanced to above 3.0% briefly. The 10yr Bund also continues to be range bound in its new range between 0.5 and 0.7. We see EUR bond prices as remaining supported over the longer term as QE continues at EUR 30bln/month until at least the end of September 2018.

Tactical Asset Allocation

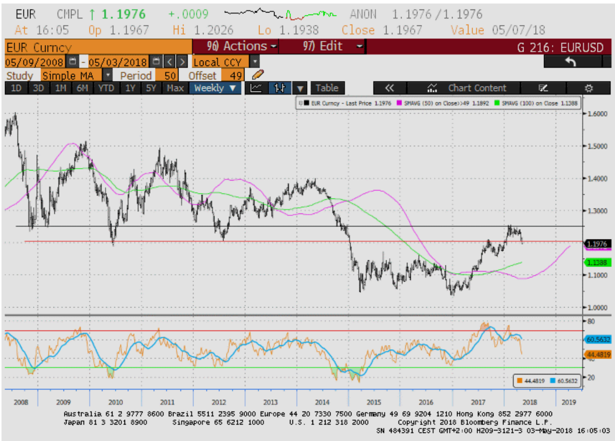
- **Forex:** EURUSD has continuously moved upwards in 2018, strengthening the EUR from 1.19 levels up to above 1.24 at the end of January with the currency pair in the 1.21 – 1.24 range. The median EURUSD forecast now predicts USD at 1.26 for the end of 2018[ii] and then up to 1.30 for the end of 2019.
- **Bonds incl. High Yields (N[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 2025 maturities of European DM bonds to improve yield.
- **Equities (O):** After the recent market correction and subsequent rebound, markets remain uncertain due to geopolitical trade uncertainties, with fundamentals generally still strong supported by a good earnings season so far. We continue to observe markets closely especially as current news about the trade talks start to unfold.
- **Commodities (N):** Crude Oil (WTI) has been positive trading in the range of 60-68$/bbl.

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.
- Reposition the equity portfolio to include world markets by carefully increasing the equity exposure.



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 17%, cut in 5 steps from 20% at the beginning of 2015
[ii] Source: Bloomberg 07.05.2018 (106 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

Disclaimer
The information provided is exclusively for informational purposes only. All of the information contained has been carefully selected and obtained from sources that Aspermont Capital AG fundamentally believes to be reliable. No guarantee is assumed as to the accuracy or completeness of the information. Opinions constitute our judgment as at the time of publication and are subject to change. The information contained herein is not intended as an offer or a solicitation to buy or sell securities or any other investment or banking product, nor does it constitute a personal recommendation. The value of investments, and the income from them, can go down as well as up. Past performances should not be taken as a guide to future performances.