

Market Monthly

October 2016

Highlights

- Economics:** The third estimate of US 2Q16 GDP came in higher as expected at 1.4% vs 1.3% expected and higher than the first reading of 1.1%. Unemployment figures have also remained steady around 4.9% in September while they rose just slightly at the beginning of October to 5.0%. In the Eurozone the 3Q15 reading has yet to be released. The unemployment rate remains at 10.1%.
- Inflation:** US core CPI reporting for August show that the YoY inflation has increased to 1.1%, up from 0.8% in July, while the FY16 forecast remains at 1.3%. The Eurozone September CPI improved to 0.1% from the previous -0.6%. The annualized reading remains at +0.2. The FY16 forecast also remains at 0.3%. The CPI forecast for FY2016 for Russia is remains at 7.1%; for China 1.9%, Brazil 6.9% (6.4%) and the world at 2.7%.
- Central bank interest rates:** The Fed September meeting showed an unchanged at 0.50. The next one will be at the beginning of November. EM: China still keeps their RRRⁱ at 17.00 and kept its 12M lending rate at 4.35% and 12M deposit rate at 1.5%. India cut its repo rate by 25bp to 6.25% in their October meeting, Russia's key rate was also reduced by 50bp to 10.00%, while the Brazil SELIC remains at 14.15%.

- Capital market rates:** Both US treasury yields and German Bund yields continued their post Brexit rebound, especially in the longer term maturities. 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 September right around 1.12 with the USD still stronger from its high of 1.1527 at the beginning of May. The current median EURUSD forecast predicts a stronger USD at 1.10 (1.09) for the end of 2016ⁱⁱ and then into the 1.09 territory beginning 2017.
- Bonds incl. High Yields (Nⁱⁱⁱ):** 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):** We remain cautious in these sideways market prior to the US elections. Q3 earnings are about to start with the outlook relatively neutral. General economic indicators are stable at the time being.

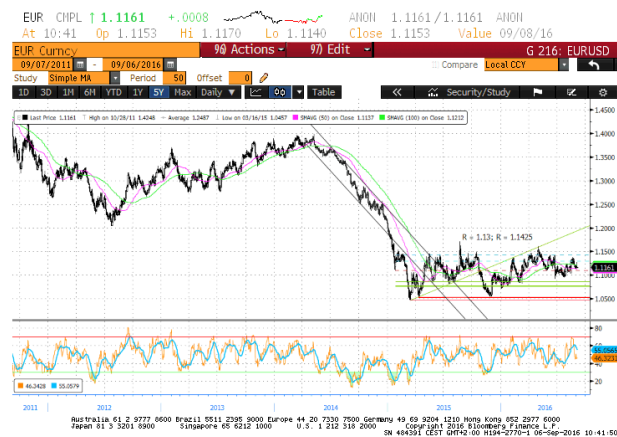
- Commodities (N):** Crude Oil(WTI) rebounded and closed September at USD 48 \$\$/bbl while currently trading above USD 50 \$\$/bbl.

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.

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1) Americas	ZDay	Value	Net Chg	%Chg	Δ AVAT	Time	%Ytd	%Ytdur
11) DOW JONES		18491.96	+72.66	+0.39%	-5.66%	09/02 d	+6.12%	+3.78%
12) S&P 500		2179.98	+9.12	+0.42%	-4.88%	09/02 d	+6.66%	+4.30%
13) NASDAQ		5249.90	+22.69	+0.43%	-10.20%	09/02 d	+4.84%	+2.53%
14) S&P/TSX Comp		14795.70 d	+111.79	+0.76%	+2.47%	09/02 d	+13.73%	+19.33%
15) MEX IPC		47842.23 d	+54.24	+0.11%	-91.13%	09/05 d	+11.32%	+1.14%
16) IBOVESPA		59566.34 d	-50.05	-0.08%	-48.78%	09/05 d	+37.41%	+62.10%
2) EMEA								
21) Euro Stoxx 50		3085.01 d	+7.35	+0.24%	-9.90%	11:32	-5.59%	-5.07%
22) FTSE 100		6869.38 d	-10.04	-0.15%	-36.43%	11:32	+10.05%	-2.64%
23) CAC 40		4551.15 d	+10.07	+0.22%	-24.53%	11:32	-1.85%	-1.32%
24) DAX		10710.71	+38.49	+0.36%	-14.49%	11:47	-0.30%	+0.24%
25) IBEX 35		8980.50 d	+27.20	+0.30%	-26.71%	11:32	-0.91%	-5.39%
26) FTSE MIB		17219.87 d	+29.43	+0.17%	-17.14%	11:32	-19.66%	-19.16%
27) OMX STH30		1441.79	+1.03	+0.07%	+3.78%	11:47	-0.35%	+3.61%
28) SWISS MIXT		8326.62 d	+16.25	+0.20%	-25.78%	11:32	-5.57%	-5.57%
3) Asia/Pacific								
31) NIKKEI		17081.98 d	+44.35	+0.26%	-5.82%	08:15 d	-10.25%	+2.07%
32) HANG SENG		23787.68 d	+138.13	+0.58%	-4.05%	10:08 d	+8.55%	+6.09%
33) CSI 300		3342.63 d	+22.95	+0.69%	-9.97%	09:01 d	-10.41%	-14.83%
34) S&P/ASX 200		5413.63	-15.95	-0.29%	-7.48%	09:05 d	+2.23%	+1.79%

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 15.10.2016 (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

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