

Market Monthly

September 2016

Highlights

- Economics:** The second estimate of US 2Q16 GDP came in as expected at 1.1% but lower than the first reading of 1.2%. Unemployment figures have also remained steady around 4.9%. In the Eurozone the final 2Q16 reading came in at 0.3% for the quarter, as expected but below the previous 0.6% while the unemployment rate remains at 10.1%.
- Inflation:** US core CPI reporting for July show that the YoY inflation decreased slightly to 0.8% (1.0%) but the FY16 forecast remains at 1.3%. The Eurozone July was slightly weaker at -0.6% (-0.5%). This brings the annualized reading just above negative territory at +0.2. The FY16 forecast has remains at 0.3%. The CPI forecast for FY2016 for Russia is remains at 7.1%; for China 1.9% (1.9%), for Brazil 6.4% (6.4%) and world at 2.7%.
- Central bank interest rates:** The Fed July meeting was yielded an unchanged at 0.50% with general dovish tone. In the July meeting there was no change in their policy and there was no meeting in August. The next one will be at the end of September. EM: China kept the RRRⁱ at 17.00 and kept its 12M lending rate at 4.35% and 12M deposit rate at 1.5%. India left its repo rate at 6.50%, Russia's key rate remained at 10.50%, and Brazil SELIC at 14.15%.

- Capital market rates:** Both US treasury yields and German Bund yields rebounded slightly after the Brexit vote but remained roughly unchanged for August, especially the bund. 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 August right below 1.12 with the USD still stronger from its high of 1.1527 at the beginning of May. The current median EURUSD forecast slightly stronger at 1.09 (1.10) for the end of 2016ⁱⁱ.
- Bonds incl. High Yields (Nⁱⁱⁱ):** EM and HY bond prices have increased only slightly in June while stronger energy commodities weakened and the USD stayed strong. 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 have upgraded to neutral from our underweight position but remain cautious in these sideways market prior to the US elections. Q2 earnings did not disappoint and general economic indicators are stable at the time being.

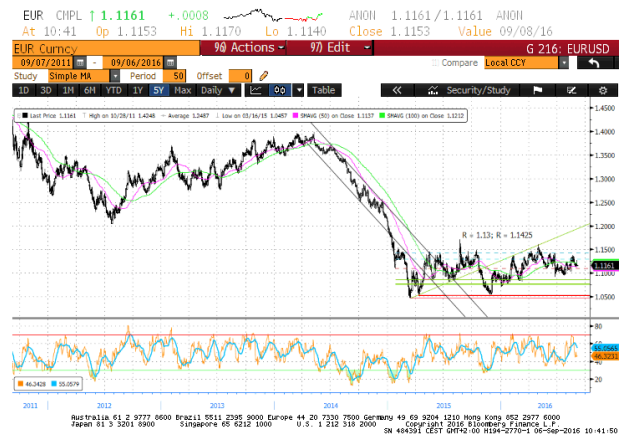
- Commodities (N):** Crude Oil(WTI) rebounded and closed August at USD44.7 \$\$/bbl.

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.

Standard	Movers	Volatility	Ratios	Futures	Δ AVAT	200	Δ %Chg	10d	Δ %Chg
1) Americas									
11) DOW JONES	18491.96	+72.00	+0.39%	-5.66%	09/02 d		+6.12%	+3.76%	
12) S&P 500	2179.98	+9.12	+0.42%	-4.86%	09/02 d		+6.66%	+4.30%	
13) NASDAQ	5249.90	+22.69	+0.43%	-10.20%	09/02 d		+4.64%	+2.53%	
14) S&P/TSX Comp	14795.70 d	+111.79	+0.76%	+2.47%	09/02 d		+13.73%	+19.33%	
15) HEX IPC	47842.23 d	+54.24	+0.11%	-9.13%	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) IEXX 35	8960.50 d	+27.20	+0.30%	-26.71%	11:32		-5.91%	-5.39%	
26) FTSE MIB	17219.87 d	+29.43	+0.17%	-17.14%	11:32		-19.60%	-19.16%	
27) OMX STH30	1444.79	+1.03	+0.07%	+3.78%	11:47		-0.25%	-3.61%	
28) SHANGHAI	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		-10.25%	+2.07%	
32) HANG SENG	23787.68 d	+138.13	+0.58%	-4.05%	10:08		+8.55%	+6.09%	
33) CSI 300	3342.63 d	+22.95	+0.69%	-8.97%	09:01		-10.41%	-14.83%	
34) S&P/ASX 200	5413.63	-15.95	-0.29%	-7.48%	09:05		+2.22%	+4.79%	

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 06.09.2016 (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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