

ECONOMIC OUTLOOK

The **global economy** continues its path and should grow strongly by year end. Many economists and the IMF are sharing this consensus albeit the recent decline in business activities. It is still too early to decide whether this slowdown is short-term or a sustained trend. Behind the curtains there are already ongoing diplomatic negotiations between the USA, China and other trade partners to prevent tariffs or at least to absorb it to a certain extend. The US government has exempt **tariffs** for some countries with major resources, even it is temporarily. We do see these tariffs on steel and aluminium as insignificant as the short-term damage is economically speaking not very serious. The flow of trades are relatively small and the negative growth effects are estimated to 0.1 – 0.2 percent from the world’s GDP. However, we expect some potential threat to growth and productivity on the long-term basis should a trade policy evolve, resulting in more protectionism.

The potential trade dispute has certainly found its way to corporates and consumers who are assessing the **economic forecasts** to be over optimistic. Especially the Eurozone showed signs of weakness as indicated by the Economic Surprise Index (a measure of the actual economic data relative to the consensus expectations). As a result, we see more and more clouds on the horizon comparing to the US or emerging markets. Not only the sentiments turned negative within the Eurozone but also real data such as the industry production took a surprising hit in February and soften retail sales. Despite of this development most of the economic indicators are historically still on high levels indicating a further sustained economic growth.

Inflation is the most important factor for estimating the further interest rate paths of the central banks. In the

Eurozone, inflation increased from 1.1 to 1.3 percent and remains on average low and still far away from its target of 2 percent. Inflation was even corrected downwards by analysts to 1.4 percent by year end. The **US economy** looks in a much better shape. Support is provided by the extensive tax cuts, generous budgetary policies and the continuing rising employment. Inflation increased from 2.2 to 2.4 percent in March. The price pressure stems from imports as well as production.

Markets started already to price in higher probability of three additional **rate hikes** this year. Consequently, the US 10Y government yields crossed 3 percent. The USD yield curve flattened further mirroring doubts on the further economic growth. On the other hand, **credit spreads** remain at low levels supported by low default rate. Since the financial crisis markets have a closer look at the OIS LIBOR spread measuring health of the financial system. It topped new highs for the last 5 years. However, financials’ credit spreads did not follow.

Not only in **fixed income markets** signals are mixed. Momentum and seasonality changed to neutral whereas Valuation and Macro signals are still preferring **equities**. Most of the markets in April were positive with European Markets recovering from their underperformance year-to-date. We keep our overweight.

Gold and **EUR/USD** came under pressure due to USD strength. For the time being we see the EUR as oversold and expect a retrace towards 1.2200 followed by another easing. **Oil** prices might gain further should the production cuts of the OPEC remain at current extent. Saudi Arabia would appreciate a higher oil price in order to finance its budget deficit.

TACTICAL ASSET ALLOCATION

Liquidity	Neutral
Bonds	Slight underweight
Equities	Overweight
Alternative Investments	Neutral

EQUITY INDICATORS

Valuation	Attractive
Momentum	Neutral
Seasonality	Neutral
Macro	Attractive

Should you require further information or advise, please do not hesitate to contact your Clarus Capital relationship manager.

MARKET OVERVIEW AS OF THURSDAY, 03 MAY 2018, 11:58 AM
FIXED INCOME

	Rate	Δ 1m	Δ 3m	Δ ytd		Δ 1m	Δ 3m	Δ 6m	Δ ytd
USD Overnight	1.70	0.01	0.26	0.28	USD Deposit 1m	0.2%	0.4%	0.8%	0.6%
USD 1y Swap	2.56	0.13	0.49	0.66	USD Aggregate 1-3y	-0.1%	0.0%	-0.5%	-0.3%
USD 3y Swap	2.84	0.17	0.44	0.67	USD Aggregate 3-5y	-0.4%	-0.3%	-1.7%	-1.4%
USD 5y Swap	2.92	0.19	0.38	0.67	USD Aggregate 5-7y	-0.6%	-0.4%	-2.1%	-1.9%
USD 10y Swap	3.00	0.19	0.28	0.60	USD Aggregate 7-10y	-0.8%	-0.4%	-2.6%	-2.7%
EUR Overnight	-0.36	-0.01	0.01	-0.01	EUR Overnight	0.0%	-0.1%	-0.2%	-0.1%
EUR 1y Swap	-0.26	0.00	0.01	0.00	EUR Aggregate 1-3y	0.0%	0.1%	-0.2%	0.0%
EUR 3y Swap	0.04	0.02	-0.05	0.03	EUR Aggregate 3-5y	-0.1%	0.5%	-0.4%	0.1%
EUR 5y Swap	0.39	0.02	-0.04	0.08	EUR Aggregate 5-7y	-0.1%	0.9%	-0.5%	0.0%
EUR 10y Swap	1.01	0.04	-0.12	0.12	EUR Aggregate 7-10y	-0.3%	1.4%	-0.5%	0.1%
CDX Xover 5y	3.42%	-0.22%	0.07%	0.36%	US Corp. HY	0.7%	-0.4%	-0.2%	-0.2%
iTraxx Xover 5y	2.72%	-0.17%	0.21%	0.39%	EUR HY	0.6%	0.0%	-0.7%	0.0%

EQUITY

	Price	P/E	D. Yield	FCF yield		Δ 1m	Δ 3m	Δ 6m	Δ ytd
MSCI World	5,892	15.9	2.5%	4.8%	MSCI World	1.6%	-3.8%	2.5%	-0.6%
S&P 500	2,636	16.7	2.0%	4.7%	S&P 500	0.8%	-4.6%	1.8%	-1.4%
NASDAQ	6,644	19.7	1.1%	4.3%	NASDAQ	2.9%	-1.7%	5.5%	3.9%
Euro Stoxx 50	3,554	14.2	3.6%	9.6%	Euro Stoxx 50	6.2%	0.9%	-3.7%	1.4%
SMI	8,896	15.5	3.6%	1.9%	SMI	3.1%	-3.5%	-4.6%	-5.2%
FTSE 100	7,543	14.0	4.2%	7.0%	FTSE 100	7.3%	1.3%	-0.2%	-1.9%
DAX	12,802	13.3	3.1%	4.3%	DAX	6.7%	0.1%	-5.0%	-0.9%
MSCI Asia Pacific	173	13.6	2.7%	3.2%	MSCI Asia Pacific	0.6%	-5.1%	1.9%	-0.4%
FTSE China A50	12,195	10.0	3.1%	19.1%	FTSE China A50	-2.4%	-16.3%	-4.7%	-7.6%
MSCI Emerging Market	1,151	12.3	2.8%	5.0%	MSCI Emerging Market	-1.6%	-6.5%	2.2%	-0.6%
PH Semiconductor	1,259	14.0	1.8%	5.5%	PH Semiconductor	-3.3%	-4.4%	-3.1%	0.5%

COMMODITY

	Price	FCST 18	FCST 19	Δ Future		Δ 1m	Δ 3m	Δ 6m	Δ ytd
Gold	1,310	1315	1325	-0.4%	Gold	-1.7%	-1.7%	3.2%	0.1%
Silver	16.45	17.0	17.6	2.7%	Silver	-0.1%	-2.6%	-3.5%	-4.9%
Platinum	898	963	1003.8	4.6%	Platinum	-3.6%	-10.6%	-3.5%	-4.9%
Palladium	962	1040	1000	6.6%	Palladium	3.7%	-7.7%	-1.7%	-8.6%
Crude Oil	67.84	61.5	61.5	-6.3%	Crude Oil	6.9%	5.8%	22.1%	13.0%
Brent Oil	73.18	65.0	66.25	-8.3%	Brent Oil	8.1%	8.4%	20.9%	11.8%

FOREIGN EXCHANGE

	Price	FCST 18	FCST 19	Δ Spot		Δ 1m	Δ 3m	Δ 6m	Δ ytd
EUR/USD	1.1989	1.2600	1.3000	8.1%	EUR/USD	-2.3%	-3.1%	3.3%	-0.1%
GBP/USD	1.3607	1.4200	1.4600	7.0%	GBP/USD	-3.2%	-2.5%	4.1%	0.7%
USD/CHF	0.9968	0.9500	0.9400	-5.9%	USD/CHF	-3.8%	-6.5%	0.4%	-2.3%
USD/JPY	109.59	107.50	103	-6.2%	USD/JPY	-2.7%	-0.5%	4.1%	2.8%
EUR/CHF	1.1951	1.2000	1.2200	2.1%	EUR/CHF	-1.5%	-3.6%	-2.8%	-2.1%
USD/RUB	64.01	58.59	59.00	-8.1%	USD/RUB	-10.2%	-11.7%	-9.1%	-10.0%
EUR/RUB	76.30	72.80	76.97	0.9%	EUR/RUB	-7.4%	-7.2%	-10.1%	-9.2%

Source: Clarus Capital Group, Bloomberg



DISCLAIMER

This document has been prepared by Clarus Capital Group AG ("Clarus Capital"). This document and the information contained herein are provided solely for information and marketing purposes. It is not to be regarded as investment research, sales prospectus, an offer or a solicitation of an offer to enter in any investment activity or contractual relation. Please note that Clarus Capital retains the right to change the range of services, the products and the prices at any time without notice and that all information and opinions contained herein are subject to change.

This document is not a complete statement of the markets and developments referred to herein. Past performance and forecasts are not a reliable indicator of future performance. Investment decisions should always be taken in a portfolio context and make allowance for your personal situation and consequent risk appetite and risk tolerance. This document and the products and services described herein are generic in nature and do not consider specific investment objectives, financial situation or particular needs of any specific recipient. Investors should note that security values may fluctuate and that each security's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. Individual client accounts may vary. Investing in any security involves certain risks called non-diversifiable risk. These risks may include market risk, interest-rate risk, inflation risk, and event risk. These risks are in addition to any specific, or diversifiable, risks associated with particular investment styles or strategies.

Clarus Capital does not provide legal or tax advice and makes no representations as to the tax treatment of assets or the investment returns thereon, either in general or with reference to specific client's circumstances and needs. Recipients should obtain independent legal and tax advice on the implications of the products and services in the respective jurisdiction before investing. Certain services and products are subject to legal provisions and cannot be offered world-wide on an unrestricted basis. In particular, this document is not intended for distribution in jurisdictions where its distribution by Clarus Capital would be restricted. Clarus Capital specifically prohibits the redistribution of this document in whole or in part without the written permission of Clarus Capital and Clarus Capital accepts no liability whatsoever for the actions of third parties in this respect. Neither Clarus Capital nor any of its partners, employees or finders accepts any liability for any loss or damage arising out of the use of all or any part of this document. Source of all information is Clarus Capital unless otherwise stated. Clarus Capital makes no representation or warranty relating to any information herein which is derived from independent sources. Please consult your client advisor if you have any questions.

IMPRESSUM

PUBLISHED BY CLARUS CAPITAL GROUP AG, GUTENBERGSTRASSE 10, CH-8002 ZURICH,
RESEARCH@CLARUSCAPITAL.CH, WWW.CLARUSCAPITAL.CH

EDITORS ROGER GANZ, HEAD ASSET MANAGEMENT, DEJAN RISTIC, ASSET MANAGEMENT