

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



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