

ECONOMIC OUTLOOK

Last week, equity markets fell globally in the wake of Trump’s latest tariffs threats to China. We are about to see record-low volatility moving back to normal levels which might be an initial sign of the long-lasting euphoria on the stock markets to be kind of stifled and could increase risk aversion. However, we do not expect the current 10-year bull market run comes to an end abruptly.

Looking at the major **central banks**, they are half-way down to normalize their monetary policy. The FED will most probably increase rates two more times until the end of year while the ECB is likely to bring its QE to an end in Q4. On the other hand, the Bank of Japan continues to undergo the largest monetary experiment in their history. From this perspective and considering a possible trade war, it is a bit surprising that investors have reacted calmly.

The **US macroeconomic** environment remains robust despite the slight dip in growth in GDP during the first quarter. The markets are expecting the expansion to pick up again. The tax cuts will certainly provide a short-term boost, but their effect will wane after 2019. The current fiscal stimulus is atypical for an economy at a late stage in the cycle and full employment. This raises the question how the US will handle the enormous expansion in budget deficit in the medium to long run. In contrast to the US, the **Eurozone** is recently facing a slowing in economic activity which can be seen in the leading indicators. However, the levels are still well above the expansion threshold of 50 and the weakening of the EUR should cushion a potential dip in growth to a certain extend. Nonetheless, we think the ECB is still facing challenges to maintain the business activity. On the other side, the **inflation** increased significantly last month from 1.2 to 1.9 percent on a yearly basis, mostly due to rising oil prices. The unemployment rate at 8.5 percent is the lowest since almost

ten years. These developments support the coming end of the QE. But the ECB – as usually – leaves a door open to react should the economy worsen through the second half year.

Bond markets reacted calmly and stayed flat. Credit Spreads especially in Europe High Yields slightly widened by 0.4% reaching closer to normal levels. However, despite of the political challenges in Europe, we are far away from the levels reached during the European Financial Crisis. Overnight yield rates in the US and Europe have seen a yield difference of more than two percent.

Equities should still benefit from the current economic environment although it is likely to becoming more challenging due to the late stage of the cycle of economic growth. European stocks are both offering attractive valuations and decent dividend yields. However, the political uncertainty as well as the cooling down of the economic indicators keep us cautious. We favour Asia / Pacific and Emerging Markets.

On the **currency market** USD still determines the market dynamics. The USD appreciation from EUR/USD 1.25 down to 1.15 is mostly caused by a rising US rates, strong US economy and to the disappointing economy within the Eurozone. However, EZ as an export-oriented region will benefit from the global growth while the employment market and better capacity utilization will most probably add to inflation pressures. This in turn means that the ECB might tighten its monetary policy which should lead to a steeper yield curve and hence higher EUR. In the course of the USD appreciation, **gold** retreated. We like to go long at USD 1250 per oz. as a hedge against possible geopolitical risks.

TACTICAL ASSET ALLOCATION

Liquidity	Neutral
Bonds	Slight underweight
Equities	Overweight
Alternative Investments	Neutral

EQUITY INDICATORS

Valuation	Attractive
Momentum	Attractive
Seasonality	Negative
Macro	Neutral

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

MARKET OVERVIEW AS OF MONDAY, 02 JULY 2018, 3:33 PM
FIXED INCOME

	Rate	Δ 1m	Δ 3m	Δ ytd		Δ 1m	Δ 3m	Δ 6m	Δ ytd
USD Overnight	1.94	0.23	0.24	0.51	USD Deposit 1m	0.2%	0.5%	0.9%	0.9%
USD 1y Swap	2.60	0.03	0.19	0.70	USD Aggregate 1-3y	0.1%	0.2%	0.1%	0.1%
USD 3y Swap	2.84	-0.02	0.21	0.67	USD Aggregate 3-5y	0.2%	0.0%	-0.7%	-0.8%
USD 5y Swap	2.87	-0.06	0.18	0.63	USD Aggregate 5-7y	0.3%	0.0%	-1.0%	-1.2%
USD 10y Swap	2.91	-0.09	0.15	0.52	USD Aggregate 7-10y	0.4%	-0.1%	-1.6%	-1.8%
EUR Overnight	-0.36	0.01	-0.01	-0.01	EUR Overnight	0.0%	-0.1%	-0.2%	-0.2%
EUR 1y Swap	-0.25	0.00	0.01	0.01	EUR Aggregate 1-3y	0.1%	-0.2%	-0.2%	-0.2%
EUR 3y Swap	-0.04	-0.05	-0.06	-0.05	EUR Aggregate 3-5y	0.3%	-0.3%	-0.1%	-0.1%
EUR 5y Swap	0.26	-0.07	-0.11	-0.05	EUR Aggregate 5-7y	0.5%	-0.4%	-0.1%	-0.2%
EUR 10y Swap	0.87	-0.08	-0.09	-0.02	EUR Aggregate 7-10y	0.6%	-0.3%	0.4%	0.1%
CDX Xover 5y	3.61%	0.19%	-0.08%	0.55%	US Corp. HY	0.3%	1.1%	0.1%	0.2%
iTraxx Xover 5y	3.27%	0.39%	0.44%	0.93%	EUR HY	-0.6%	-1.0%	-1.6%	-1.6%

EQUITY

	Price	P/E	D. Yield	FCF yield		Δ 1m	Δ 3m	Δ 6m	Δ ytd
MSCI World	5,954	15.9	2.5%	5.3%	MSCI World	-0.8%	3.1%	-0.2%	0.4%
S&P 500	2,718	17.1	2.0%	4.5%	S&P 500	-0.6%	5.3%	0.8%	1.7%
NASDAQ	7,041	20.7	1.0%	4.0%	NASDAQ	-0.6%	10.2%	8.1%	10.1%
Euro Stoxx 50	3,396	13.7	3.8%	10.2%	Euro Stoxx 50	-1.7%	1.0%	-2.7%	-3.1%
SMI	8,609	15.1	3.7%	3.1%	SMI	-0.1%	-1.5%	-8.2%	-8.2%
FTSE 100	7,637	13.8	4.3%	6.8%	FTSE 100	-0.8%	8.2%	-0.1%	-0.7%
DAX	12,306	12.8	3.3%	4.7%	DAX	-3.3%	1.7%	-4.4%	-4.7%
MSCI Asia Pacific	166	13.1	2.7%	5.8%	MSCI Asia Pacific	-3.5%	-3.7%	-5.4%	-4.5%
FTSE China A50	11,132	9.3	3.5%	22.3%	FTSE China A50	-9.3%	-11.3%	-17.1%	-15.6%
MSCI Emerging Market	1,070	11.9	2.9%	5.3%	MSCI Emerging Market	-5.4%	-8.5%	-9.2%	-7.7%
PH Semiconductor	1,314	14.4	1.8%	5.4%	PH Semiconductor	-6.9%	2.9%	2.0%	4.8%

COMMODITY

	Price	FCST 18	FCST 19	Δ Future		Δ 1m	Δ 3m	Δ 6m	Δ ytd
Gold	1,250	1312	1314.63	2.1%	Gold	-3.5%	-6.9%	-5.1%	-4.6%
Silver	16.02	17.0	17.26	3.8%	Silver	-3.1%	-5.0%	-8.1%	-7.8%
Platinum	845	945	1012.5	5.5%	Platinum	-7.3%	-10.4%	-11.7%	-10.8%
Palladium	943	1010	1022.5	3.4%	Palladium	-5.3%	2.2%	-12.0%	-9.8%
Crude Oil	73.53	64.3	63.31	-6.0%	Crude Oil	11.8%	18.1%	23.8%	23.7%
Brent Oil	78.30	69.8	68	-7.6%	Brent Oil	2.3%	18.2%	21.2%	20.9%

FOREIGN EXCHANGE

	Price	FCST 18	FCST 19	Δ Spot		Δ 1m	Δ 3m	Δ 6m	Δ ytd
EUR/USD	1.1652	1.2000	1.2600	7.8%	EUR/USD	-0.4%	-5.3%	-3.4%	-2.9%
GBP/USD	1.3172	1.3500	1.4200	7.5%	GBP/USD	-1.1%	-6.2%	-3.1%	-2.5%
USD/CHF	0.9917	0.9900	0.9500	-4.3%	USD/CHF	-0.4%	-3.7%	-2.0%	-1.8%
USD/JPY	110.71	109.00	104	-6.3%	USD/JPY	-0.8%	-4.4%	1.4%	1.8%
EUR/CHF	1.1555	1.1800	1.2200	5.4%	EUR/CHF	0.0%	1.7%	1.4%	1.3%
USD/RUB	62.83	62.00	60.00	-4.6%	USD/RUB	-1.0%	-8.5%	-8.3%	-8.3%
EUR/RUB	73.51	74.18	79.20	7.5%	EUR/RUB	-1.3%	-3.8%	-5.7%	-5.8%

Source: Clarus Capital Group, Bloomberg



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IMPRESSUM

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