

ECONOMIC OUTLOOK

One month already passed in the second half of the year. What is to come for the year end? Are we going to see further global growth? Are we heading towards a trade war with high uncertainty? Compared to last year, market sentiment has shifted markedly. On a macro side, the growth picture is still bright, but less synchronized. **Inflation risks** look more two-way and financial conditions are tightening as the US interest rates rise. **Monetary policy** is shifting, with the FED pushing on with normalisation and the ECB set to wind down its purchases by year end. In Asia, BoJ is kind of poised to keep its loose policy until inflation increases sustainably. Thus, the Central Banks will only have limited impact on markets as their actions are already priced in.



Source: Bloomberg, Clarus Capital Group

On the **macro side**, rising uncertainties are caused by trading tensions between the US and China and a possible US overheating economy. In our opinion, possible downside risks are not yet fully reflected. The economic growth in the US has been boosted by cheaply replenish stocks before the new trade tariffs are in place. Additionally, the stimulus could accelerate capex and lift potential growth whereas trade wars

or inflation-driven overheating will effect on business confidence and hit the growth. These uncertainties will be a **key topic** for the remainder of 2018.

On the **bond market** we have seen a flattening of the US interest curve due to a tighter monetary policy. A flattish interest curve may lead to lower credit lending and increasing spreads on the bond market. The credit spreads from corporate bonds comparing to Government bonds are further on the rise. This trend may continue should the interest curve flatten. Emerging market spreads have even more spurred due to a stronger US Dollar and some specific tensions such as in Turkey or Argentine. However, default rates of companies are still low so are credit spreads.

Equites were surprisingly resilient in July against any possible trade war. The rationale behind this performance is contributed by solid economic data and the positive earnings season in Q2. However, we may see some negative surprises coming up next quarter due to the shifting effect. Tariffs occurred as recently as in July and it is an on-going topic. We favour tech companies due to their spending uptick which should spill into 2019 as firms adjust to new US tax laws. This is not only a US story as we still see room for spending in Europe and China – assuming a potential trade war will not escalate.

EUR/USD traded rather sideways with no major surprises. ECB’s Draghi was slightly more hawkish than last month. Rate and yield advantage justify a stronger USD and should persist given a solid US economy. We expect range trading for the next 1-2 months. **Gold** lost some ground this month due to USD strength. We like to add some exposure at current levels. **Oil** prices should further fall due its very strong production growth unless things get heated in the Middle-East.

TACTICAL ASSET ALLOCATION

| | |
|-------------------------|-------------|
| Liquidity | Overweight |
| Bonds | Underweight |
| Equities | Neutral |
| Alternative Investments | Neutral |

EQUITY INDICATORS

| | |
|-------------|------------|
| Valuation | Neutral |
| 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 FRIDAY, 03 AUGUST 2018, 9:57 AM
FIXED INCOME

| | Rate | Δ 1m | Δ 3m | Δ 2017 | | Δ 1m | Δ 3m | Δ 6m | Δ 2017 |
|-----------------|-------|--------|-------|--------|---------------------|-------|-------|-------|--------|
| USD Overnight | 1.92 | -0.02 | 0.21 | 0.74 | USD Deposit 1m | 0.2% | 0.5% | 0.9% | 1.1% |
| USD 1y Swap | 2.68 | 0.08 | 0.13 | 1.22 | USD Aggregate 1-3y | 0.1% | 0.5% | 0.5% | 0.9% |
| USD 3y Swap | 2.95 | 0.10 | 0.12 | 1.26 | USD Aggregate 3-5y | 0.0% | 0.5% | 0.2% | 1.8% |
| USD 5y Swap | 2.99 | 0.10 | 0.08 | 1.11 | USD Aggregate 5-7y | -0.1% | 0.6% | 0.3% | 2.6% |
| USD 10y Swap | 3.04 | 0.13 | 0.06 | 0.84 | USD Aggregate 7-10y | -0.2% | 0.7% | 0.4% | 3.5% |
| EUR Overnight | -0.36 | 0.00 | 0.00 | 0.00 | EUR Overnight | 0.0% | -0.1% | -0.2% | -0.4% |
| EUR 1y Swap | -0.25 | 0.01 | 0.01 | 0.01 | EUR Aggregate 1-3y | -0.1% | -0.3% | -0.2% | -0.1% |
| EUR 3y Swap | 0.01 | 0.05 | -0.01 | 0.06 | EUR Aggregate 3-5y | -0.3% | -0.6% | 0.0% | 0.5% |
| EUR 5y Swap | 0.33 | 0.07 | -0.04 | 0.10 | EUR Aggregate 5-7y | -0.4% | -0.7% | 0.3% | 1.1% |
| EUR 10y Swap | 0.94 | 0.08 | -0.03 | 0.07 | EUR Aggregate 7-10y | -0.6% | -0.7% | 0.9% | 1.8% |
| CDX Xover 5y | 1.07% | 0.01% | 0.00% | -0.01% | US Corp. HY | 1.3% | 1.7% | 1.1% | 7.5% |
| iTraxx Xover 5y | 2.94% | -0.26% | 0.18% | 0.60% | EUR HY | 1.3% | 0.0% | -0.1% | 4.8% |

EQUITY

| | Price | P/E | D. Yield | FCF yield | | Δ 1m | Δ 3m | Δ 6m | Δ 2017 |
|----------------------|--------|------|----------|-----------|----------------------|-------|-------|--------|--------|
| MSCI World | 6,125 | 16.3 | 2.4% | 5.2% | MSCI World | 3.2% | 4.2% | 0.0% | 22.4% |
| S&P 500 | 2,827 | 17.5 | 1.9% | 4.6% | S&P 500 | 4.2% | 7.5% | 2.4% | 21.8% |
| NASDAQ | 7,372 | 21.1 | 1.0% | 4.0% | NASDAQ | 5.1% | 11.0% | 9.1% | 33.0% |
| Euro Stoxx 50 | 3,474 | 14.1 | 3.7% | 6.5% | Euro Stoxx 50 | 2.0% | -1.6% | -1.4% | 9.9% |
| SMI | 9,157 | 16.0 | 3.5% | 5.3% | SMI | 6.2% | 3.6% | -0.7% | 17.9% |
| FTSE 100 | 7,610 | 13.7 | 4.3% | 7.7% | FTSE 100 | 0.2% | 1.4% | 2.2% | 12.0% |
| DAX | 12,582 | 13.2 | 3.2% | 2.7% | DAX | 1.9% | -0.8% | -1.6% | 12.5% |
| MSCI Asia Pacific | 165 | 13.1 | 2.8% | 5.8% | MSCI Asia Pacific | 0.9% | -4.5% | -9.4% | 32.3% |
| FTSE China A50 | 11,056 | 9.2 | 3.5% | 23.6% | FTSE China A50 | -0.6% | -9.8% | -24.1% | 35.7% |
| MSCI Emerging Market | 1,067 | 12.0 | 2.9% | 5.4% | MSCI Emerging Market | 0.9% | -6.2% | -13.3% | 37.8% |
| PH Semiconductor | 1,379 | 14.8 | 1.8% | 5.4% | PH Semiconductor | 6.3% | 8.8% | 4.6% | 40.5% |

COMMODITY

| | Price | FCST 17 | FCST 18 | Δ Future | | Δ 1m | Δ 3m | Δ 6m | Δ 2017 |
|-----------|-------|---------|---------|----------|-----------|-------|-------|--------|--------|
| Gold | 1,205 | 1258 | 1300 | 2.9% | Gold | -3.8% | -8.2% | -9.6% | -4.9% |
| Silver | 15.28 | 17.1 | 16.4 | 3.1% | Silver | -4.8% | -7.6% | -10.0% | -10.3% |
| Platinum | 826 | 951 | 907 | 3.1% | Platinum | -2.4% | -9.2% | -18.1% | -6.0% |
| Palladium | 911 | 855 | 987 | 2.9% | Palladium | -2.9% | -4.7% | -12.1% | 5.3% |
| Crude Oil | 68.73 | 50.6 | 65.9 | -1.7% | Crude Oil | -4.0% | 2.2% | 10.2% | 38.2% |
| Brent Oil | 73.13 | 54.0 | 70.3 | -4.3% | Brent Oil | -5.5% | 1.5% | 10.3% | 38.7% |

FOREIGN EXCHANGE

| | Price | FCST 17 | FCST 18 | Δ Spot | | Δ 1m | Δ 3m | Δ 6m | Δ 2017 |
|---------|--------|---------|---------|--------|---------|-------|-------|-------|--------|
| EUR/USD | 1.1581 | 1.1700 | 1.1900 | 2.7% | EUR/USD | -0.6% | -3.4% | -6.8% | -2.4% |
| GBP/USD | 1.2991 | 1.3200 | 1.3400 | 3.1% | GBP/USD | -1.3% | -4.4% | -7.4% | -1.1% |
| USD/CHF | 0.9957 | 0.9900 | 1.0000 | 0.4% | USD/CHF | -0.3% | 0.2% | -6.0% | -2.6% |
| USD/JPY | 111.71 | 113.00 | 111.00 | -0.6% | USD/JPY | -1.0% | -2.3% | -1.6% | -1.4% |
| EUR/CHF | 1.1531 | 1.1600 | 1.1800 | 2.3% | EUR/CHF | 0.3% | 3.7% | 0.9% | -0.1% |
| USD/RUB | 63.44 | 58.73 | 62.00 | -2.3% | USD/RUB | -0.5% | -0.7% | -9.8% | -4.9% |
| EUR/RUB | 73.47 | 68.40 | 73.76 | 0.4% | EUR/RUB | 0.3% | 2.9% | -3.8% | -2.7% |

Source: Clarus Capital Group, Bloomberg



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IMPRESSUM

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