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MONTHLY PULSE FRIDAY, 28 SEPTEMBER 2018

ECONOMIC OUTLOOK

Another interest rate hike by 25bps from the FED has been taken and nobody is surprised. More interestingly was the release of the FOMC statement as well as the following press conference. On the economic side the worldwide synchronized boom is softening. In the US, the economic growth is continuing to be above the trend whereas the Eurozone has clearly slowed down. But all in all, we still assess the global economy as in a good shape.

The FED dropped the "accommodative" policy stance for the first time in many years. Chairman Powell emphasized that the US economy does not face a large chance of a recession in the next two years and plans to keep gradually raising rates – next time most probably in December. For next year, the FED dot plots show three hikes. The markets are asking whether we have reached a neutral stance now in terms of the rates. The answer is that we just do not know it yet. We are facing a unique monetary and fiscal policy environment in the history of the FED. When we look at the former Chairman's Greenspan, Bernanke and Yellen, they all followed an easing monetary policy with low interest rates. Powell, however, has the challenge to bring up the rates to a neutral stance. We do not expect an inverse interest rate curve as a parallel yield shift is more probable. However, one should keep always an eye on the trade policy and the conflict with China.

For the ECB on the other side, the increase of the credit spreads between Italy and the rest of the Eurozone makes it certainly more difficult to taper the easing monetary policy too quickly.

The current economic data in the Eurozone shows a stabilization but on a low growth level. We do not see any danger that this growth will further diminish. Neither the economic impact of the Turkey crisis as well and the issues in terms of budget plans in Italy should jeopardize the economy in the Eurozone.

Due to the budget deficit in Italy investors were seeking less Government bonds. These uncertainties will probably remain throughout autumn until December. So far, the spreads have widened especially between the Italian and German yields. Driven by Italy we see risks for further risk premium for the periphery countries in the Eurozone.

The Equity markets were fairly resilient against trade tensions between the US and China. Major indices even registered all time highs recently. It is difficult to say if investors are underestimating a negative outcome of the potential trade conflict. It could either result in a good or bad way – time will tell. However, we assess equities still as attractive resulting in a neutral stance. We prefer stocks who invest in organic growth, meaning capex is increasing.

Currencies experienced a roller coaster this month with a 2.5 big figure range in EUR/USD (high 1.1808). Mostly justified by political tensions and positioning. The quick appreciation of the EUR/USD came in rather surprisingly since we do not see a real game changer yet and the FED rate decision was priced in. Recently, the retrace of the pair looks sustainable although not with this dynamic. Hence, we prefer to stay long the USD.

Oil holds gains amid the tightening of global supply. The market has been bolstered by declining crude exports from Iran. US sanctions will take effect beginning of November and it does not look that this supply gap will be filled by the US or Saudi Arabia.

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.

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MARKET OVERVIEW AS OF FRIDAY, 28 SEPTEMBER 2018, 4:52 PM

FIXED INCOME

	Rate	Δ 1m	Δ 3m	Δ ytd
USD Overnight	1.93	0.01	-0.01	0.50
USD 1y Swap	2.78	0.12	0.18	0.88
USD 3y Swap	3.04	0.15	0.20	0.87
USD 5y Swap	3.06	0.16	0.18	0.81
USD 10y Swap	3.10	0.15	0.18	0.70
EUR Overnight	-0.37	0.00	0.00	-0.02
EUR 1y Swap	-0.24	0.00	0.01	0.02
EUR 3y Swap	0.07	0.07	0.10	0.05
EUR 5y Swap	0.39	0.10	0.12	0.08
EUR 10y Swap	0.99	0.09	0.10	0.10
CDX Xover 5y	3.33%	0.08%	-0.27%	0.27%
iTraxx Xover 5y	2.75%	-0.11%	-0.54%	0.41%

	Δ 1m	Δ 3m	Δ 6m	Δ ytd
USD Deposit 1m	0.2%	0.5%	0.9%	0.9%
USD Aggregate 1-3y	0.0%	0.3%	0.6%	0.4%
USD Aggregate 3-5y	-0.3%	0.1%	0.2%	-0.7%
USD Aggregate 5-7y	-0.5%	0.1%	0.2%	-1.1%
USD Aggregate 7-10y	-0.7%	-0.1%	0.1%	-1.9%
EUR Overnight	0.0%	-0.1%	-0.2%	-0.3%
EUR Aggregate 1-3y	0.0%	-0.1%	-0.3%	-0.3%
EUR Aggregate 3-5y	-0.1%	-0.3%	-0.7%	-0.6%
EUR Aggregate 5-7y	-0.3%	-0.5%	-0.9%	-0.9%
EUR Aggregate 7-10y	-0.4%	-0.6%	-0.9%	-0.7%
US Corp. HY	0.4%	2.4%	3.4%	2.5%
EUR HY	0.0%	1.8%	0.8%	0.2%

EQUITY

	Price	P/E	D. Yield	FCF yield
MSCI World	6,264	16.5	2.4%	4.9%
S&P 500	2,914	18.1	1.9%	4.6%
NASDAQ	7,621	21.9	1.0%	3.9%
Euro Stoxx 50	3,394	14.1	3.7%	5.5%
SMI	9,064	15.8	3.5%	5.1%
FTSE 100	7,516	13.5	4.3%	8.4%
DAX	12,222	13.3	3.2%	1.2%
MSCI Asia Pacific	165	13.2	2.7%	5.5%
FTSE China A50	11,873	9.8	3.3%	23.9%
MSCI Emerging Market	1,051	12.1	2.9%	5.1%
PH Semiconductor	1,357	14.2	1.8%	5.7%

	Δ 1m	Δ 3m	Δ 6m	Δ ytd
MSCI World	0.5%	5.7%	8.0%	5.7%
S&P 500	0.6%	7.3%	11.9%	9.0%
NASDAQ	0.7%	8.4%	18.0%	19.1%
Euro Stoxx 50	-1.5%	0.9%	1.9%	-3.1%
SMI	-0.2%	7.1%	3.5%	-3.4%
FTSE 100	-1.3%	-1.3%	6.7%	-2.2%
DAX	-2.4%	0.4%	2.4%	-5.4%
MSCI Asia Pacific	-0.9%	0.1%	-4.0%	-5.2%
FTSE China A50	3.2%	5.0%	-4.8%	-10.0%
MSCI Emerging Market	-1.8%	0.4%	-9.6%	-9.2%
PH Semiconductor	-3.2%	3.5%	4.4%	8.3%

COMMODITY

	Price	FCST 18	FCST 19	Δ Future
Gold	1,185	1277	1275	1.9%
Silver	14.54	16.3	16.4	4.7%
Platinum	818	893	910	2.3%
Palladium	1,080	976	1020	-4.4%
Crude Oil	72.08	67.0	65.53	-2.4%
Brent Oil	82.14	73.0	72.75	-4.3%

	Δ 1m	Δ 3m	Δ 6m	Δ ytd
Gold	-1.8%	-5.3%	-10.5%	-9.5%
Silver	-2.4%	-10.1%	-12.4%	-16.8%
Platinum	2.4%	-4.9%	-14.2%	-14.3%
Palladium	15.5%	16.5%	13.4%	3.3%
Crude Oil	5.7%	3.7%	16.2%	23.5%
Brent Oil	7.7%	6.6%	23.2%	28.3%

FOREIGN EXCHANGE

	Price	FCST 18	FCST 19	Δ Spot
EUR/USD	1.1579	1.1600	1.2300	6.0%
GBP/USD	1.3016	1.3000	1.3700	5.1%
USD/CHF	0.9770	0.9900	0.9700	-0.7%
USD/JPY	113.44	111.00	107	-5.8%
EUR/CHF	1.1313	1.1400	1.2000	5.9%
USD/RUB	65.71	67.25	65.00	-1.1%
EUR/RUB	76.08	79.72	82.16	7.7%

	Δ 1m	Δ 3m	Δ 6m	Δ ytd
EUR/USD	-1.2%	0.0%	-6.2%	-3.5%
GBP/USD	1.0%	-0.6%	-7.7%	-3.7%
USD/CHF	-0.2%	2.1%	-2.4%	-0.3%
USD/JPY	-2.1%	-2.7%	-6.2%	-0.7%
EUR/CHF	1.0%	2.1%	4.1%	3.4%
USD/RUB	3.3%	-4.4%	-12.1%	-12.3%
EUR/RUB	4.4%	-4.2%	-6.1%	-8.9%

Source: Clarus Capital Group, Bloomberg

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IMPRESSUM

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