



ECONOMIC OUTLOOK

In the past it was common to hear the world economy being described as Goldilocks: an economy in a perfect balance - neither overheated nor in recession. Judging by equity markets, some are starting to think this state could be returning. Last week, US equities hit new all-time highs. More broadly, financial conditions have eased impressively since the turn of the year, reversing the tightening that occurred in the final quarter of last year.

This reversal was triggered by the volte-face of the FED and now most central banks have either scrapped or delayed interest rate hikes. The FED stays in its patient and neutral stance. As **core inflation remains muted** in many countries, despite higher wage growth, **central banks have the room to be patient**. Markets are still pricing in two cuts by end of 2020. If history is anything to go by, they will **not shift back to a tightening bias anytime soon**.

So where do we go from here? There has been some progress on trade policy uncertainty too. Reportedly, the US and China are close to a deal. Talks continue soon in Beijing and Washington. If so, it would be quick based on the average of 18 months it takes for the US to sign a trade deal. So, this uncertainty will accompany us even further through the summer. Speaking of **China**. The country's **growth stabilized in Q1**, suggesting the monetary and fiscal easing measures taken over the last year are having the desired effect. The latest credit stimulus is likely to see the global manufacturing PMI stabilize soon and then move somewhat higher over the rest of the year. Looking at the **US macro picture**, GDP expanded a better than expected 3.2% annualized in Q1, although the details were weaker as volatile net exports and inventories contributed more than half of total growth. However, the corporate debt

has risen quite sharply since the financial crisis and much of the funds have gone into share buybacks. As **the earning cycle turns, overleveraged firms will be most vulnerable**. The earnings season in the US has so far seen profits down around 4% YoY but there is likely more to come.

Fixed Income markets have not changed for one month. Credit Spreads tightened further by 16bp for junk bonds. Risk on mode was also reigning bond markets. However, bond markets are still pricing in a recession in 2020. We, therefore, only see limited upside of credit and interest rates and **change therefore to an underweight in bonds**.

Equity valuations have become more expensive after the strong rally of the past four months. Even though the PE ratios have risen, they are still below the levels of the beginning of 2018 but above their historical average. This should be a call for caution at least in the medium term. We expect price gains to become rather modest and market fluctuations greater again. **We further reduce equities to a slight underweight**.

EUR/USD is rather sideways after the pair found a bit of a base ahead of 1.1100. As CFTC data suggests market positioning has already been bearish with largest net short position since end of 2016. With carry trades in favour of the USD the pair is limited to the upside for the time being. **Gold** has lost its safe-haven appeal for now and may face further bearish pressure as the real interest rates in the US are likely to rise. Last week's sharp down move in **oil** came after President Trump criticised the high crude prices, suggesting at the same time the OPEC to pump further oil to counteract the imminent termination of the US waiver programme for Iranian exports. With Saudis talk of extending cuts and Venezuela escalates, oil remains vulnerable.

TACTICAL ASSET ALLOCATION

Liquidity	Overweight (▲)
Bonds	Underweight (▼)
Equities	Slight Underweight (▼)
Alternative Investments	Neutral

EQUITY INDICATORS

Valuation	Negative (▲)
Momentum	Attractive (▲)
Seasonality	Neutral (▼)
Macro	Neutral (▲)

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MARKET OVERVIEW AS OF THURSDAY, 02 MAY 2019, 11:01 AM
FIXED INCOME

	Rate	Δ 1m	Δ 3m	Δ ytd		Δ 1m	Δ 3m	Δ 6m	Δ ytd
USD Overnight	2.39	0.01	0.01	0.01	USD Deposit 1m	0.2%	0.5%	0.9%	0.9%
USD 1y Swap	2.53	-0.05	-0.17	-0.23	USD Aggregate 1-3y	0.2%	1.0%	2.5%	1.4%
USD 3y Swap	2.32	-0.07	-0.23	-0.27	USD Aggregate 3-5y	0.0%	1.4%	4.1%	2.2%
USD 5y Swap	2.32	-0.05	-0.21	-0.25	USD Aggregate 5-7y	0.0%	1.5%	4.9%	2.6%
USD 10y Swap	2.49	-0.01	-0.17	-0.22	USD Aggregate 7-10y	-0.2%	1.7%	5.8%	2.9%
EUR Overnight	-0.37	-0.01	0.00	-0.01	EUR Overnight	0.0%	-0.1%	-0.2%	-0.1%
EUR 1y Swap	-0.23	0.00	-0.01	0.00	EUR Aggregate 1-3y	0.0%	0.2%	0.5%	0.3%
EUR 3y Swap	-0.13	0.01	-0.05	-0.05	EUR Aggregate 3-5y	0.2%	0.9%	1.8%	1.3%
EUR 5y Swap	0.04	0.01	-0.08	-0.16	EUR Aggregate 5-7y	0.3%	1.7%	3.4%	2.6%
EUR 10y Swap	0.51	0.01	-0.15	-0.30	EUR Aggregate 7-10y	0.3%	2.5%	5.0%	3.9%
CDX Xover 5y	3.25%	-0.16%	-0.27%	-1.24%	US Corp. HY	1.4%	4.1%	5.5%	8.8%
iTraxx Xover 5y	2.49%	-0.09%	-0.60%	-1.04%	EUR HY	1.0%	3.8%	3.4%	6.1%

EQUITY

	Price	P/E	D. Yield	FCF yield		Δ 1m	Δ 3m	Δ 6m	Δ ytd
MSCI World	6,294	16.2	2.5%	5.4%	MSCI World	3.4%	7.9%	8.7%	16.3%
S&P 500	2,943	17.7	2.0%	5.0%	S&P 500	3.8%	8.8%	8.5%	17.4%
NASDAQ	7,783	21.6	1.0%	4.2%	NASDAQ	5.5%	12.7%	11.7%	22.9%
Euro Stoxx 50	3,515	14.1	3.7%	6.9%	Euro Stoxx 50	4.9%	11.2%	9.9%	17.1%
SMI	9,770	16.2	3.4%	7.3%	SMI	3.1%	8.9%	8.3%	15.9%
FTSE 100	7,418	13.0	4.7%	5.1%	FTSE 100	1.9%	6.4%	4.1%	10.3%
DAX	12,344	13.6	3.3%	1.7%	DAX	7.1%	10.5%	7.8%	16.9%
MSCI Asia Pacific	163	13.6	2.9%	6.8%	MSCI Asia Pacific	1.7%	3.8%	8.8%	10.8%
FTSE China A50	13,663	10.3	3.1%	18.5%	FTSE China A50	2.3%	18.8%	22.5%	31.5%
MSCI Emerging Market	1,083	12.9	2.9%	6.1%	MSCI Emerging Market	2.3%	3.1%	13.3%	12.1%
PH Semiconductor	1,557	17.5	1.8%	5.0%	PH Semiconductor	11.6%	22.4%	29.5%	34.8%

COMMODITY

	Price	FCST19	FCST20	Δ Future		Δ 1m	Δ 3m	Δ 6m	Δ ytd
Gold	1,285	1315	1,367	1.5%	Gold	-0.6%	-2.6%	5.8%	0.3%
Silver	14.99	16.0	17	5.3%	Silver	-1.4%	-7.8%	2.9%	-4.6%
Platinum	894	878	972	-1.3%	Platinum	4.7%	7.8%	5.0%	11.0%
Palladium	1,381	1281	1,113	-8.0%	Palladium	2.9%	7.1%	31.3%	16.8%
Crude Oil	64.03	60.9	65	-1.8%	Crude Oil	6.2%	17.3%	-3.1%	36.4%
Brent Oil	72.26	68.5	70	-0.6%	Brent Oil	7.5%	18.5%	-3.4%	32.0%

FOREIGN EXCHANGE

	Price	FCST19	FCST20	Δ Spot		Δ 1m	Δ 3m	Δ 6m	Δ ytd
EUR/ USD	1.1217	1.1600	1.2200	8.4%	EUR/ USD	0.0%	-2.0%	-0.8%	-2.2%
GBP/ USD	1.3040	1.3600	1.4400	9.9%	GBP/ USD	-0.5%	-0.5%	2.1%	2.2%
USD/ CHF	1.0191	0.9900	0.9600	-6.0%	USD/ CHF	-2.0%	-2.4%	-1.0%	-3.6%
USD/ JPY	111.37	109.00	105	-6.4%	USD/ JPY	0.0%	-2.2%	1.4%	-1.5%
EUR/ CHF	1.1432	1.1400	1.1800	3.2%	EUR/ CHF	-2.0%	-0.4%	-0.2%	-1.5%
USD/ RUB	64.59	66.00	64.85	0.4%	USD/ RUB	0.9%	1.3%	2.0%	7.9%
EUR/ RUB	72.47	76.40	79.00	8.6%	EUR/ RUB	0.9%	3.2%	2.8%	9.7%

Source: Clarus Capital Group, Bloomberg



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IMPRESSUM

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