



LimmatWealth

Investment Strategy – September 2019

Data & Forecasts

Developed Markets	Growth (%)		Inflation (%)		Equities			Bonds (10 Years)			Currencies (vs CHF)		
	GDP 18	GDP 19	CPI 18	CPI 19	Actual	3 Mths	12 Mths	Actual	3 Mths	12 Mths	Actual	3 Mths	12 Mths
Switzerland	2.6	1.3	0.9	0.6	12'026	→	↗	-1.01	-0.75	-0.50	-	-	-
Germany	1.5	0.6	1.9	1.9	11'901	→	↗	-0.73	-0.50	-0.30	-	-	-
Eurozone	1.8	1.1	1.7	1.7	3'418	→	↗	-	-	-	1.08	1.10	1.14
United Kingdom	1.4	1.3	2.5	2.5	7'270	→	↗	0.37	0.70	1.00	1.19	1.22	1.27
United States	2.9	2.3	2.4	2.4	2'926	→	↗	1.48	1.90	2.10	0.99	0.97	0.98
Japan	0.7	1.0	1.0	1.0	20'625	→	↗	-0.28	-0.20	-0.10	107	107	107

Emerging Markets	Growth (%)		Inflation (%)		Equities			Bonds (10 Years)			Currencies (vs USD)		
	GDP 18	GDP 19	CPI 18	CPI 19	Actual	3 Mths	12 Mths	Actual	3 Mths	12 Mths	Actual	3 Mths	12 Mths
Brazil	1.2	0.9	3.7	3.7	100'626	→	↗	7.46	7.30	7.20	4.19	3.80	3.90
Russia	1.8	1.2	2.9	2.9	1'301	→	↗	3.45	4.50	6.00	67.00	66.00	65.00
India	7.4	6.7	4.1	4.1	36'563	→	↗	6.52	6.60	6.80	72.30	71.00	71.00
China	6.6	6.2	2.1	2.1	2'930	→	↗	3.07	3.00	2.80	7.18	7.00	6.90

Review – Volatile month to end summer

Equity markets worldwide experienced a sharp correction in the first half of August but partially recovered in the second half. The Swiss equity market again performed relatively well and finished the month unchanged. Markets in Great Britain (-5.0%), Russia (-4.9%), and Japan (-3.8%) declined significantly.

Yields on ten-year government bonds worldwide mostly further decreased last month. Yields in Brazil (+0.20% to 7.43%) and India (+0.19% to 6.56%) increased while the ones in the United States (-0.52% to 1.50%), Russia (-0.37% to 3.45%), Germany (-0.26% to -0.70%), and Switzerland (-0.26% to -1.02%) decreased further.

Volatility in currency markets picked up in August, especially in Emerging Markets (against the US Dollar). The Brazilian Real (-8.1%), Russian Ruble (-4.6%), and Chinese Yuan (-3.8%) all weakened against the US Dollar. The Swiss Franc remained unchanged against the US Dollar (CHF 0.99), but strengthened against the Euro (+1.3% to CHF 1.09) as well as the British Pound (+0.4% to CHF 1.20). The Euro weakened against the US Dollar (-0.8% to USD 1.10).

Alternative investments performed differently last month. Gold benefitted from increased political and economic uncertainties and increased significantly (+7.5% to USD 1,520 per ounce), hedge funds finished the month unchanged (+0.2%), and Oil declined (WTI, -5.9% to USD 55.10 per barrel).

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Outlook – No positive developments with regards to the trade war

The trade war between the United States and China entered a next phase at the beginning of September as the next round of tariffs took effect, driving the world's two largest economies further apart. There seems to be no imminent deal on the table, therefore the uncertainty for market participants continues.

We continue to expect sideways to slightly negative trending markets over the late summer. We currently prefer the United States and emerging markets in Asia (China, Vietnam) over Europe.

The FED preemptively cut rates at the end of July and an additional rate cut in mid-September is considered a certainty. Market participants expect that the European Central Bank ECB will follow in the steps of the FED and cut rates as well this month. These cuts should be already priced in in the markets and therefore we would expect no major impact on bond prices.

Geopolitical tensions continue to quickly lead to strong moves in currency markets. The Swiss Franc has historically acted as a safe haven in times of trouble; we do not expect this to change going forward.

Hedge funds performed well so far this year and they should continue to benefit from the increased volatility in the coming months. We maintain our gold position for diversification reasons.