



LimmatWealth

Investment Strategy – July 2018

Data & Forecasts

Developed Markets	Growth (%)		Inflation (%)		Equities			Bonds (10 Years)			Currencies (vs CHF)		
	GDP 17	GDP 18	CPI 17	CPI 18	Actual	3 Mths	12 Mths	Actual	3 Mths	12 Mths	Actual	3 Mths	12 Mths
Switzerland	1.0	2.1	0.5	0.8	10'356	→	↗	-0.10	0.15	0.40	-	-	-
Germany	2.5	2.1	1.7	1.7	12'295	→	↗	0.30	0.70	1.10	-	-	-
Eurozone	2.5	2.2	1.5	1.5	3'409	→	↗	-	-	-	1.16	1.17	1.20
United Kingdom	1.7	1.3	2.7	2.7	7'572	→	↗	1.27	1.60	1.90	1.31	1.33	1.35
United States	2.3	2.9	2.1	2.1	2'713	→	↗	2.83	3.10	3.30	0.99	0.99	0.98
Japan	1.6	1.1	0.5	0.5	21'717	→	↗	0.03	0.10	0.10	111	110	111

Schwellenländer	Growth (%)		Inflation (%)		Equities			Bonds (10 Years)			Currencies (vs USD)		
	GDP 17	GDP 18	CPI 17	CPI 18	Actual	3 Mths	12 Mths	Actual	3 Mths	12 Mths	Actual	3 Mths	12 Mths
Brazil	1.0	1.8	3.4	3.4	73'578	→	↑	11.43	12.50	10.50	3.91	3.70	3.50
Russia	1.5	1.8	3.7	3.7	1'146	→	↑	4.72	7.20	7.00	63.26	61.00	61.00
India	6.3	6.6	4.5	4.5	35'645	→	↑	7.85	7.90	7.60	68.74	68.00	68.00
China	6.9	6.5	1.6	1.6	2'759	→	↑	3.52	3.70	3.50	6.63	6.40	6.40

Review – Geopolitical tensions continue to weigh on risk sentiment

Trade tensions driven by US president Donald Trump continued in June which led to volatility in equity and bond markets, especially in the second half of the month.

Equity indices worldwide performed differently in June. Markets in Switzerland (+1.6%), the US (+0.5%), and Japan (+0.5%) appreciated while those in Germany (-2.4%), Brazil (-5.2%), and China (-8.0%) lagged.

Yields on ten-year government bonds remained mostly unchanged in June. While yields in Brazil (+0.22% to 11.68%) and India (+0.08% to 7.90%) increased slightly, they fell in Germany (-0.04% to 0.30%) and China (-0.16% to 3.48%). Ten-year yields in Switzerland remained unchanged and are still in negative territory (-0.06%).

Currency markets remained volatile, mainly driven by the US Dollar. The Swiss Franc depreciated against the US Dollar (-0.5% to CHF 0.99) and the Euro (-0.4% to CHF 1.16) but appreciated against the Japanese Yen (+1.3% to JPY 112). The Euro remained unchanged against the US Dollar (USD 1.17).

Alternative investments had varied performances in June. Oil appreciated massively (WTI, +10.6% to USD 74.15 per barrel) while gold (-3.5 % to USD 1,253 per ounce) and hedge funds (-0.2%) depreciated.

The information and opinions expressed in this publication were produced by Limmat Wealth Ltd. as of the date of writing and may be changed without notice. Although the information herein obtained are from sources believed to be reliable, Limmat cannot assume responsibility in quality, correctness, timeliness or completeness and does not accept liability for any loss arising from the use of this publication. This publication is intended for information purposes only and does not constitute an offer or an invitation by, or on behalf of, Limmat to make any investments. This document is not subject to the "Directives on the Independence of Financial Research" published by the Swiss Bankers Association. The content of this publication does therefore not fulfill the legal requirements for the independence of financial research. Nothing in this publication constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate for individual circumstances, or otherwise constitutes a personal recommendation for any specific investor. Past performance is not a reliable indicator of future results. Performance forecasts are not a reliable indicator of future performance. This publication has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Investments in assets or asset classes mentioned in this publication may not be accessible or suitable for all recipients. Before entering into any transaction, investors should consider the suitability of the transaction to individual circumstances and objectives. Investors should independently assess, with a professional tax advisor, the specific financial risks as well as legal, regulatory, credit, tax and accounting consequences. This publication may only be distributed in countries where its distribution is legally permitted. This information is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) such publications are prohibited.



Outlook – Sideways trending markets in summer expected

Even though we remain cautiously optimistic on equity markets in general, we expect sideways trending markets over the summer months.

The US central bank fed hiked rates once again in June. The next rate hike is expected to take place in late September (80% probability). We expect gradually higher interest rates in developed markets in the mid-term and therefore bond markets should only be marginally impacted.

We expect ongoing volatility in currency markets in the short-term due to recent geopolitical tensions.

Even though the environment should be beneficial for hedge funds (higher volatility and dispersion), a lot of them still struggle to perform well. Smart hedge fund selection is essential to generate positive, uncorrelated returns in every environment. We maintain our gold position for diversification reasons.