LimmatWealth

Investment Strategy – April 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	0.7	11'358	↗	↗	-0.30	-0.10	0.00	-	-	-
Germany	1.5	1.0	1.9	1.9	11'974	↗	↗	-0.01	0.25	0.30	-	-	-
Eurozone	1.8	1.2	1.7	1.7	3'438	↗	↗	-	-	-	1.12	1.14	1.17
United Kingdom	1.4	1.3	2.5	2.5	7'386	↗	↗	1.08	1.50	1.75	1.31	1.33	1.37
United States	2.9	2.4	2.4	2.4	2'873	↗	↗	2.50	2.80	3.00	1.00	0.99	0.98
Japan	0.7	0.7	1.0	1.0	21'725	↗	↗	-0.04	0.00	0.10	112	110	109

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	2.2	3.7	3.7	94'491	↗	↗	8.99	8.90	8.60	3.87	3.80	3.80
Russia	1.8	1.5	2.9	2.9	1'219	↗	↗	4.52	5.00	6.50	65.39	66.50	67.00
India	7.4	7.0	4.1	4.1	38'685	↗	↗	7.35	7.50	7.50	69.17	71.00	70.00
China	6.6	6.2	2.1	2.1	3'247	↗	↗	3.26	3.10	3.20	6.72	6.70	6.70

Review – Another positive month to end the first quarter

Most markets continued their upward trend in March despite the never ending discussions around Brexit and the ongoing trade talks between the United States and China.

Equity markets worldwide advanced again in March. Markets in India (+7.8%), China (+5.1%), and the UK (+2.9%) advanced while the ones in Brazil (-0.2%), and Japan (-0.8%) declined slightly. The equity market in Switzerland also posted positive returns (+2.5%). Due to the strong rally in the first quarter, all markets were able to recoup most of the losses incurred in the last quarter and last year.

Developed Markets	Q4 2018	2018	Q1 2019
Switzerland	-9.0%	-8.6%	14.4%
Germany	-13.8%	-18.3%	9.2%
Eurozone	-11.7%	-14.3%	11.7%
United Kingdom	-10.4%	-12.5%	8.2%
United States	-14.0%	-6.2%	13.1%
Japan	-17.0%	-12.1%	6.0%

Emerging Markets	Q4 2018	2018	Q1 2019
Brazil	10.8%	15.0%	8.6%
Russia	-10.3%	-7.4%	12.1%
India	-0.4%	5.9%	7.2%
China	-11.6%	-24.6%	23.9%

Source: Bloomberg, Limmat Wealth

Yields on ten-year government bonds decreased worldwide in the past month. Yields decreased in Germany (-0.25% to -0.07%), the UK (-0.30% to 1.00%), and the United States (-0.31% to 2.41%), as well as in Switzerland (-0.14% to -0.38%). Swiss yields now trade at the lowest level since autumn of 2016.

Volatility in currency markets remained within the normal range last month. The Swiss Franc strengthened against the British Pound (+2.1% to CHF 1.30) as well as the Euro (+1.7% to CHF 1.12), and remained unchanged versus the US Dollar (CHF 1.00). The Euro weakened against the US Dollar (-1.3% to USD 1.12).

Alternative investments performed differently in February. Oil appreciated significantly again (WTI, +5.1% to USD 60.14 per barrel) while hedge funds (-0.2%) and Gold decreased slightly (-1.6% to USD 1,292 per ounce).

Outlook – Important decisions postponed

There were hardly any news last month with regards to the progress of trade negotiations between China and the United States. At the end of February, press reports mentioned that a trade deal could be signed by US-President Donald Trump and his Chinese counterpart Xi Jinping as end of March. This was not the case and negotiations continue. Besides this trade conflict, Brexit is also still on the table. The UK's Prime Minister Theresa May will ask the European Union (EU) to delay Brexit once again. May wants an extension to give more time for cross-party negotiations over the political impasse in London. The UK should leave the EU by April 12th but it is still unclear how things should proceed. We remain more positive towards the United States and Asia versus Europe due to political risks in Europe (Brexit, Italy) and a softer interest rate path in the US. We currently like the US, China, India, and Vietnam as well as the global fishing sector.

The US central bank put further interest rate hikes this year on hold. Market participants expect no further rate hikes in the US this year but the probability of a rate by the end of this year increased significantly to 60%. The probability of a rate hike as well as a cut in the Eurozone is low at the moment (3% and 20%). We partially agree with the market and we don't expect any more hikes or cuts in both regions this year.

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 turned around their performance this year and posted the best first quarter in a year since 2006. Hedge funds took advantage of the volatility at the end of last year and this should continue to yield good returns in the coming months. We maintain our gold position for diversification reasons.

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Limmat Wealth Ltd.