



LimmatWealth

Investment Strategy – August 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	11'775	→	↗	-0.86	-0.60	-0.40	-	-	-
Germany	1.5	0.7	1.9	1.9	11'726	→	↗	-0.52	-0.40	-0.20	-	-	-
Eurozone	1.8	1.1	1.7	1.7	3'332	→	↗	-	-	-	1.09	1.10	1.14
United Kingdom	1.4	1.3	2.5	2.5	7'309	→	↗	0.51	1.00	1.20	1.18	1.24	1.28
United States	2.9	2.5	2.4	2.4	2'932	→	↗	1.77	1.90	2.20	0.98	0.97	0.98
Japan	0.7	0.7	1.0	1.0	20'720	→	↗	-0.19	-0.10	-0.10	108	108	108

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	1.0	3.7	3.7	102'674	→	↗	7.23	7.40	7.10	3.89	3.80	3.80
Russia	1.8	1.2	2.9	2.9	1'290	→	↗	3.90	5.00	6.00	64.95	65.00	65.00
India	7.4	6.6	4.1	4.1	36'619	→	↗	6.37	6.70	7.20	70.28	70.00	70.00
China	6.6	6.2	2.1	2.1	2'821	→	↗	3.06	3.00	2.90	7.03	6.90	6.90

Review – The calm before the storm?

Last month was a quiet one for markets all over the globe. This gave investors time to take a breather – or was it just the calm before the storm...?

Most of the equity markets worldwide trended sideways in July. Markets in Great Britain (+2.2%), the United States (+1.3%), and Japan (+1.2%) advanced slightly, while the ones in India (-4.9%), Germany (-1.7%), and China (-1.6%) declined. The Swiss equity market remained more or less unchanged last month (+0.7%).

Yields on ten-year government bonds further decreased or remained stable last month. Yields in India (-0.51% to 6.37%), Switzerland (-0.23% to -0.76%), and Brazil (-0.22% to 7.23%) decreased, while the ones in the United States (+0.01% to 2.01%) and Japan (+0.01% to -0.15%) remained unchanged.

Volatility in currency markets remained within reason last month. The Swiss Franc weakened against the US Dollar (-1.8% to CHF 1.00), but strengthened against the Euro (+0.8% to CHF 1.10) as well as the British Pound (+2.5% to CHF 1.21). The Euro weakened against the US Dollar (-2.6% to USD 1.11).

Alternative investments finished July unchanged. Gold (+0.3% to USD 1,414 per ounce) and Oil (WTI, +0.2% to USD 58.58 per barrel) remained unchanged, while hedge funds advanced slightly (+0.8%).

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Outlook – Unchanged situation

Equity markets trended sideways in July but corrected in early August. As mentioned in last month's Investment Strategy, equity markets are generally trending upward albeit in a shaky environment. There were hardly any news with regards to the trade tensions between the United States and China and markets barely reacted to the US central Bank FED's rate cut in late July. We continue to see more risks than opportunities in today's environment and markets therefore we could see some stress in the markets over the next few months.

We already started to selectively reduce our equity exposure a few months ago. We continue to expect sideways to slightly negative trending markets over the summer. We currently prefer the United States and emerging markets in Asia over Europe.

The FED preemptively cut rates at the end of July. Market participants expect another rate cut in September. It looks similar now in the Eurozone. A rate cut is off the table but it seems highly likely that the European Central Bank ECB will cut rates in September as well. These cuts should be already priced in in the markets and should therefore have 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 at the beginning of this year and they should continue to yield good returns in the coming months. We maintain our gold position for diversification reasons.