



LimmatWealth

Investment Strategy – September 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	2.2	0.5	0.9	10'786	→	↗	-0.08	0.05	0.25	-	-	-
Germany	2.5	2.0	1.7	1.7	12'356	→	↗	0.35	0.60	1.00	-	-	-
Eurozone	2.5	2.1	1.5	1.5	3'399	→	↗	-	-	-	1.13	1.16	1.18
United Kingdom	1.7	1.3	2.7	2.7	7'515	→	↗	1.43	1.60	1.90	1.25	1.30	1.31
United States	2.3	2.9	2.1	2.1	2'902	→	↗	2.88	3.10	3.30	0.97	0.99	0.98
Japan	1.6	1.0	0.5	0.5	22'697	→	↗	0.12	0.10	0.15	115	111	112

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	1.7	3.4	3.4	76'193	→	↗	12.35	11.00	10.50	4.16	3.80	3.60
Russia	1.5	1.8	3.7	3.7	1'088	→	↗	4.97	7.70	7.30	68.27	64.00	63.00
India	6.3	6.6	4.5	4.5	38'373	→	↗	8.01	7.90	7.80	71.28	69.00	68.00
China	6.9	6.6	1.6	1.6	2'751	→	↗	3.62	3.50	3.40	6.83	6.80	6.70

Review – Trump dampens the mood

After a pleasant July, negative sentiment took over again in August. US president Donald Trump's statements dampened the mood of investors and this led to predominantly negative results in equity markets worldwide.

Equity indices worldwide performed differently in August. Markets in the United States (+3.0%), India (+2.8%), and Japan (+1.4%) appreciated, while those in the United Kingdom (-4.1%), China (-5.3%), and Russia (-6.9%) depreciated.

Yields on ten-year government bonds depreciated in developed markets last month but they increased in emerging markets. While yields in Brazil (+1.02% to 12.20%), Russia (+0.32% to 4.97%) and China (+0.18% to 7.95%) increased, they fell slightly in Switzerland (-0.08% to -0.10%), the US (-0.10% to 2.86%), and Germany (-0.12% to 0.33%).

As mentioned in last month's investment strategy, trade tensions can quickly lead to strong swings in currency markets as witnessed this month. The Swiss Franc was once again sought-after as a safe haven and appreciated against the British Pound (+3.5% to CHF 1.26) as well as the Euro (+3.0% to CHF 1.12) and the US Dollar (+2.2% to CHF 0.97). Der US Dollar appreciated significantly against emerging market currencies, especially against the Brazilian Real (+7.9% to BRL 4.06) and the Russian Rubel (+7.9% to RUB 67.47). The US Dollar slightly depreciated against the Euro (-0.8% to USD 1.16).

Alternative investments performed differently in August. Hedge Funds appreciated slightly (+0.5%), Oil remained stable (WTI, +1.5% to USD 69.80 per barrel), and Gold once again depreciated (-1.9% to USD 1,201 per ounce).

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Outlook – Trade policy continues to be in focus, China oversold

We expect markets to trend sideways over the next couple of months even though the situation can change anytime due to geopolitical tensions and statements by US president Trump. Chinese equities sold off since late January and shed about 20% of their value since then. We think China is oversold and we see a lot of potential in the long-term in Chinese equities; not only in Tencent and Alibaba.

The US central bank hiked rates twice so far this year (in March and June) and the next rate hike is expected to take place in late September (probability >95%). We expect gradually higher interest rates in developed markets in the mid-term and therefore bond markets should only be marginally impacted.

Geopolitical tensions continue to quickly lead to strong moves in currency markets. The Swiss Franc looks a bit overvalued against the US Dollar and the Euro at the moment.

Even though the environment should be beneficial for hedge funds, 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.