LimmatWealth

Investment Strategy – December 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	0.8	0.9	0.5	12'470	→	→	-0.63	-0.60	-0.60	-	-	-
Germany	1.5	0.5	1.9	1.9	13'134	→	→	-0.33	-0.50	-0.40	-	-	-
Eurozone	1.8	1.1	1.7	1.7	3'656	→	→	-	-	-	1.09	1.10	1.12
United Kingdom	1.4	1.2	2.5	2.5	7'183	→	→	0.71	0.75	1.00	1.29	1.28	1.30
United States	2.9	2.3	2.4	2.4	3'093	→	→	1.75	1.80	1.90	0.99	0.98	0.98
Japan	0.7	0.9	1.0	1.0	23'135	→	→	-0.04	-0.20	-0.10	110	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
Asia ex Japan	5.0	5.0	2.6	2.6	646	→	→	-	-	-	-	-	-
China	6.6	6.1	2.1	2.1	2'878	→	→	3.20	3.00	2.80	7.06	7.10	7.10

Review – New highs in Switzerland, Germany, and the United States

Equity markets worldwide finished November with positive returns, except for China (-1.9%). Markets in Switzerland (+2.7%), Germany (+2.9%), and the United States (+3.4%) reached new all-time highs last month, and Europe (+2.8%) finished the month with another good result as well. Except for a few corrections, markets have been in an upward trend since March 2009 or for more than ten years. Most markets printed above-average returns over this period, as one can see in the table below.

Developed Markets	Since 02/2008	Annualized	2019
Switzerland	222.6%	11.5%	29.0%
Germany	244.4%	12.2%	25.4%
Eurozone	188.8%	10.4%	28.4%
United Kingdom	190.2%	10.4%	14.0%
United States	434.7%	16.9%	28.7%
Japan	277.9%	13.2%	18.7%

Emerging Markets	Since 02/2008	Annualized	2019
Asia ex Japan	238.4%	12.0%	11.0%
China	75.9%	5.4%	18.0%

Returns of selected equity indices since the financial crisis (Source: Bloomberg, Limmat Wealth)

Yields on ten-year government bonds around the globe increased slightly last month. Yields increased in the United States (+0.08% to 1.78%) as well as in the UK (+0.07% to 0.70%), and Japan (+0.06% to -0.07%). Yields dropped slightly in Switzerland (-0.05% to -0.61%) and China (-0.11% to 3.18%).

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Currency markets moved within reason last month. The Swiss Franc weakened against the US Dollar (-1.4% to CHF 1.00) and the British Pound (-1.3% to CHF 1.29), but remained unchanged against the Euro (CHF 1.10). The Euro weakened against the US Dollar (-1.2% to USD 1.10).

Alternative investments performed differently last month. The gold price decreased (-3.2% to USD 1,464 per ounce), while the oil price (WTI, +1.8% to USD 55.17 per barrel) and hedge funds (+1.0%) gained.

Outlook – Trade tensions and the US presidential election as factors of uncertainty

Meanwhile, good and bad news with regards to the ongoing trade war between the United States and China alternate from day to day. One day they are closer and the next day they are a long way from a deal. We expect that markets over the next 10-12 months will be mainly driven by trade tensions and the upcoming US presidential election. This will lead to more volatility in security prices and this will offer good entry points.

We continue to expect sideways trending markets over the coming months and we continue to prefer the United States over Europe.

Market participants do not expect more rate cuts in the United States (41% probability) and in Europe (32% probability) over the coming six months.

Ongoing trade discussions and geopolitical tensions in general continue to quickly lead to strong moves in currency markets. The Swiss Franc has historically acted as a safe haven in times of trouble.

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

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Limmat Wealth Ltd.