



LimmatWealth

Investment Strategy – March 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	1.5	0.9	0.7	11'067	↗	↗	-0.27	0.00	0.30	-	-	-
Germany	1.5	1.2	1.9	1.9	11'588	↗	↗	0.13	0.40	0.80	-	-	-
Eurozone	1.8	1.4	1.7	1.7	3'325	↗	↗	-	-	-	1.14	1.15	1.17
United Kingdom	1.4	1.4	2.5	2.5	7'196	↗	↗	1.23	1.40	1.80	1.32	1.32	1.35
United States	2.9	2.5	2.4	2.4	2'771	↗	↗	2.69	2.90	3.10	1.00	0.99	0.96
Japan	0.7	0.8	1.0	1.0	21'456	↗	↗	-0.01	0.10	0.10	111	111	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	2.4	3.7	3.7	94'217	↗	↗	9.08	9.00	9.00	3.84	3.70	3.65
Russia	1.8	1.5	2.9	2.9	1'192	↗	↗	4.66	6.00	7.00	65.89	66.00	67.00
India	7.4	7.2	4.1	4.1	36'664	↗	↗	7.37	7.50	7.60	70.07	71.00	71.00
China	6.6	6.2	2.1	2.1	3'127	↗	↗	3.18	3.10	3.20	6.71	6.80	6.70

Review – The recovery continues

Sentiment continued to improve among investors in February. Supposedly positive developments in the trade talks between the United States and China led to positive returns, especially in equity markets.

Equity markets worldwide advanced in February except in some emerging markets. Markets in Europe (+4.4%), Switzerland (+4.3%), and Germany (+3.0%) advanced while the ones in India (-1.1%), Brazil (-1.9%), and Russia (-2.2%) declined.

Yields on ten-year government bonds predominantly increased slightly worldwide in the past month. While yields went up in Brazil (+0.14% to 9.00%), India (+0.13 to 7.41%), and the United States (+0.09 to 2.72%), they fell slightly in Japan (-0.03% to -0.02%). Yields in Switzerland remained unchanged (+0.01% to -0.24%).

Like in all markets, volatility has flattened in currency markets since the beginning of the year. The Swiss Franc weakened against the Japanese Yen (-1.9% to JPY 112) as well as the British Pound (-1.5% to CHF 1.32) and the US Dollar (-0.4% to CHF 1.00). The Euro remained unchanged against the US Dollar (USD 1.14).

Alternative investments performed differently in February. Oil appreciated significantly again (WTI, +6.4% to USD 57.22 per barrel) and hedge funds performed positively as well (+0.6%), while the Gold price decreased slightly (-0.6% to USD 1,313 per ounce).

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[Outlook – Important decisions on the agenda](#)

The still unsolved trade conflict between the United States and China is about to enter its decisive phase. According to different reports in the press over the past few days, the trade talks between the two countries have made substantive progress and are nearing the finish line on a trade deal that could be signed by President Donald Trump and his Chinese counterpart Xi Jinping as early as this month. Besides this trade conflict, Brexit is still on the table. There is still no agreement between the European Union and the United Kingdom about a Brexit deal. This means that about three weeks before the actual Brexit date, it is still unclear how things should proceed. As mentioned in previous investment strategies this year, we focus more on the United States and Asia rather than Europe due to political risks in Europe (Brexit, Italy) and a softer interest rate path in the US. We like the US, China, India, and Vietnam as well as the global fishing sector at the moment.

The US central bank put further interest rate hikes this year on ice. Market participants expect no further rate hikes in the US this year and the probability for a rate hike in the Eurozone is also very low (~15%). We agree with the market and therefore bond markets should only be marginally impacted.

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 start to the year since 2012. 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.