



ECONOMIC OUTLOOK

In recent weeks, geopolitical risks have decreased on various fronts. In the trade dispute between the US and China as well, much more conciliatory tone has been struck recently. However, it is still too early to assume that the situation will ease in the long term.

The ECB has once again put together a stimulus package. Its effectiveness is however increasingly being questioned. Fiscal stimuli would now be more promising to boost the European economy. On the other side of the Atlantic, the FED lowered its key interest rate for the second time this year. For some time now, it has been pointing to the high geopolitical uncertainties that are weighing on the global economic outlook and could have a negative impact on the US economy. Hence the rates cuts are precautionary measures to counteract a potential economic downturn. Analysts expect further rate cut in October. However, the FOMC's dot plots show no further interest rate cuts in the median for this year. Our base scenario remains for two rate cuts. The US economy is still well positioned and would have to cool down more for a further rate cut.

Nonetheless, the trade dispute is clearly taking its toll on the US industry, exports and investment. The ISM Manufacturing fell below the growth threshold of 50 points in August for the first time since 2016. The sub-component for export orders even fell to its lowest level since 2009. Contrariwise, the interest-sensitive real estate market registered record construction starts in twelve years which should lead to GDP growth in Q3.

Eurozone's economy continues to stagnate. Company surveys and leading indicators continue to signal low growth for the coming months. The downside risks still predominate, but the

high level of consumer confidence and strongest wage growth since the financial crisis speaks again a recession scenario.

Bond yields have rebounded from the August lows but remain low on an absolute basis. With central banks easing policy, government bond yields are likely to rise moderately. The spread in USD IG has remained broadly unchanged and we are biased to short duration. US HY spreads have compressed recently to a level comparable to EM hard currency bonds and therefore the global HY bonds are relatively pricey. Due to limited performance potential we remain neutral in bonds.

Equity markets should continue to perform well given the fact that central banks loosen its monetary policy – at least temporarily. The US earnings season is soon about to kick-off with expected drop in profits by 3.5% from last year's period. We see the US equity market as the most attractive, with financials and healthcare to outperform. However, in our opinion the political outcomes and slow global growth may prevail the expectations. Hence, we remain underweight in equities.

EUR/USD is still at downside risk despite the improving political situations in Italy and the UK. Lots of negativity is already priced and with ECB's accommodative policy stance, we still think 1.08 -1.10 is the range to trade until year end. Gold corrected sharply last week as political tensions eased. However, with US real yields collapsing, gold may regain momentum if risk sentiment worsens. Oil production shortfalls in the short term will further provide upside potential assuming the demand for crude oil is developing steady.

TACTICAL ASSET ALLOCATION\*

Liquidity	Neutral
Bonds	Neutral
Equities	Slight underweight
Alternative Investments	Neutral

EQUITY INDICATORS\*

Valuation	Underweight
Momentum	Attractive
Seasonality	Underweight
Macro	Underweight

\*no changes to previous month

Should you require further information or advise, please do not hesitate to contact your Clarus Capital relationship manager.

**MARKET OVERVIEW AS OF TUESDAY, 01 OCTOBER 2019, 5:16 PM**
**FIXED INCOME**

	Rate	Δ 1m	Δ 3m	Δ ytd		Δ 1m	Δ 3m	Δ 6m	Δ ytd
USD Overnight	1.82	-0.27	-0.55	-0.56	USD Deposit 1m	0.2%	0.5%	0.9%	0.9%
USD 1y Swap	1.78	-0.01	-0.28	-0.98	USD Aggregate 1-3y	0.0%	0.8%	2.3%	3.4%
USD 3y Swap	1.49	0.09	-0.30	-1.11	USD Aggregate 3-5y	-0.1%	1.4%	3.8%	5.8%
USD 5y Swap	1.45	0.13	-0.36	-1.13	USD Aggregate 5-7y	-0.4%	1.6%	4.4%	6.8%
USD 10y Swap	1.53	0.15	-0.47	-1.19	USD Aggregate 7-10y	-0.9%	2.9%	7.0%	9.8%
EUR Overnight	-0.45	-0.09	-0.09	-0.10	EUR Overnight	0.0%	-0.1%	-0.2%	-0.3%
EUR 1y Swap	-0.43	0.08	-0.06	-0.20	EUR Aggregate 1-3y	-0.2%	0.1%	0.5%	0.7%
EUR 3y Swap	-0.46	0.12	-0.09	-0.39	EUR Aggregate 3-5y	-0.4%	0.6%	1.9%	3.0%
EUR 5y Swap	-0.41	0.12	-0.16	-0.61	EUR Aggregate 5-7y	-0.5%	1.5%	4.0%	6.3%
EUR 10y Swap	-0.15	0.12	-0.31	-0.97	EUR Aggregate 7-10y	-0.7%	2.4%	6.5%	10.0%
CDX Xover 5y	3.55%	0.15%	0.34%	-0.95%	US Corp. HY	0.4%	1.1%	3.7%	11.4%
iTraxx Xover 5y	2.33%	-0.19%	-0.15%	-1.19%	EUR HY	-0.2%	0.9%	2.6%	7.7%

**EQUITY**

	Price	P/E	D. Yield	FCF yield		Δ 1m	Δ 3m	Δ 6m	Δ ytd
MSCI World	6,365	16.7	2.5%	4.6%	MSCI World	2.1%	-0.1%	3.4%	17.6%
S&P 500	2,967	18.1	2.0%	4.2%	S&P 500	1.4%	0.1%	3.5%	18.3%
NASDAQ	7,727	21.5	1.1%	4.5%	NASDAQ	0.5%	-0.5%	3.3%	22.1%
Euro Stoxx 50	3,526	14.6	3.6%	5.9%	Euro Stoxx 50	2.9%	0.8%	4.1%	17.5%
SMI	9,956	16.7	3.3%	4.4%	SMI	0.6%	-0.1%	4.4%	18.1%
FTSE 100	7,361	13.1	4.8%	6.9%	FTSE 100	2.1%	-1.8%	0.6%	9.4%
DAX	12,290	14.4	3.2%	1.5%	DAX	2.9%	-1.8%	5.2%	16.4%
MSCI Asia Pacific	156	13.9	2.9%	5.4%	MSCI Asia Pacific	2.1%	-3.2%	-3.1%	6.6%
FTSE China A50	13,564	10.4	3.1%	6.3%	FTSE China A50	0.5%	-3.0%	1.6%	30.6%
MSCI Emerging Market	1,001	13.0	3.0%	6.6%	MSCI Emerging Market	1.7%	-5.9%	-6.5%	3.6%
PH Semiconductor	1,556	19.1	1.7%	5.2%	PH Semiconductor	3.4%	3.9%	8.8%	34.7%

**COMMODITY**

	Price	FCST 19	FCST 20	Δ Future		Δ 1m	Δ 3m	Δ 6m	Δ ytd
Gold	1,483	1393	1,500	-0.6%	Gold	-2.7%	6.7%	15.1%	15.7%
Silver	17.35	16.0	17	-1.8%	Silver	-5.4%	13.4%	12.5%	8.9%
Platinum	884	860	900	-0.8%	Platinum	-5.6%	5.0%	2.2%	8.5%
Palladium	1,636	1425	1,309	-6.5%	Palladium	6.3%	6.3%	19.3%	42.6%
Crude Oil	54.22	58.0	59	1.1%	Crude Oil	-1.2%	-7.8%	-11.8%	12.4%
Brent Oil	59.63	64.7	62	2.0%	Brent Oil	2.0%	-7.2%	-11.4%	8.1%

**FOREIGN EXCHANGE**

	Price	FCST 19	FCST 20	Δ Spot		Δ 1m	Δ 3m	Δ 6m	Δ ytd
EUR/USD	1.0920	1.1000	1.1600	6.0%	EUR/USD	-0.5%	-3.3%	-2.6%	-4.6%
GBP/USD	1.2232	1.2300	1.3300	8.4%	GBP/USD	1.3%	-3.2%	-6.8%	-4.0%
USD/CHF	0.9959	0.9900	0.9700	-2.6%	USD/CHF	-0.6%	-0.9%	0.3%	-1.3%
USD/JPY	107.83	106.00	103	-4.6%	USD/JPY	-1.6%	0.6%	3.3%	1.7%
EUR/CHF	1.0875	1.1000	1.1300	3.8%	EUR/CHF	-0.1%	2.5%	3.0%	3.5%
USD/RUB	65.35	65.50	64.00	-2.1%	USD/RUB	2.2%	-3.6%	-0.3%	6.7%
EUR/RUB	71.36	73.36	76.25	6.6%	EUR/RUB	2.7%	-0.2%	2.6%	11.3%

Source: Clarus Capital Group, Bloomberg



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