



ECONOMIC OUTLOOK

In the wake of the intensification of the trade conflict between the USA and China, the **leading economic indicators have weakened further**. Despite of the reset during the G20 summit, trade war will be an ongoing concern. Global growth is slowing and will remain subdued in most regions of the world in H2. Accordingly, price pressure will remain rather low, **giving the central banks room for manoeuvre in monetary policy**.

Both the **FED and ECB** have signalled that they will lower their key interest rates if necessary, in order to counteract economic uncertainty. The message from the bond markets to the central banks is clear: the economic outlook is not great; interest rates must go down. Although the FED kept its key rates unchanged in June, **one rate cut in July has become very probable in the meantime**. The option market is pricing in almost three rate cuts by the end of this year which we think is slightly exaggerated for the time being.

Looking at the **macro picture**, the slowdown in growth is a fact and it is not realistic to assume that the global economy will pick up speed over the summer months. Therefore, the **composite index of US leading indicators stagnated** in May and for the second half of the year it now signals a significant slowdown in growth. For now, within EZ, the latest **ZEW survey results indicate an almost dramatic setback** of the economic expectations, which have been particularly dampened by the fact that the economic engine Germany has come to a standstill. Furthermore, the **Ifo-Index was published lower for the ninth time in a row** and lies as low as four and a half years ago. The industry sector is in crisis and the weak phase has increasingly grasped the service sector.

What speaks for a positive sentiment is the fact at the G20 meeting President Trump and China agreed on a trade truce, with the US refraining from imposing further tariffs and China offering to buy an unspecified large amount of US agriculture products. Negotiations on a trade agreement will resume, with no further details on the next steps.

Fixed income markets performed strongly last month, with pricing in more than 80bps in rate cuts from the FED. Even if the easing measures materialize, the further downside potential for bond yields seems limited at short end maturities, additionally capping the return potential. With **spreads expected to be widening near-term** and government bonds likely to underperform, we see HY and EM bonds as more attractive. However, considering limited return potential **we increase slightly to a neutral stance**.

Equity markets love the loose monetary stance from central banks and created a festive mood. However, we see **larger divergence arising between the real economy and the valuation of the equity markets**. Hence, we confirm our cautious stance and remain slightly underweight but prefer quality and growth stocks.

EUR/USD should continue to range trade due to the battle of weaker currencies on both side of the Atlantic – with declining carry advantage of the USD. **Gold** performed strongly last month, boosted by lower yields and weaker USD. We may see higher bottom above USD 1400 in the coming weeks. **Oil prices** bounced again in June as supply risks increased amid rising tensions in the Middle East, which have lifted the likelihood of a tail-risk outcome. Yesterday, OPEC signalled to extend oil production cuts to keep oil prices higher.

TACTICAL ASSET ALLOCATION*

Liquidity	Neutral
Bonds	Neutral
Equities	Slight Underweight
Alternative Investments	Neutral

EQUITY INDICATORS

Valuation	Underweight
Momentum	Attractive (↑)
Seasonality	Underweight
Macro	Underweight (↓)

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

MARKET OVERVIEW AS OF WEDNESDAY, 03 JULY 2019, 9:40 AM
FIXED INCOME

	Rate	Δ 1m	Δ 3m	Δ ytd		Δ 1m	Δ 3m	Δ 6m	Δ ytd
USD Overnight	2.36	0.01	-0.03	-0.02	USD Deposit 1m	0.2%	0.5%	0.9%	0.9%
USD 1y Swap	2.03	-0.16	-0.54	-0.73	USD Aggregate 1-3y	0.5%	1.5%	2.7%	2.7%
USD 3y Swap	1.74	-0.12	-0.61	-0.85	USD Aggregate 3-5y	0.8%	2.3%	4.3%	4.3%
USD 5y Swap	1.75	-0.14	-0.59	-0.83	USD Aggregate 5-7y	0.9%	2.7%	5.0%	5.1%
USD 10y Swap	1.95	-0.13	-0.53	-0.77	USD Aggregate 7-10y	1.6%	3.9%	6.6%	6.7%
EUR Overnight	-0.36	0.01	0.01	0.00	EUR Overnight	0.0%	-0.1%	-0.2%	-0.2%
EUR 1y Swap	-0.38	-0.11	-0.15	-0.15	EUR Aggregate 1-3y	0.4%	0.4%	0.6%	0.7%
EUR 3y Swap	-0.38	-0.15	-0.24	-0.31	EUR Aggregate 3-5y	0.9%	1.3%	2.3%	2.4%
EUR 5y Swap	-0.26	-0.16	-0.28	-0.46	EUR Aggregate 5-7y	1.6%	2.4%	4.5%	4.7%
EUR 10y Swap	0.15	-0.18	-0.34	-0.66	EUR Aggregate 7-10y	2.5%	3.8%	7.0%	7.4%
CDX Xover 5y	3.20%	-0.75%	-0.24%	-1.29%	US Corp. HY	2.5%	2.5%	10.1%	10.2%
iTraxx Xover 5y	2.45%	-0.62%	-0.14%	-1.08%	EUR HY	2.1%	1.4%	6.9%	6.7%

EQUITY

	Price	P/E	D. Yield	FCF yield		Δ 1m	Δ 3m	Δ 6m	Δ ytd
MSCI World	6,372	16.4	2.5%	4.6%	MSCI World	7.3%	3.5%	17.9%	17.7%
S&P 500	2,965	17.8	2.0%	4.4%	S&P 500	7.7%	3.4%	18.1%	18.3%
NASDAQ	7,761	21.6	1.1%	4.2%	NASDAQ	8.9%	3.5%	22.0%	22.6%
Euro Stoxx 50	3,509	14.2	3.6%	7.1%	Euro Stoxx 50	7.0%	3.3%	17.2%	16.9%
SMI	10,031	17.0	3.3%	6.1%	SMI	5.3%	5.2%	19.0%	19.0%
FTSE 100	7,562	13.1	4.6%	4.9%	FTSE 100	5.6%	2.3%	12.3%	12.4%
DAX	12,530	13.8	3.3%	0.9%	DAX	6.8%	6.6%	18.4%	18.7%
MSCI Asia Pacific	162	13.9	2.9%	5.4%	MSCI Asia Pacific	6.0%	0.0%	11.2%	10.1%
FTSE China A50	13,981	10.6	3.0%	17.4%	FTSE China A50	9.9%	4.9%	36.4%	34.6%
MSCI Emerging Market	1,064	13.1	2.9%	6.7%	MSCI Emerging Market	6.6%	-0.7%	11.3%	10.2%
PH Semiconductor	1,478	16.8	1.8%	5.2%	PH Semiconductor	14.0%	3.2%	26.8%	28.0%

COMMODITY

	Price	FCST19	FCST20	Δ Future		Δ 1m	Δ 3m	Δ 6m	Δ ytd
Gold	1,404	1323	1,375	-2.6%	Gold	7.5%	8.9%	9.4%	9.6%
Silver	15.28	15.6	16	2.3%	Silver	4.3%	0.2%	-4.0%	-3.3%
Platinum	836	858	910	2.5%	Platinum	4.5%	-2.6%	2.5%	3.0%
Palladium	1,551	1320	1,161	-12.1%	Palladium	16.5%	11.5%	33.0%	33.1%
Crude Oil	56.88	60.5	61	2.4%	Crude Oil	6.0%	-9.1%	16.4%	19.5%
Brent Oil	62.97	67.1	68	2.4%	Brent Oil	3.0%	-7.8%	12.1%	14.7%

FOREIGN EXCHANGE

	Price	FCST19	FCST20	Δ Spot		Δ 1m	Δ 3m	Δ 6m	Δ ytd
EUR/ USD	1.1299	1.1500	1.1900	5.2%	EUR/ USD	0.7%	0.9%	-0.3%	-1.3%
GBP/ USD	1.2596	1.2800	1.3500	6.9%	GBP/ USD	-0.3%	-3.7%	0.1%	-1.2%
USD/ CHF	0.9866	0.9900	0.9800	-0.7%	USD/ CHF	1.1%	1.2%	0.4%	-0.4%
USD/ JPY	108.03	108.00	108	0.0%	USD/ JPY	0.2%	3.1%	1.3%	1.5%
EUR/ CHF	1.1148	1.1200	1.1700	4.8%	EUR/ CHF	0.3%	0.3%	0.7%	1.0%
USD/ RUB	63.32	65.30	64.10	1.2%	USD/ RUB	3.2%	3.2%	10.1%	10.1%
EUR/ RUB	71.54	75.00	76.55	6.8%	EUR/ RUB	2.4%	2.4%	9.0%	11.0%

Source: Clarus Capital Group, Bloomberg



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IMPRESSUM

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