LimmatWealth

Investment Strategy – May 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	1.2	0.9	0.7	11'748	→	↗	-0.28	-0.20	-0.05	-	-	-
Germany	1.5	0.9	1.9	1.9	12'387	→	↗	0.04	0.20	0.40	-	-	-
Eurozone	1.8	1.1	1.7	1.7	3'503	→	↗	-	-	-	1.14	1.13	1.17
United Kingdom	1.4	1.2	2.5	2.5	7'408	→	↗	1.21	1.40	1.50	1.33	1.33	1.37
United States	2.9	2.4	2.4	2.4	2'918	→	↗	2.56	2.65	2.80	1.02	1.00	0.99
Japan	0.7	0.7	1.0	1.0	22'259	→	↗	-0.04	0.00	0.05	109	110	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	2.0	3.7	3.7	95'528	→	↗	8.96	8.80	8.60	3.97	3.80	3.75
Russia	1.8	1.5	2.9	2.9	1'241	→	↗	4.32	5.00	6.50	65.42	65.50	65.00
India	7.4	7.0	4.1	4.1	38'963	→	↗	7.39	7.40	7.40	69.22	70.00	70.00
China	6.6	6.3	2.1	2.1	3'078	→	↗	3.40	3.20	3.10	6.74	6.70	6.60

Review – Markets continue to go up

Equity markets continued their upward trend last month. Markets in Germany (+7.1%), Japan (+5.0%), and Europe (+4.9%) advanced significantly. The Swiss equity market also posted strong returns (+4.4%) and this brings its performance year-to-date to almost 20%.

Yields on ten-year government bonds increased slightly all over the world last month. Yields in China (+0.33% to 3.40%), the UK (+0.19% to 1.19%), and the United States (+0.10% to 2.50%) increased, while they decreased in Russia (-0.20% to 4.32%). The yield on ten-year government bonds in Switzerland also slightly increased (+0.09% to -0.30%).

Volatility in currency markets remained within reason last month. The Swiss Franc weakened against the US Dollar (-2.4% to CHF 1.02), as well as the British Pound (-2.4% to CHF 1.33) and the Euro (-2.3% to CHF 1.14). The Euro remained unchanged against the US Dollar (USD 1.12).

Alternative investments performed differently in April. Oil appreciated significantly (WTI, +6.3% to USD 63.91 per barrel), and hedge funds performed positively as well (+0.7%), while Gold decreased slightly (-0.7% to USD 1,284 per ounce).

Outlook – Sell in May and go away?

It is already May and people are starting to talk about the well-known financial world adage “sell in May and go away”. This adage suggests that investors should sell their stocks in May as equity markets tend to underperform during the May to October period compared to the November to April period. It refers to the risk that news can move prices significantly during times with lower trading. While this adage had its merits

Limmat Wealth AG Gartenstrasse 32 Postfach 1882 CH-8027 Zürich

T +41 44 208 24 50 F +41 44 208 24 51 info@limmatwealth.com www.limmatwealth.com

in the past, today markets are different. Nowadays investors can almost trade anytime and from anywhere, so that the change in trading volumes during the May to October period is negligible.

There were hardly any news last month with regards to the two market-dominating topics of the past twelve months - the trade negotiations between China and the United States and the discussions around Brexit. As soon as April was over, US-president Trump sent a tweet threatening to levy more extensive tariffs on imported goods from China because talks were moving too slowly. This will probably lead to more volatile markets in the near-term.

Due to the strong performance of equity markets around the globe in the first four months of the year, we turned more cautious and started to selectively reduce our equity exposure. We expect sideways to slightly negative trending markets over the summer but we remain more positive towards the United States and Asia versus Europe due to political risks in Europe (Brexit, Italy) and a softer interest rate path in the US. We currently like the US, China, India, and Vietnam as well as the global fishing sector.

The US central bank put further interest rate hikes this year on hold. The probability of a rate cut before the end of the year increased significantly compared to last month to about 60%. The probability of a rate hike as well as a cut in the Eurozone is very low at the moment (1% and 8%). We partially agree with the market and we don't expect any more hikes or cuts in both regions this year.

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 at the beginning of the year and posted the best start to a year since 2006. 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.

May 6, 2019
Limmat Wealth Ltd.