MASCAREIGNES

— FINANCIAL MANAGEMENT LIMITED —

MONTHLY BRIEFING AUGUST 2019

	Perf YTD	Perf 1yr	Perf 3 yrs	Yield Level
Athénée Capital Model	**5.91%**	0.68%		**1024.02**
Monetary 3 monthes Euribor				**-0.43%**
Monetary 3 monthes Suisse				**-0.86%**
Monetary 3 monthes USA				**2.25%**
Bonds 10 yr Europe				**-0.71%**
Bonds 10 yr Suisse				**-1.01%**
Bonds 10 yr USA				**1.50%**
EUR USD	-4.23%	-5.90%	-1.45%	**1.0982**
EUR CHF	-3.33%	-3.80%	-0.89%	**1.0880**
GOLD (USD)	18.55%	26.70%	15.96%	**1520.38**
OIL (WTI)	14.70%	-21.57%	18.88%	**55.10**

	Perf YTD	Perf 1yr	Perf 3 yrs	Level
MSCI World $	**15.15%**	0.26%	30.60%	**6232.30**
Eurostoxx 50	**14.17%**	1.00%	11.27%	**3426.76**
SMI	**17.40%**	10.28%	19.30%	**9895.65**
CAC	**15.85%**	1.36%	20.66%	**5480.48**
DAX	**13.07%**	-3.44%	11.75%	**11939.28**
Footsee	**7.12%**	-3.03%	4.53%	**7207.18**
Dow Jones	**13.19%**	1.69%	42.78%	**26403.28**
SP500	**16.74%**	0.86%	34.24%	**2926.46**
Nasdaq	**20.01%**	-1.81%	51.68%	**7962.88**
MSCI Emerging en $	**1.92%**	-6.78%	9.42%	**984.33**
Nikkei	**3.44%**	-9.45%	22.33%	**20704.37**
Shanghai Composite	**15.73%**	5.91%	-5.90%	**2886.24**

(Source Bloomberg / Indices Absolute Return)

Portfolio Arbitrage : None

Comments (Portfolios and Athénée Capital Model)

A lot of fuss (sorry, of tweets...) about nothing - if we look at the performance of the equity markets during the month of August. Whether in Asia, Europe or the United States, there were plenty of twists and turns on stock market indexes - investors have just adopted a spinning around strategy, driven by geopolitical winds.

Indeed, the news has proved to be particularly eventful : escalating tariff war between USA and China, Bojo's Brexit's promises on October 31 (hard version as a growing option), ongoing tensions in Hong Kong, collapse of equities in Argentina, Salvini's push for power (with a taste of pschitt) - to make it short, a succession of declarations, threats and tit-for-tat spiral fostered major concern for any investor made of flesh and blood (while algorithms enjoyed a volatile free ride – being possible vectors of excesses).

Eventually stocks held up better than might be expected (dropping between 0.50 and 2% over the month, excluding emerging economies and Great Britain) ; they were supported by a resilient microeconomy for now, hard-consuming Americans and above all, the prospect of ultra accommodating and synchronised monetary policies.

Actually, the bond market is where the real show has taken place : not only are the flood of negative yields seeping into the corporate bond market (it is therefore necessary to pay, to lend to Sanofi, LVMH, Schneider, Novartis etc) but the plummeting yields, particularly in Europe, have created a **distortion with far reaching consequences, particularly across the financial sector** ; the German government is examining whether banks can ban negative interest rates for savers, which could turn into agony for German banks, whose balance sheets are already disastrous.

This accumulation of negative yield bonds ($17 Trillion), the reason for which will undoubtedly be understood in a few months / years' time (hysteria of algorithms, heresy of central bankers who bend under political pressure, first step before the implosion of a system that needs to reinvent itself...) – so this hurricane where there is no difference between lenders and borrowers, has spread beyond Europe and Japan, and is now shaking the American curve. US yields remain positive but uncertainties could force the Fed to drastically review its monetary stance : at least 3 rate cuts (by 0.25%) are now anticipated – or more accurate, raised by hue and cry, precisely by crying tweets !

Trade tensions, lack of returns, random monetary and fiscal policy plans, any of those factors could push equities in a bullish or bearish direction within the coming weeks. **Investors should prepare for a bumpy road even though US consumption remains strong**, unemployment rates are at their lowest and **wage increases are spreading to many sectors (which is positive for growth, but coming to the expense of corporate profitability** - as such, the companies expectations due beginning of October will be quite interesting to analyse). It is difficult to imagine a hard landing of the economy in such circumstances (especially before an election year).

So we are in an unstable political environment, with an unpredictable American president who can move the markets with a tweet. There is no historical precedent for this; in the same way (or by consequence?) we are moving into zones of terra incognita regarding rates and central banks. As a result, it has become difficult to generate controlled performance; **thus we maintain a preference for cash and real assets**, such as gold and property, we are considering partial investment of cash on long / short strategies or very targeted securities. But under no circumstances do we invest in bonds, whose risk/return ratio seems absurd to us.

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