MONTHLY BRIEFING JULY 2019

MASCAREIGNES
FINANCIAL MANAGEMENT LIMITED

	Perf YTD	Perf 1yr	Perf 3 yrs	Yield Level
Athénée Capital Model	**6.57%**			**1030.35**
Monetary 3 monthes Euribor				**-0.37%**
Monetary 3 monthes Suisse				**-0.84%**
Monetary 3 monthes USA				**2.25%**
Bonds 10 yr Europe				**-0.43%**
Bonds 10 yr Suisse				**-0.76%**
Bonds 10 yr USA				**2.05%**
EUR USD	-3.68%	-5.26%	-1.06%	**1.1045**
EUR CHF	-2.22%	-4.90%	1.84%	**1.1009**
GOLD (USD)	9.75%	15.75%	4.01%	**1407.46**
OIL (WTI)	23.39%	-15.84%	25.45%	**57.87**

	Perf YTD	Perf 1yr	Perf 3 yrs	Level
MSCI World $	**17.56%**	**3.80%**	34.94%	**6362.00**
Eurostoxx 50	**15.51%**	**-1.21%**	16.83%	**3466.85**
SMI	**17.68%**	**8.12%**	22.05%	**9919.27**
CAC	**16.66%**	**0.37%**	25.17%	**5518.90**
DAX	**15.44%**	**-4.30%**	17.99%	**12189.04**
Footsee	**12.76%**	**-0.86%**	13.34%	**7586.78**
Dow Jones	**15.16%**	**6.04%**	45.97%	**26864.27**
SP500	**18.89%**	**5.94%**	37.29%	**2980.38**
Nasdaq	**23.21%**	**6.07%**	57.70%	**8175.42**
MSCI Emerging en $	**7.38%**	**-4.59%**	17.50%	**1037.01**
Nikkei	**7.63%**	**-5.30%**	29.49%	**21540.99**
Shanghai Composite	**16.50%**	**2.86%**	-1.62%	**2905.41**

(Source Bloomberg / Indices Absolute Return)

Portfolio Arbitrage

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Comments (Portfolios and Athénée Capital Model)

Confusion, uncertainty and hope have dominated the past month : starting with July’s job report, US stocks have dropped on better than expected data ("good news is bad news") before rallying when the **ECB and the Fed signalled their intention of being more accommodative**, in order to address potential global deteriorating business conditions ("bad news is good news").
The promise of lower interest rates, which turned effective in the USA on July 31 (Fed lowered short term rates by -0.25%), have helped propel US indexes to new record highs.
In addition**, the earnings season was not that bad - expectations were quite low**, as earnings per share were significantly revised downwards. Regarding the topic it is worth noting that profit growth is well below turnovers’ dynamic. This could be the preliminary sign of wage inflation - which makes the Fed's decision questionable, especially as some other macroeconomic statistics did not show any particular sign of slowdown. Finally, **the trade truce between the USA and China**, loudly announced end of June, was also a factor of support for risky assets ; **but as usually, vocal intentions failed to turn into action**. On the contrary, new tariff threats, twitted on August 1st on Trump’s account, poured cold water on global optimism and are the promise of volatile markets within the coming weeks.

The bond market corroborates current uncertainties, **as interest rates have dropped sharply, particularly in Europe**, where the entire German bond curve is now, for the first time, in **negative territory** (we will publish a Focus related to yields’ evolution in our Quarterly Letter, on August 15). One can wonder if Europe's unconventional experiment with negative interest rates really makes sense as negative rates weaken banks, expropriate savers, maintain zombie companies alive in an artificial way and inflate corporate debt and asset prices.
This negative yield situation affects all asset classes (equities, real estate, secured investments and of course gold, a positive way, which remains a good alternative to government bonds) ; it has also consequences on the foreign exchange market. The buzz around possible U.S. currency intervention provides us with even more arguments that the dollar should be under pressure within the coming months; we therefore maintain our hedge and also buy euro against Swiss franc, taking advantage of what appears to be excessive movements.

In the absence of short-term visibility, both on global economic outlook and **cross-market discrepancies (which are becoming commonplace)**, we overweight liquidity versus all other asset classes.