MASCAREIGNES
FINANCIAL MANAGEMENT LIMITED

MONTHLY BRIEFING SEPTEMBER 2019

	Perf YTD	Perf 1yr	Perf 3 yrs	Yield Level
Athénée Capital Model	**6.23%**	0.65%		**1027.14**
Monetary 3 monthes Euribor				**-0.41%**
Monetary 3 monthes Suisse				**-0.83%**
Monetary 3 monthes USA				**2.00%**
Bonds 10 yr Europe				**-0.58%**
Bonds 10 yr Suisse				**-0.76%**
Bonds 10 yr USA				**1.69%**
EUR USD	-4.91%	-5.85%	-2.95%	**1.0904**
EUR CHF	-3.39%	-4.82%	-0.34%	**1.0878**
GOLD (USD)	15.48%	24.19%	12.55%	**1480.94**
OIL (WTI)	21.85%	-27.86%	12.60%	**54.32**

	Perf YTD	Perf 1yr	Perf 3 yrs	Level
MSCI World $	**17.36%**	1.61%	33.57%	**6351.61**
Eurostoxx 50	**18.90%**	4.55%	18.89%	**3569.45**
SMI	**19.63%**	10.42%	23.83%	**10078.32**
CAC	**20.02%**	3.10%	27.64%	**5677.79**
DAX	**17.77%**	0.72%	18.24%	**12428.08**
Footsee	**10.51%**	-1.17%	7.38%	**7408.21**
Dow Jones	**15.43%**	1.00%	47.02%	**26916.83**
SP500	**18.60%**	1.78%	37.29%	**2976.74**
Nasdaq	**20.14%**	-0.47%	50.59%	**7999.34**
MSCI Emerging en $	**3.70%**	-4.34%	10.80%	**1001.00**
Nikkei	**8.70%**	-9.74%	33.04%	**21885.24**
Shanghai Composite	**16.49%**	2.97%	-3.31%	**2905.19**

(Source Bloomberg / Indices Absolute Return)

Portfolio Arbitrage
Information disclosed only for our Clients

Comments (Portfolios and Athénée Capital Model)

Beyond the usual political battles and the expected decisions of the central banks, we have the feeling that a slight wind of rebellion may blow over this autumn season, tinged with common sense, and likely to give a new impetus to the markets - or at least a positive pause which could inspire thoughtful and balanced investments.

So we have **a feeling of rebellion regarding…**

1. Political institutions : in fact, where we were expecting a wave of populism, we actually observe some democratic protests defying coercitive methods (like Salvini's or Johnson's "coups", confronted with efficient constitutional firewalls)

2. Financial institutions: central banks have addressed the pressure related to the end-of-cycle risks, by lowering short-term rates (among other measures), keeping so most asset classes afloat. Nevertheless, some dissenting members, both within the Fed and the ECB, have raised their voice against the ultra accommodating monetary bias, whose efficiency seems more than controversial or even limited.

Finally, **institutional investors scrutinize Fed's interventions on the repo market** with caution and an impression of « déjà vu » : remember August 2007 ? Due to massive liquidity added to the system during the last couple of weeks, it has turned almost impossible to identify where the problem lies – if any (sic), which is not very inspiring. Operators are also backing away from IPOs : 80% of companies listed on the stock exchange in 2019 lose money, quite the same ratio than in 2000... In a foggy environment, investors seem to take some distance with the noisy headlines : **they are avoiding unicorns, lowering their exposure to growth values with stratospheric PER, wondering about the consequences of negative yields** - it is as if they were to realize that there is no free lunch, that trees don't grow to the sky. As a result, all asset classes are relatively sluggish after they kicked off the year in high gear (unless it is the calm before the storm).

We have this feeling that bonds overshoot may normalize, that investors will cope with the end of the economical cycle and not with the end of the world (one may have a healthy correction without turning against former lovers – e.g. brutal sector rotation at the beginning of September, growth versus cyclical - any reminiscence of H1 2000 ?), and finally that democracy and greater good may overcome social unrest and geopolitical tensions... all in all we have this „wishful feeling" that investors could learn from their mistakes and that calm (of thinking) could take over all the recent hustle (fuelled by secular "gread and fear").

We have this „wishful feeling"… but that's ignoring Season 10 of "Trade War, the Ghost Deal", the endless novella "Brexit, do or die" (sounds like a James Bond but it is just another BoJo super production) and the repetitive "Teheran, the return of the enemy" : political sagas that any investor should ignore, according to classical trading theory; but this thory is not working anymore as **government decisions have now immediate and direct consequences on world financial markets.** Investing is like being on a roller coaster, bouncing back and forth depending on political announcements, which is encouraging leaders to react to them – and the vicious circle can perpetuate endlessly!

It has turned quite complicated to find bargains on the market and even more difficult to hold positions, this is why we have decided to protect most of risky assets (including bonds), given the busy calendar ahead : new round of tariffs discussions between China and the USA around October 10, followed by Q3 earnings (expected to fall by nearly 3 to 4%, 2020 forecasts shall be the focus), Brexit or no Brexit on Halloween day and magic elixir from central banks on October 24 and 30 (ECB and Fed respectively). **We continue to buy real estate convertibles and gold,** considering low interest rate levels, surevaluation of the dollar and geopolitical risks. We are keeping in our radar sectorial opportunities (Artificial Intelligence for example) and alternative strategies (correlation, long / short, dividends...).