

Outlook II° Q-2018

April 2018

Fixed Income	USA	Neutral - Negative	Even though FED confirmed its intentions, with the first rate hike occurred in March, the return of the volatility on the stock markets during the first quarter apparently seemed to have calmed down the rise of yields. It still remains to evaluate the sustainability of the inflation recovery signals as well as the stability of the macroeconomic data. Furthermore, the risk of an inversion in the yields curve can trigger a new rise in bonds yields, hurting bonds prices, at least in the short-medium term.
	EUROPE	Core Countries: Neutral	European Government bonds saw a recovery in their prices following the strong corrections occurred in the month of February. The positive momentum has been confirmed during March. Despite a more hawkish attitude of the ECB, the Governor E. Liikanen suggested that there is a possibility for an extension of the bond purchase by the ECB if necessary. This could boost EU Sovereign bonds prices.
		Peripheral Countries: Neutral-Positive	This asset class benefitted from the turbulences of the stock markets too, and in a zero interest rate level context, it can represent a good opportunity for investors looking for higher yields. By the way, it's still worth to monitor the evolution of their spreads in comparison with those of Core Countries.
	EMERGING	Neutral - Positive	These securities still represent a good investment opportunity, as long as the greenback does not appreciate excessively. Otherwise, these Countries could face more difficulties in the repayment of their debts, which are mostly USD denominated.
Equities	USA	Neutral	US stock markets experienced strong corrections during the first quarter, mostly due to trade war tensions between US and China, as well as tech companies scandals. However, macroeconomic data keep on beating estimates and are still positive. Should trade tensions ease, and the earnings season show positive signals, along with the Tax Reform, then the current levels may constitute a good entry point for investors.
	EUROPE	Neutral-Positive	Europe still remains an interesting market for investors looking for cheaper multiples than US equity market. Besides, talks between France and Germany over the evolution of the European project, along with positive Brexit negotiations, should bring back stability in the Old World. However, Italian and Spanish political instability still remains a concern, as well as the tariffs threats of the Trump's Administration that could hurt key EU markets like Germany.
	EMERGING	Neutral-Positive	Emerging Markets equities worth to be monitored by investors, thanks to improving macroeconomic data and to the room for more rates cuts by some Central Banks, Russia and Brazil in primis. Anyway, a trade war spectrum along with geo-political tensions in the Middle-East could endanger the growth of these markets.
	JAPAN	Neutral	Japanese economy is highly influenced by YEN dynamics: in case of an appreciation of its own currency, the Country of the Rising Sun may assist to a reduction of its exports, vital for its growth. We think that there is still room for growth in the mid-long term, and that the current retracement levels constitute a good entry point through hedged positions.
Commodities		Neutral-Positive	Among commodities to monitor in the coming months, gold and oil worth to be mentioned, since a possible trade war, along with geo-political tensions, can boost the prices of these assets.

Forex	USD	Neutral	USD will be influenced by two key factors: on the one hand, FED will keep on rising interest rates, boosting its quotes; on the other side, the risk for trade wars, which can depreciate the greenback.
	EUR	Neutral - Positive	Euro is in a consolidation phase at the moment, ranging from 1,22 to 1,25. If ECB will confirm its intention of blocking the purchase program by the end of the year, EUR may appreciate against USD and reach the psychological level of 1,30.
	EMERGING	Neutral - Positive	EM currencies are closely linked to USD dynamics. A temporary weakening of USD may sustain these currencies in the short-term. We remain positive on EM currencies even in the mid-long term, especially in the Asian block.
	YEN	Neutral - Positive	Yen is perceived by investors as a safe-haven, and considering the possibilities for new market shocks in the coming months, we think it could further appreciate.