Outlook IV° Q-2018

Fixed Income	**USA**	**Neutral - Negative**	FED has raised interest rates for the third time this year in order to keep under control the inflation pressure, which is currently above the 2% target level in USA. This is pushing yields upward, negatively affecting bond prices. The primary trend, although with temporary upward corrections during high volatility moments, seems well marked, despite November mid-term elections may constitute a wild card: this could lead investors to prefer Treasuries to riskier securities. It is likely that bond categories that should suffer the most will be high yield securities, since Sovereign bonds will be much more appealing for investors. Nevertheless, high yield bonds have been top performers in the previous quarter, as investors moved away from EM bonds to high yield in order to obtain interesting yields, but with lower risk. We recommend to prefer short-term maturities, both Sovereign and high yield, with interesting opportunities on inflation-linked securities and variable rate bonds.
	Europe	**Core: Neutral**	ECB reinforced its intentions to end the QE program by the end of the year and that, probably, the first rate hike should be carried out by summer 2019. For the moment, however, it is likely that Sovereign bonds of European Core Countries will keep on oscillating in a trading range, with rallies during high volatility phases, and yields increases during low volatility moments.
		Peripherals: Negative	European Sovereign Peripheral Countries have been hit hard during September due to the approval of the 2019 Budget Package by the Italian Government with a deficit of 2,4%, in contrast to what EU expected. We think that with the mounting tensions on the trade war side and the spread of populism among the Old Continent, these securities should remain under pressure, with investors who will prefer to allocate their funds to safer assets like EU Core Countries Sovereign bonds, especially during high volatility phases.
	Emerging	**Negative**	With USD that should further appreciate as FED keeps on rising interest rates, the debt of EM Countries should remain under pressure in the coming months.

Equities	**USA**	**Neutral**	US markets kept on rallying during the third quarter, backed by positive macro-economic data and by an earning season above expectations. However, mid-term elections may represent a wild card that makes forecasts on US indices reaction trickier. For this reason, it is advisable to adopt market neutral strategies to face this uncertainty level.
	Europe	**Neutral**	European markets should remain under pressure in the coming months if political uncertainties on the Italian and British side, and the trade war fears, will not ease, thus pushing investors to move on less volatile assets. In this case too, we suggest to position on this asset class through market neutral strategies, that should work well in highly uncertain contexts.
	Emerging Asia	**Neutral - Positive**	Asian Emerging Markets have suffered losses during last quarter, as crude oil prices, of which these Countries are importers, moved upward and their currencies depreciated against USD. It is possible, if the USD will weaken in the coming months, to assist to a comeback of these markets.

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Equities	**Emerging Latin America**	**Neutral - Positive**	LatAm Countries registered positive performances during last quarter, backed by higher commodities prices, of which these Economies are exporters, and also thanks to more specific factors like political elections in the case of Brazil. Separate remark for Argentina, which is going through an economic crisis that may end in a new deafult of the Country.
	Emerging Eastern Europe	**Neutral**	Some Countries of the Eastern Europe block, like Russia, have benefitted from a rise in the price of crude oil, since these Countries are exporters of this commodity. As to Turkey, the outlook remains negative, since a high level of uncertainty embraces this Economy.
	China	**Neutral - Positive**	China is still under pressure due to the trade war fight against USA and a remarkably depreciating Yuan. However, the increase of the internal demand and the implemented reforms for innovationa and development in the "China 2025" plan should push upward the Chinese stock market, which is currently at interesting entry levels for investors.
	Japan	**Neutral - Positive**	Japan was the great surprise of the third quarter, with the NIKKEI 225 index almost reaching levels last seen in 1991. This rally has been supported by good macro-economic data and a weakening JPY versus USD. Short-term trend seems positive, but FX and Government reforms to boost the growth of the Country will weigh a lot on the IV Q results.

Commodities		**Neutral-Positive**	Hard commodities like Gold and Crude Oil should further appreciate during IV Q, with Oil benefitting from the trade war and from the sanctions imposed on Iran, one of the biggest players in the field. Gold should be backed by the important accumulation of long positions by Commercials, although USD will play an important role in this commodity's performance.

Forex	**USD**	**Neutral - Positive**	USD should remain strong relatively to other major currencies, as FED monetary policy becomes more hawkish. The only wild card may be the mid-term elections in Novmber.
	EUR	**Neutral - Negative**	EUR weakend during third quarter due to political tensions, mostly on the Italian side. The end of the QE announced by the ECB should sustain an appreciation of the currency, but tangible effects will be visible not before 2019.
	Emerging	**Negative**	EM currencies remain weak on average with comparison to the Developed ones, and this scenario will remain stable until USD will show signs of weakness.
	YEN	**Negative**	The nipponic currency well depreciated during third quarter and short positions accumulated by Large Traders seem to indicate that this trend will remain intact till the end of the year.