



MONTHLY PULSE

MONDAY, 02 DECEMBER 2019

ECONOMIC OUTLOOK

Is it different this time? A year ago, equity markets started to slump and lost roughly 9 percent last December. Lacking company earnings, geopolitics could impact markets more significantly than usual, however, **we do not expect a repetition.**

The global economy entered a synchronous phase of weaker growth this year – with the US holding best. The weakness will continue next year, which is why analysts have lowered their growth forecasts for the global economy in 2020. However, **a stabilization of the global economy seems much more likely than a recession.** This is also our base scenario, at least for the first half of next year. The consumers are still supporting the economy and expecting stable income and low unemployment. The central banks have become more expansive again compared with 2018, and global financing conditions have improved considerably.

After three interest rate cuts in a row, the **FED sees itself well positioned and no change in monetary policy** is expected without a significant adjustment to its outlook. The key interest rate will therefore remain at current level for the quarters to come. Loose monetary policy as a medicine is however increasingly being called into question and fiscal policy stimuli and state investments are gaining acceptance. Fiscal stimuli will be enough to support economic stabilization, but too little overall to stimulate the economy or trigger interest rate normalization. From that perspective we remain cautiously.

In the Eurozone the **ECB's forward guidance** suggests extremely accommodative policy **will remain in place until underlying inflation rises significantly and sustainably.** The orders in the battered industry have recently risen slightly

again, which gives reason to hope for an imminent turnaround. Only for Germany the outlook remains gloomy.

In **fixed income markets**, the IG spreads have tightened slightly further and we expect flows to provide enough support to keep them at their current levels in the US. In global HY we expect limited positive returns, while US HY spreads have compressed to levels that do not offer enough compensation for risk in our view. Similar for Government bonds, where its valuations remain expensive with limited potential returns. As long as the tide of negative government yielding bonds continue to rise, **we remain neutral.** However, we like low IG corporate bonds from mature economies and EM and higher quality US bonds.

Late in the business cycle, valuations for many **equity indices** remain above long-term averages, but stocks still look attractive relative to other asset classes. Risks are still in stalled trade talks which could lead businesses to reduce investment in capex and hiring. In anticipation of fiscal support stocks often outperform late in the business cycle, i.e. cyclical companies levered to GDP. Hence, **equities still provide room for potential upside which is in line with our neutral position.**

The **USD is likely to outperform the EUR** as lingering uncertainty on trade will probably benefit the Greenback in the very near term. **Gold** has been pressured by hopes of a US-China truce and a more data-dependent FED, which lifted UST yields. USD 1450 per oz. remains a good buying opportunity. The OPEC annual meeting this week in Vienna will likely see longer, but not deeper, production cuts **supporting oil prices around current levels.**

TACTICAL ASSET ALLOCATION*

Liquidity	Neutral
Bonds	Neutral
Equities	Neutral
Alternative Investments	Neutral

EQUITY INDICATORS*

Valuation	Underweight
Momentum	Attractive
Seasonality	Attractive
Macro	Neutral

*no changes to previous month

Should you require further information or advice, please do not hesitate to contact your Clarus Capital relationship manager.

MARKET OVERVIEW AS OF MONDAY, 02 DECEMBER 2019, 10:57 AM

FIXED INCOME

	Rate	Δ 1m	Δ 3m	Δ ytd		Δ 1m	Δ 3m	Δ 6m	Δ ytd
USD Overnight	1.54	-0.26	-0.55	-0.84	USD Deposit 1m	0.2%	0.5%	0.9%	0.9%
USD 1y Swap	1.76	0.01	-0.04	-1.00	USD Aggregate 1-3y	0.1%	0.3%	1.6%	3.8%
USD 3y Swap	1.63	0.03	0.23	-0.97	USD Aggregate 3-5y	0.0%	0.2%	2.5%	6.1%
USD 5y Swap	1.64	0.06	0.32	-0.94	USD Aggregate 5-7y	0.0%	0.0%	2.9%	7.1%
USD 10y Swap	1.77	0.07	0.39	-0.95	USD Aggregate 7-10y	-0.1%	-0.8%	4.7%	9.9%
EUR Overnight	-0.45	0.01	-0.08	-0.09	EUR Overnight	0.0%	-0.1%	-0.2%	-0.4%
EUR 1y Swap	-0.34	0.02	0.17	-0.11	EUR Aggregate 1-3y	-0.1%	-0.5%	0.2%	0.5%
EUR 3y Swap	-0.28	0.05	0.29	-0.21	EUR Aggregate 3-5y	-0.2%	-1.0%	0.9%	2.4%
EUR 5y Swap	-0.18	0.06	0.35	-0.38	EUR Aggregate 5-7y	-0.4%	-1.6%	2.0%	5.1%
EUR 10y Swap	0.11	0.04	0.38	-0.70	EUR Aggregate 7-10y	-0.5%	-2.2%	3.3%	8.3%
CDX Xover 5y	3.26%	0.01%	-0.14%	-1.23%	US Corp. HY	0.2%	1.0%	4.3%	12.1%
iTraxx Xover 5y	2.19%	-0.07%	-0.33%	-1.33%	EUR HY	1.0%	0.5%	3.8%	8.5%

EQUITY

	Price	P/E	D. Yield	FCF yield		Δ 1m	Δ 3m	Δ 6m	Δ ytd
MSCI World	6,709	17.8	2.4%	4.2%	MSCI World	1.9%	7.7%	12.9%	24.0%
S&P 500	3,141	19.2	1.9%	3.9%	S&P 500	2.4%	7.3%	14.1%	25.3%
NASDAQ	8,404	23.2	1.0%	4.0%	NASDAQ	3.0%	9.3%	17.9%	32.8%
Euro Stoxx 50	3,726	15.6	3.3%	6.6%	Euro Stoxx 50	2.8%	8.5%	13.6%	24.1%
SMI	10,529	17.8	3.1%	4.0%	SMI	2.7%	6.1%	10.6%	24.9%
FTSE 100	7,386	13.6	4.7%	7.1%	FTSE 100	1.1%	1.4%	3.1%	9.8%
DAX	13,327	15.7	2.9%	2.2%	DAX	2.8%	11.5%	13.6%	26.2%
MSCI Asia Pacific	164	14.8	2.7%	4.0%	MSCI Asia Pacific	0.1%	7.2%	7.5%	11.6%
FTSE China A50	13,609	10.4	3.1%	9.4%	FTSE China A50	-3.9%	0.0%	7.0%	31.0%
MSCI Emerging Market	1,040	13.8	2.9%	5.2%	MSCI Emerging Market	-0.9%	5.7%	4.2%	7.7%
PH Semiconductor	1,717	20.2	1.6%	4.7%	PH Semiconductor	1.6%	14.1%	32.5%	48.6%

COMMODITY

	Price	FCST 19	FCST 20	Δ Future		Δ 1m	Δ 3m	Δ 6m	Δ ytd
Gold	1,454	1398	1,500	-0.2%	Gold	-3.8%	-4.5%	11.4%	13.5%
Silver	16.93	16.2	17	-0.9%	Silver	-7.0%	-8.3%	13.9%	5.5%
Platinum	898	863	916	-1.2%	Platinum	-5.9%	-4.2%	11.6%	10.2%
Palladium	1,813	1479	1,516	-5.1%	Palladium	1.9%	17.9%	37.1%	60.0%
Crude Oil	56.62	57.0	57	-1.4%	Crude Oil	0.6%	4.5%	6.0%	16.7%
Brent Oil	61.99	64.0	61	-0.2%	Brent Oil	1.7%	8.8%	3.7%	12.0%

FOREIGN EXCHANGE

	Price	FCST 19	FCST 20	Δ Spot		Δ 1m	Δ 3m	Δ 6m	Δ ytd
EUR/USD	1.1013	1.1100	1.1600	5.2%	EUR/USD	-1.1%	0.4%	-1.8%	-3.8%
GBP/USD	1.2910	1.2900	1.3500	4.5%	GBP/USD	0.1%	6.9%	2.2%	1.3%
USD/CHF	1.0000	0.9900	0.9700	-3.0%	USD/CHF	-1.3%	-1.0%	-0.3%	-1.7%
USD/JPY	109.65	108.00	105	-4.3%	USD/JPY	-1.0%	-3.2%	-1.3%	0.0%
EUR/CHF	1.1013	1.1000	1.1300	2.6%	EUR/CHF	-0.2%	-1.4%	1.5%	2.2%
USD/RUB	64.35	64.10	64.00	-0.5%	USD/RUB	-1.3%	3.8%	1.5%	8.3%
EUR/RUB	70.86	71.50	74.98	5.6%	EUR/RUB	-0.3%	3.4%	3.4%	12.1%

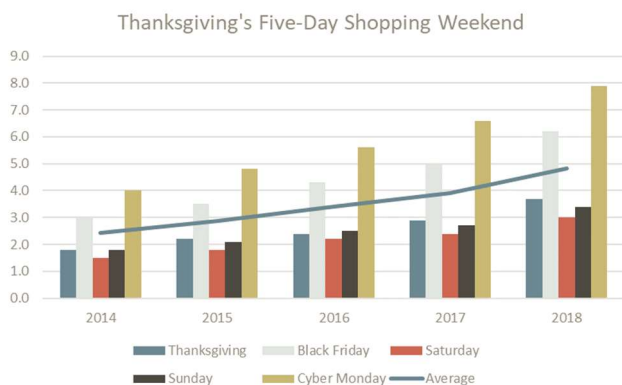
Source: Clarus Capital Group, Bloomberg

SPECIAL TOPIC: BLACK FRIDAY

CLOSER LOOK AT THE MOST POPULAR U.S. HOLIDAYS

The history of Black Friday is closely related to the history of the development of retail and personal consumption in the modern United States, which makes up a large part of the economy compared to other developed countries. The share of population consumption has grown significantly compared to 1990 and 2000 in the total volume of economic production, and this has led shopping to become 24 hours.

The total number of shoppers over the five days from Thanksgiving to Cyber Monday was 165 million in 2018, 9 million fewer than in 2017, according to the National Retail Federation (NRF). The average shopper spent USD 313 - down from last year's USD 335. Still, online sales were strong. Adobe Analytics estimates that in 2018 the five-day stretch from Thanksgiving through Monday will account for almost one-fifth of all online holiday revenue. The year 2015 was remembered for being the first when the number of online shoppers exceeded the number of shoppers in the store. Many stores, hoping to attract customers to malls, were forced to open for Thanksgiving. Other additional shopping holidays are worsening the situation. For example, Amazon Prime Day, held for the first time in 2015, brought over USD 4bn on July 16.



But still, what is Black Friday, another marketing idea, or a real economic indicator? This Friday is so solidly entrenched in the hearts of people that now it affects, such as the economy, retail and consumer spending as well as stock markets. In many countries, this day is positioned as an opportunity to save money through a wide range of products, from phones to washing machines. Historically, at every Black Friday bar, retail sales are higher than at any other date.

Regarding the impact of Black Friday on the country's economy, there are ongoing disputes. Many people believe that such a positive effect takes place and argue in favor of

the Keynesian impact of spending, in which economic activity is stimulated by the fact that more money is invested in the country's turnover and thereby supports the economy. Although, on the other hand, people claim that the impact of this event is only observed short-term. Many retailers observed lower profits and possible reduction in workforce. The economic effect of this may include a decrease in tax revenues and an increase in the burden of welfare - factors leading to a net negative economic effect (Lobel and Writer, 2019).

Although Thanksgiving and Black Friday are still the busiest shopping days, RetailNext Inc. noticed a decrease in this trend after they have analyzed the video in stores to count customers. In 2018, it fell by 9 percent compared to 2017, and the number of people shopping in 2017 compared to 2016 was 4 percent lower. This is explained by the fact that more and more people prefer to go online, as stores posted their best deals on their sites. According to Adobe Systems, online sales from Wednesday through Black Friday were not only 26.4 percent higher than in 2017, but also in 2017, online sales grew 18 percent. According to the NRF, sales should keep increasing. They also do not believe that the trade war will reduce sales because retailers have stockpiled. Otherwise, for most consumer goods, tariffs will increase, imported from China. Mastercard SpendingPulse reports showed that total sales, excluding cars, grew by 5.1 percent from November 1 to December 24 in 2018 compared to the previous one, as for online stores, the growth was 19.1 percent for this period. In total, consumers spent about USD 850bn. On average, a customer expects to spend USD 1,007.24 each, of which they will spend USD 637.67 on gifts and 215.04 on food, decorations, flowers, and greeting cards (Amadeo, 2019).

Even though the discounts last only a couple of days, they certainly have consequences for the economy, and sales grow dramatically not only in stores but also on the internet. Many people would argue that the effect is not long-term, but rather short-term. However, investors in the stock markets have to remember that sales increase does not always lead to the profit of the company. Some companies may even underperform due to prolonged discounts. Unfortunately, Black Friday still remains an under-researched topic; there are a lot of questions for which there are no good enough investigations or analyses. It seems that it is challenging to calculate the effect of the Black Friday on the economy and the market as a whole in the country.



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IMPRESSUM

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