



## Investors have good reasons to be cautious

The main themes on the capital markets remain the same: Brexit, the corporate reporting season that has just started in the USA with balance sheets that have been pervaded (Morgan Stanley disappointed yesterday), continuing economic concerns and ongoing tensions between the USA and China. While British Prime Minister Theresa May has until next Monday to present a "Plan B" for the Brexit, the US and China plan a renewed round of negotiations in the bitterly led trade dispute. China's Deputy Prime Minister Liu He will travel to Washington at the end of January to continue the latest talks. Meanwhile, inflation weakened in the euro zone at the end of 2018. Consumer prices rose by +1.6% over the year (previous month +1.9%) – the lowest rate since April 2018. The core inflation rate remained at +1.0% in December, as the rise in energy prices had slowed noticeably.

## Equities – Dufry optimizes structures and appoints new CFO

**Dufry** makes further adjustments to its organization and appoints Yves Gerster as its new Chief Financial Officer with effect from 1 April. In addition, the company intends to reactivate its M&A activities this year and plans to acquire smaller and medium-sized companies. **American Express** reported yesterday Q4 2018 revenue (USD 10.47bn) that met the average analyst estimate (USD 10.57bn). EPS (USD 2.32) exceeded expectations (USD 1.80) thanks to certain discrete tax benefits (USD 0.58). For 2019, it forecast 8-10% revenue growth. According to a press article, **Roche** has relocated its drug safety activities in the UK away from the country. This is a reaction to the upcoming potential Brexit. **Sanofi** and its partner Lexicon Pharmaceuticals have received mixed feedback from the FDA on the Zynquista diabetes pill. A final decision on the approval is expected on March 22.

## Currencies – Brexit chaos makes fundamental analysis difficult

As the political turmoil around the UK exiting the EU worsens, day-by-day investors face the question what all of this ultimately means for market prices of British financial assets. Even though 2019 started rather solidly, the bigger picture since 2018 reveals that UK equities trade some -11% lower, the British pound is over 4% cheaper vs. US dollar and even 10-year UK government bonds have lost slightly over -1%. These developments obviously raise the question if foreign investment in these assets is not overly cheap – and attractive – given the simultaneous discount on both asset prices and currency. The rather unsatisfying answer is that one cannot tell at the moment: The turnout of Brexit will shape the economic development for years to come, and looks completely chaotic. For rational, risk-averse investors, it is advisable to stay sidelined until the political dust settles sufficiently, allowing economic factors to return to the driver seat.

Equity Indices	Current	YTD (%)
MSCI World	1'975.61	4.87
Dow Jones	24'370.10	4.47
S&P 500	2'635.96	5.15
Nasdaq 100	6'718.45	6.14
Nikkei 225	20'666.07	3.25
SMI	8'914.14	5.75
SLI	1'380.65	6.53
Euro Stoxx 50	3'069.35	2.26
Euro Stoxx 600	350.73	3.87
DAX	10'918.62	3.41
MSCI UK	1'975.90	1.50

EM and Alternative Indices	Current	YTD (%)
MSCI Emerging Markets	1'008.99	4.49
MSCI EM Asia	500.83	3.18
MSCI EM Eastern Europe	161.87	6.63
MSCI EM Latin America	2'835.03	10.49
Brazil IBOVESPA	95'351.09	8.49
Russian Depository Index	1'395.65	7.68
NIFTY Index	10'886.90	0.22
Hang Seng Index	27'063.90	4.71
HFRX Global HF Index	1'209.59	1.66
LPX50 Listed PE TR (EUR)	2'147.25	8.76
BBG NA REITS	277.30	5.88

Fixed Income	Current	YTD (Δ)
US Treasury Bonds 10Y (USD)	2.74	0.06
German Bund 10Y (EUR)	0.24	0.00
Swiss Government 10Y (CHF)	-0.14	0.11
United Kingdom 10Y (GBP)	1.34	0.06
Japan 10Y (JPY)	0.01	0.01
Fed Funds Rate	2.25	0.00
ECB Main Refinancing Rate	0.00	0.00
3 month LIBOR (CHF)	-0.75	0.00
Global IG Corporate Spread	1.49	-0.06
Global HY Corporate Spread	4.53	-0.79
EM Hard Currency Gov. Spread	3.01	-0.29

## Earnings calendar

Date	Ctry	Company	Period	Cons quarterly EPS
18.01.	US	SCHLUMBERGER LTD	Q4	0.36
22.01.	US	INTL BUSINESS MACHINES CORP	Q4	4.83
22.01.	US	JOHNSON & JOHNSON	Q4	1.95
22.01.	CH	LOGITECH INTERNATIONAL-REG	Q3	0.65
22.01.	CH	SGS SA-REG	Y	-
22.01.	US	TRAVELERS COS INC/THE	Q4	2.29
22.01.	CH	UBS GROUP AG-REG	Y	0.28
23.01.	NL	ASML HOLDING NV	Y	1.80
23.01.	US	PROCTER & GAMBLE CO/THE	Q2	1.21
23.01.	US	TEXAS INSTRUMENTS INC	Q4	1.30
24.01.	US	BRISTOL-MYERS SQUIBB CO	Q4	0.84

Forex	Current	YTD (%)
EUR/USD	1.1393	-0.65
EUR/CHF	1.1327	0.63
USD/CHF	0.9942	1.23
GBP/CHF	1.2900	3.01
GBP/USD	1.2976	1.74
USD/JPY	109.39	-0.27
USD/HKD	7.8444	0.16
USD/SGD	1.3563	-0.48
USD/CNY	6.7748	-1.51
EUR/NOK	9.7260	-1.79
EUR/SEK	10.2734	1.19

## Economic data calendar

Date	Ctry	Indicator	Period	Cons	Prev.
18.01	US	Industrial Production	Dec	0.2	0.6
18.01	US	Capacity Utilization	Dec	78.5	78.5
18.01	US	Uni Michigan Consumer Confidence	Jan	96.8	98.3

Commodities	Current	YTD (%)
Oil Future Nymex WTI (USD)	52.80	16.27
Oil Future Brent (USD)	61.95	15.15
Gold-ounce (USD)	1'291.82	0.73
Silver-ounce (USD)	15.56	0.40
Platinum (USD)	814.30	2.34
Palladium (USD)	1'417.98	12.38
JOC Industrial Metals Index	-	-
S&P GSCI Index Spot Indx	406.05	8.47
Rogers Int. Commodity Index	2'333.36	6.34
BBG Commodity Index	80.63	5.10
Rogers Agriculture TR Index	773.98	2.15

## Topics LGT looks at

Topics	Description	Publication Type	Published
Outlook 2019 – Quality is king	Heightened volatility on capital markets and a more and more dysfunctional political environment are promising a challenging year for investors. Our motto: Quality is king.	Investment Idea	09.01.2019
Safe haven assets return to investor's favor	Shaky risk markets finally propel safe haven assets Gold and JPY higher as USD stumbles.	Market News	04.01.2019
Market roller coaster over the Christmas holidays	With the recent sell-off in US stocks, Q4 2018 ranks among the worst fourth quarters for US stocks in history.	Market News	27.12.2018
Asset Allocation PBE	In our monthly publication, we are presenting our asset allocation for the current month.	Asset Allocation Private Banking Europe	12.12.2018
Shifting towards a cleaner future	Five selected companies, which have shifted their strategic direction towards a cleaner future.	Investment Idea	11.12.2018

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