



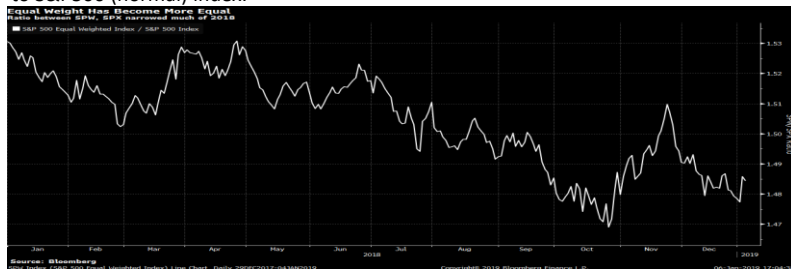
Weekly Market Comment (by Dr. Mahnoosh Mirghaemi)

6-Jan-2019

Happy New Year to all our readers!

Stocks started off 2019 in more volatile mood, but managed to finish in positive territory for the holiday-shortened week. Soft Chinese economic data, a profit warning from Apple, as well as a lower than expected ISM number caused the market sell-off in the first couple of thin trading days into 2019. Investors were worried not only about a U.S. but a global economic slow-down, and there was a very loose talk about recession or better to say signs of recession. Friday's U.S. job report which shows that U.S. economy added 312,000 jobs in December in combination with higher wages – the fastest y/y gain in nine years and essential factor for consumer spending and confidence – reversed the sell-off and boosted investors' confidence. In our view, Apple's sales forecast cut was a positive news, as President Trump's "America First" strategy shows a sign of loss and, much earlier than anticipated, trade tension between U.S. and China hit "home" i.e. America. Therefore we think Mr. President should think twice with regard to raising tariffs. On the other hand, we think that market runs one year ahead in terms of worriedness about a recession. What we see in the market are very strong fundamentals that are fighting with drying up liquidity. Market needs to balance between these two factors. We see no sign of recession, but uncertainty over the economy, liquidity and technicals. The yield spread between U.S. and Germany is narrowing, which means a slow shift towards Europe. When it comes to hedging, in our view, the question is not between high-yield and low-yield; rather the only way to be safe in an uncertain environment is cash. The current volatility did not come as surprise to us, since Fed and ECB are shifting their policy. During the last couple of years, they were the most important drivers to bring down the volatility. But now they are the catalyst or better to say one factor for higher volatility. We are aware of the recent soft data, but what we know is that, there are three pillars of equity returns: economic fundamentals, valuation and investor sentiment. Firstly, fundamentals are solid. Secondly, this year we expect Fed to move very slowly in terms of raising rates. Last week, Federal Reserve Chairman Powell noted that "the Fed will remain patient and flexible if slower economic conditions warrant fewer rate hikes", and markets cheered to this comment. Thirdly, we believe that volatility is must have in the market as it creates opportunities for buying and selling. Altogether, this week negotiation between U.S. and China is likely to be a game changer for the markets. All we can say, with no indication to the results, is that in our view, talk is positive.

Chart of the Week: Chart below shows the ratio of S&P 500 equal weighted index and S&P 500 (normal) index. If the trade tension between U.S.-China gets worse, then there is definitely more loss across SPW, i.e. S&P 500 equal weighted index, compared to S&P500 (normal) index.



Market Statistics Monitor

	Change [%]			
Equities	1 Week	YTD	1 Yr	3 Yrs
S&P 500	1.86	1.00	-7.70	27.22
NASDAQ	2.34	1.56	-5.57	39.35
Dow Jones	1.61	0.45	-7.36	38.60
Russell 2000	3.20	2.39	-11.49	26.17
MSCI Europe	2.18	1.75	-13.37	-2.52
EuroStoxx 50	1.85	1.35	-15.68	-3.10
Stoxx Europe 600	2.13	1.70	-13.58	-3.10
DAX	1.98	1.98	-19.16	5.42
MDAX	2.08	2.08	-18.43	10.25
CAC 40	1.25	0.14	-13.41	5.73
IBEX	2.87	2.32	-16.07	-5.00
SMI	2.13	2.13	-9.92	-0.06
OMX STH30	1.88	1.88	-10.92	3.48
FTSE MIB	2.77	2.77	-17.27	-7.79
FTSE 100	1.54	1.62	-11.48	12.58
MSCI EM	0.24	-0.07	-19.65	27.00
MSCI Japan	-1.59	-1.59	-21.02	-2.36
TOPIX	-1.53	-1.53	-21.76	-1.19
Hang Seng	0.48	-0.85	-16.84	22.14
S&P ASX	-0.62	-0.48	-8.22	9.69
MSCI India	-1.57	-1.54	-2.28	28.91
MSCI China	-0.10	-0.80	-25.15	24.68
MSCI Brazil	8.58	8.84	-1.40	115.00
MSCI AC World	1.60	0.94	-12.67	19.07
Energy	4.48	4.08	-15.46	16.83
Materials	1.46	0.81	-20.34	32.91
Industrials	1.66	0.87	-17.54	18.70
Con Dis	2.01	1.23	-11.07	18.94
Finance	2.34	1.66	-18.23	15.04
Healthcare	1.10	0.10	-2.62	11.49
Con Stpl	1.35	1.01	-11.97	3.46
Real Estate	0.33	0.06	-10.66	-5.31
Tel Svc	3.00	2.64	-12.16	-4.45
Utilities	1.09	0.71	-0.48	14.19

Volatility	1 Week	YTD	1 Yr	3 Yrs
CBOE SPX Volatility	-24.56	-15.89	131.89	3.84
Euro Stoxx 50 Volatility	-14.17	-14.17	84.12	-22.15

Bond Yield (10 yr)	Level	Change(bps)		
		1 Week	YTD	1 Yr
USA	2.67	-0.05	-0.02	0.19
Australia	2.23	-0.13	-0.08	-0.40
New Zealand	2.33	-0.07	-0.04	-0.44
Canada	1.93	-0.02	-0.04	-0.22
Japan	-0.04	-0.04	-0.04	-0.10
Germany	0.21	-0.03	-0.03	-0.23
France	0.70	-0.01	-0.01	-0.10
Italy	2.90	0.16	0.16	0.89
Portugal	1.81	0.09	0.09	-0.13
Spain	1.47	0.06	0.06	-0.05
UK	1.28	0.01	0.00	0.03
Eurozone	0.21	-0.03	-0.03	-0.23

Currency	Level	Change [%]		
		1 Week	YTD	1 Yr
EUR	1.14	-0.31	-0.40	-5.32
JPY	108.45	-1.78	-1.10	-4.16
GBP	1.27	0.21	-0.16	-6.18
CHF	0.99	0.14	0.33	1.06
NOK	8.62	-1.25	0.35	7.19
SEK	8.96	-0.04	-0.92	10.20
CAD	0.75	1.77	1.69	-7.42
MXN	19.45	-1.22	-1.11	1.21
AUD	0.71	0.99	0.95	-9.57
NZD	0.67	0.67	0.49	-5.94
HKD	7.83	0.06	-0.03	0.21

Gold Spot	1284	0.43	0.23	-2.74
Silver Spot	15.73	2.78	1.55	-8.81
Platinum Spot	820	3.74	3.13	-15.43
Palladium Spot	1297	3.53	2.85	19.15
Brent Crude	57.06	7.24	6.06	-9.93
NYMEX Natural Gas	3.04	-7.84	3.54	1.67

Sentiment	Level	1 Week	YTD	1 Yr
Investor Sentiment-Bull	33.02	4.66	4.66	-44.74
Investor Sentiment-Bear	42.77	-14.97	-14.97	174.87

House Price Index	Level	1 Week	YTD	1 Yr
USA	295.09	-0.27	-0.30	-6.39
EU	142.45	2.44	1.80	-16.01
CH	472.30			0.75



Weekly Market Commentary & Strategy

Company News Highlights

- Anglo Sees Adj. Ebitda Loss of \$320m for Minas-Rio as Ops Resume
- ArcelorMittal Signs \$5.5B Revolving Credit Line
- BBVA Approves Management Changes as Chairman Gonzalez Steps Down
- Casino Completed Sale of Monoprix Real Estate Assets for EU742M
- Centrica to Call for Review of Ofgem Price Cap Decision: Sky
- CMA CGM Has to Publish Ceva Takeover Prospectus by Jan. 28
- DI Newspaper Speculates Millicom Could Be Buyout Target
- FDA Asks Bayer to Extend Essure Postmarket Study to Five Years
- Genmab Investors Not Pricing Pipeline, CEO Winkel Tells Borsen
- Mithra Notes 'Positive' Results From Study of Zoreline Product
- Nordea: Cevian Capital Says It Has Built a 2.3% Stake
- Novartis Gets EU Approval for Expanded Indication for Kisqali
- Porsche Recalls About 75,000 Panamera Cars Due to Software Issue
- Technicolor Sees 2018 Adjusted Ebitda EU265m to EU275m
- VW to Cut About 7,000 Hanover, Emden Jobs in Coming Years: FAZ

Equities Monitor



Upgrades

- + Ontex upgraded to neutral at Goldman



Downgrades

- British Land downgraded to reduce at AlphaValue
- Hammerson downgraded to reduce at AlphaValue
- Headlam downgraded to hold at Peel Hunt
- Klepierre downgraded to reduce at AlphaValue
- Land Sec. downgraded to reduce at AlphaValue
- Mercialis downgraded to reduce at AlphaValue
- Telenor cut to hold at SEB Equities; Price Target 175 Kroner
- Telia downgraded to hold at SEB Equities; Price Target 45 Kroner
- Wereldhave downgraded to reduce at AlphaValue

Weekly Market Commentary & Strategy

Oil's Brief

Despite oil price drop, majority of oil executives wants to **increase production in 2019**, based on the Dallas Fed's survey.

Saudi Arabia, top member of OPEC, decreased pumping before the deal to cut oil output take effect, as a result of sharp drop in oil price.

Oil's sharp price drop in the last quarter of 2018, makes **OPEC** and its allies to remove 1.2 million b/d of crude in order to stabilize the price. But rising U.S. shale output is their biggest challenge.

UBS analyst predict rebound in Brent to \$70/bbl within the next 3-6 months, as a result of OPEC+ output cut deal.

Asia's Brief

The recent **JPY's sharp strengthening**, as a result of sliding U.S. yield and investor's safe haven demand, will become a big challenge for **Bank of Japan**.

On January 3rd, USD vs JPY slide to 104.87, a flash crash level. Algorithmic trading, thin market liquidity as well as Apple's sales forecast cut are among the factors, which have been blamed.

China started new year by asking prices for **U.S. soybeans** for February and March delivery, as U.S.China trade talk developing in positive direction.

Property market in **Singapore, Hong Kong** and **Australia** are showing some sign of softening. These markets were not immune to global property slowdown.

Credit's Brief

It seems that **go-go credit markets** of the last three years lost its shine to investors. Invest in junk-rated companies are among the risky assets of 2019, since there is a high collateral risk.

Acquisition-loan market attracted majority of investors' attention, being only 5 days into 2019.

Apple bond trading volume jumped and widened last week, after company cut sales forecast.

The **U.S. high-yield** market sees no demand into 2019, whereas **U.S. investment-grade** sees some borrowers already lined up.

ECB pull back and less appetite from investors into the **European credit** can result liquidity dryness in this market.

ETF's Brief

It seems like the old trend of searching for **active stock and bond selectors** have been ditched this year. Among the investors who buy U.S. stocks, 48% were invested in passively track indexes based on Morningstar estimates, and there is a high probability that this trend goes even higher in 2019.

BlackRock, the most beneficiary of the bull market during last couple of years, **lost** about 24% which was the worst decline in decade.

Investors pulled more than \$5billion from **technology focused ETFs**, in the 4Q of 2018. The sector which was known as the best performer in the bull market, lost 26% during 4Q2018.

Gold and Treasury's ETFs were among the winners in 4Q2018, as a result of investors' worries over the global economic slowdown. **Ultra-Short-Term Credit** were attracted majority of in-flows.

Investors who invested in **factor based ETFs** i.e. momentum and growth strategy were the most disappointed ones in 2018, since nothing worked well for them.

Weekly Market Commentary & Strategy

Bellatrix Fund Performance					
	Change [%]				
	1 Week	YTD	1 Yr	3 Yrs	5 Yrs
ARCHEA Fund-Europe-B1	-1.35	-1.79	-15.16	3.58	11.32
ARCHEA Fund-Nordam-B1	-1.68	-2.32	-18.26	12.78	19.33
ARCHEA Fund-Patrimoine-B1	-1.59	-1.79	-20.75	-5.76	-0.60
ARCHEA Fund-GlobIQ-B1	-1.41	-1.63	-21.62	-16.26	-
ARCHEA Fund-Spectrum	0.42	0.32	-10.49	-	-
ARCHEA Fund-Bond Selection-B1	-0.69	-0.75	-8.29	8.51	10.39
HARVEST INV-Global Convertible-B	0.11	-0.28	-2.76	6.23	27.45

The Week Ahead Key Economic Releases

Date Time	Country	Event	Period	Survey	Prior
01/04/2019 01/11	US	Advance Goods Trade Balance	Nov	-7.60E+10	-7.72E+10
01/04/2019 01/11	US	Wholesale Inventories MoM	Nov P	0.50%	0.80%
01/04/2019 01/11	US	New Home Sales	Nov	568000	544000
01/04/2019 01/11	US	New Home Sales MoM	Nov	4.50%	-8.90%
01/04/2019 01/11	US	Retail Inventories MoM	Nov	--	0.90%
01/04/2019 01/11	US	Construction Spending MoM	Nov	0.30%	-0.10%
01/07/2019 00:50	JN	Loans & Discounts Corp YoY	Nov	--	3.30%
01/07/2019 00:50	JN	Monetary Base YoY	Dec	--	6.10%
01/07/2019 00:50	JN	Monetary Base End of period	Dec	--	0
01/07/2019 01:30	JN	Nikkei Japan PMI Composite	Dec	--	52.4
01/07/2019 01:30	JN	Nikkei Japan PMI Services	Dec	--	52.3
01/07/2019 06:00	JN	Vehicle Sales YoY	Dec	--	8.30%
01/07/2019 08:00	GE	Factory Orders MoM	Nov	--	0.30%
01/07/2019 08:00	GE	Factory Orders WDA YoY	Nov	--	-2.70%
01/07/2019 09:30	GE	Markit Germany Construction PMI	Dec	--	51.3
01/07/2019 10:00	UK	New Car Registrations YoY	Dec	--	-3.00%
01/07/2019 10:00	IT	Deficit to GDP YTD	3Q	--	1.90%
01/07/2019 10:30	EC	Sentix Investor Confidence	Jan	--	-0.3
01/07/2019 11:00	EC	Retail Sales MoM	Nov	--	0.30%
01/07/2019 11:00	EC	Retail Sales YoY	Nov	--	1.70%
01/07/2019 16:00	US	Factory Orders	Nov	0.30%	-2.10%
01/07/2019 16:00	US	Factory Orders Ex Trans	Nov F	--	0.30%
01/07/2019 16:00	US	Durable Goods Orders	Nov F	--	0.80%
01/07/2019 16:00	US	Durables Ex Transportation	Nov F	--	-0.30%
01/07/2019 16:00	US	Cap Goods Orders Nondef Ex Air	Nov F	--	-0.60%
01/07/2019 16:00	US	Cap Goods Ship Nondef Ex Air	Nov F	--	-0.10%
01/07/2019 16:00	US	ISM Non-Manufacturing Index	Dec	59.2	60.7
01/07/2019	CH	Foreign Reserves	Dec	3.07E+12	3.06E+12

Weekly Market Commentary & Strategy

The Week Ahead Key Economic Releases

Date Time	Country	Event	Period	Survey	Prior
01/07/2019 01:08	GE	Retail Sales MoM	Nov	0.40%	-0.30%
01/07/2019 01:08	GE	Retail Sales YoY	Nov	-0.90%	5.00%
01/08/2019 06:00	JN	Consumer Confidence Index	Dec	--	42.9
01/08/2019 08:00	GE	Industrial Production SA MoM	Nov	--	-0.50%
01/08/2019 08:00	GE	Industrial Production WDA YoY	Nov	--	1.60%
01/08/2019 08:45	FR	Trade Balance	Nov	--	-4.05E+09
01/08/2019 08:45	FR	Current Account Balance	Nov	--	-7.00E+08
01/08/2019 09:30	UK	Halifax House Prices MoM	Dec	--	-1.40%
01/08/2019 09:30	UK	Halifax House Price 3Mths/Year	Dec	--	0.30%
01/08/2019 11:00	EC	Consumer Confidence	Dec F	--	-6.2
01/08/2019 11:00	EC	Economic Confidence	Dec	--	109.5
01/08/2019 11:00	EC	Business Climate Indicator	Dec	--	1.09
01/08/2019 11:00	EC	Industrial Confidence	Dec	--	3.4
01/08/2019 11:00	EC	Services Confidence	Dec	--	13.3
01/08/2019 12:00	US	NFIB Small Business Optimism	Dec	103.5	104.8
01/08/2019 14:30	US	Trade Balance	Nov	-5.32E+10	-5.55E+10
01/08/2019 16:00	US	JOLTS Job Openings	Nov	--	7079
01/08/2019 21:00	US	Consumer Credit	Nov	1.50E+10	2.54E+10
01/08/2019	IT	Bank of Italy Report on Balance-Sheet			
01/09/2019 01:00	JN	Labor Cash Earnings YoY	Nov	1.10%	1.50%
01/09/2019 01:00	JN	Real Cash Earnings YoY	Nov	--	-0.10%
01/09/2019 08:00	GE	Trade Balance	Nov	--	1.83E+10
01/09/2019 08:00	GE	Current Account Balance	Nov	--	1.59E+10
01/09/2019 08:00	GE	Exports SA MoM	Nov	--	0.70%
01/09/2019 08:00	GE	Imports SA MoM	Nov	--	1.30%
01/09/2019 08:45	FR	Consumer Confidence	Dec	--	92
01/09/2019 10:00	IT	Unemployment Rate	Nov P	--	10.60%
01/09/2019 11:00	EC	Unemployment Rate	Nov	--	8.10%
01/09/2019 13:00	US	MBA Mortgage Applications	Jan-04	--	--
01/09/2019 20:00	US	FOMC Meeting Minutes	Dec-19	--	--
01/10/2019 00:50	JN	Official Reserve Assets	Dec	--	1.26E+12
01/10/2019 00:50	JN	Japan Buying Foreign Bonds	37987	--	0
01/10/2019 00:50	JN	Japan Buying Foreign Stocks	37987	--	0
01/10/2019 00:50	JN	Foreign Buying Japan Bonds	37987	--	0
01/10/2019 00:50	JN	Foreign Buying Japan Stocks	37987	--	0
01/10/2019 01:01	UK	BRC Sales Like-For-Like YoY	Dec	--	-0.50%
01/10/2019 02:30	CH	CPI YoY	Dec	2.10%	2.20%
01/10/2019 02:30	CH	PPI YoY	Dec	2.30%	2.70%
01/10/2019 06:00	JN	Leading Index CI	Nov P	--	99.6
01/10/2019 06:00	JN	Coincident Index	Nov P	--	104.9

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The Week Ahead Key Economic Releases

Date Time	Country	Event	Period	Survey	Prior
01/10/2019 08:45	FR	Industrial Production MoM	Nov	--	1.20%
01/10/2019 08:45	FR	Industrial Production YoY	Nov	--	-0.70%
01/10/2019 08:45	FR	Manufacturing Production MoM	Nov	--	1.40%
01/10/2019 08:45	FR	Manufacturing Production YoY	Nov	--	-1.30%
01/10/2019 10:00	IT	Retail Sales MoM	Nov	--	0.10%
01/10/2019 10:00	IT	Retail Sales YoY	Nov	--	1.50%
01/10/2019 14:30	US	Initial Jobless Claims	Jan-05	--	--
01/10/2019 14:30	US	Continuing Claims	Dec-29	--	--
01/10/2019 15:45	US	Bloomberg Consumer Comfort	Jan-06	--	--
01/10/2019 16:00	US	Wholesale Inventories MoM	Nov F	0.50%	--
01/10/2019 16:00	US	Wholesale Trade Sales MoM	Nov	--	-0.20%
01/10/2019 01/15	CH	Money Supply M1 YoY	Dec	--	1.50%
01/10/2019 01/15	CH	Money Supply M0 YoY	Dec	--	2.80%
01/10/2019 01/15	CH	Aggregate Financing CNY	Dec	1.47E+12	1.52E+12
01/10/2019 01/15	CH	Money Supply M2 YoY	Dec	8.10%	8.00%
01/10/2019 01/15	CH	New Yuan Loans CNY	Dec	9.25E+11	1.25E+12
01/11/2019 00:30	JN	Household Spending YoY	Nov	--	-0.30%
01/11/2019 00:50	JN	BoP Current Account Balance	Nov P	0	0
01/11/2019 00:50	JN	Trade Balance BoP Basis	Nov P	0	0
01/11/2019 00:50	JN	BoP Current Account Adjusted	Nov P	0	0
01/11/2019 00:50	JN	Bank Lending Incl Trusts YoY	Dec	--	2.10%
01/11/2019 00:50	JN	Bank Lending Ex-Trusts YoY	Dec	--	2.20%
01/11/2019 08:30	FR	Bank of France Ind. Sentiment	Dec	--	101
01/11/2019 10:00	IT	Industrial Production MoM	Nov	--	0.10%
01/11/2019 10:00	IT	Industrial Production WDA YoY	Nov	--	1.00%
01/11/2019 10:00	IT	Industrial Production NSA YoY	Nov	--	4.20%
01/11/2019 10:30	UK	Visible Trade Balance GBP/Mn	Nov	--	-1.19E+10
01/11/2019 10:30	UK	Trade Balance Non EU GBP/Mn	Nov	--	-4.25E+09
01/11/2019 10:30	UK	Trade Balance	Nov	--	-3.30E+09
01/11/2019 10:30	UK	Industrial Production MoM	Nov	--	-0.60%
01/11/2019 10:30	UK	Industrial Production YoY	Nov	--	-0.80%
01/11/2019 10:30	UK	Manufacturing Production MoM	Nov	--	-0.90%
01/11/2019 10:30	UK	Manufacturing Production YoY	Nov	--	-1.00%
01/11/2019 10:30	UK	Construction Output SA MoM	Nov	--	-0.20%
01/11/2019 10:30	UK	Construction Output SA YoY	Nov	--	3.80%
01/11/2019 10:30	UK	GDP (MoM)	Nov	--	0.10%
01/11/2019 14:30	US	CPI MoM	Dec	-0.10%	0.00%
01/11/2019 14:30	US	CPI Ex Food and Energy MoM	Dec	0.20%	0.20%
01/11/2019 14:30	US	CPI YoY	Dec	1.90%	2.20%
01/11/2019 14:30	US	CPI Ex Food and Energy YoY	Dec	2.10%	2.20%

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The Week Ahead Key Economic Releases

Date Time	Country	Event	Period	Survey	Prior
01/11/2019 14:30	US	CPI Core Index SA	Dec	--	259.481
01/11/2019 14:30	US	CPI Index NSA	Dec	--	252.038
01/11/2019 14:30	US	Real Avg Weekly Earnings YoY	Dec	--	0.50%
01/11/2019 14:30	US	Real Avg Hourly Earning YoY	Dec	--	0.80%
01/11/2019 20:00	US	Monthly Budget Statement	Dec	0	-2.05E+11
01/11/2019 01/18	CH	Foreign Direct Investment YoY CNY	Dec	--	-26.30%