



Trump tweet

May 2019

PMI data weakening in the U.S. and China

Slight rise in U.S. high yield spreads and risk premiums with declining yields on 10-year U.S. government bonds

As in previous years, share sales by investors in the U.S. are offset by record share buybacks by U.S. companies.

No change in our assessment of asset classes or investment policy

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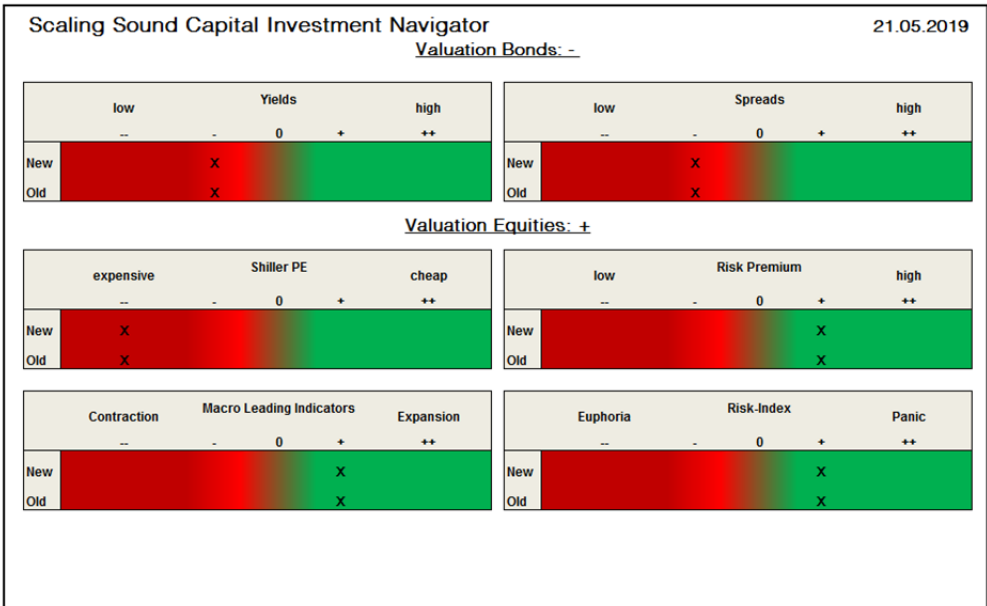
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"The art of the deal" or trade war?

The storybook-like stock market trend (steadily rising prices with declining volatility) in April also drove hardened investment professionals to issue euphoric statements. For example: the Chairman of BlackRock (the largest asset manager in the world) warned against a 'melt-up' (virtually the opposite of a crash). While the timing of this announcement turned out to be unfortunate in retrospect, we can certainly go along with BlackRock's main argument. Without a trace of the euphoria that typically accompanies the end of a bull market, many investors remain underinvested in the stock markets and hold high cash reserves. In our Navigator, this circumstance is taken into account through positive assessment of the risk index, which is a decisive factor in our continued slight overweighting of equities. We are not making any changes in the other asset classes.

Sound Capital Investment Navigator



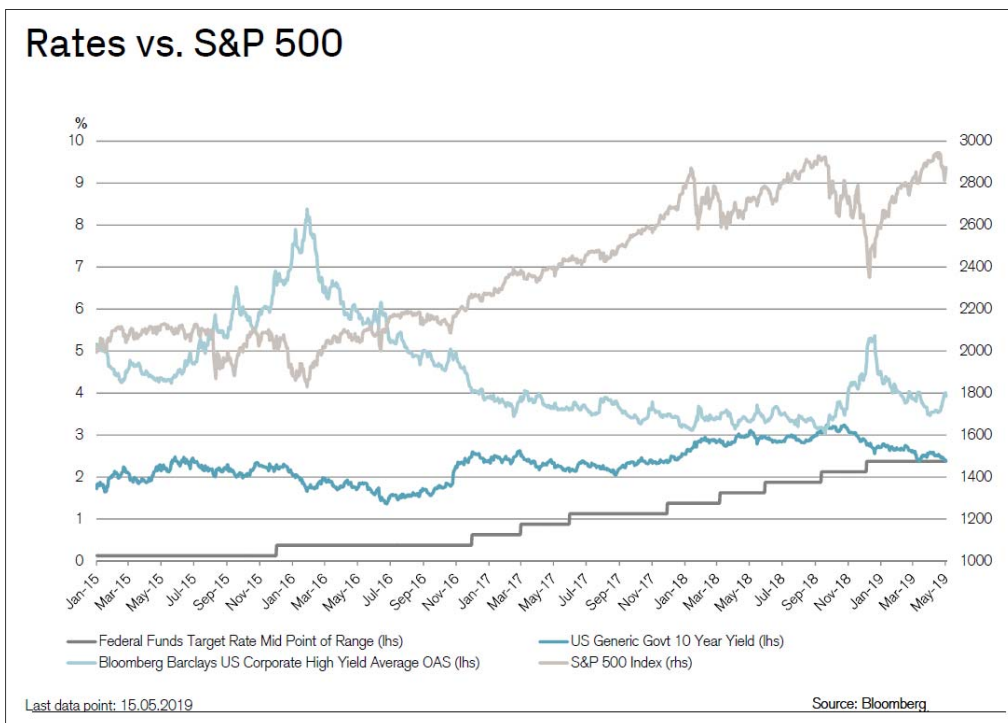
In our decision, we did not speculate whether Mr Trump was serious about escalating the trade war or whether he was using it as a threat to make a particularly good deal with China. It is beyond dispute, however, that the United States and China are equally dependent on reasonable trade relations and that Donald Trump is dependent on a persistently prospering U.S. economy for next year's presidential elections.

Sound Capital Investment Navigator

Interest rate level (assessment indicator -) / **Spreads** (assessment indicator -)

Assessment unchanged / Assessment unchanged

Since our last report, the nominal interest rate level of 10-year U.S. government bonds has again fallen slightly, while the spreads of high-yield U.S. corporate bonds have widened slightly. Overall, therefore, the monetary environment in the U.S. has barely changed since our last reporting.



Shiller KGV (assessment indicator --) / **risk premium** (assessment indicator +)

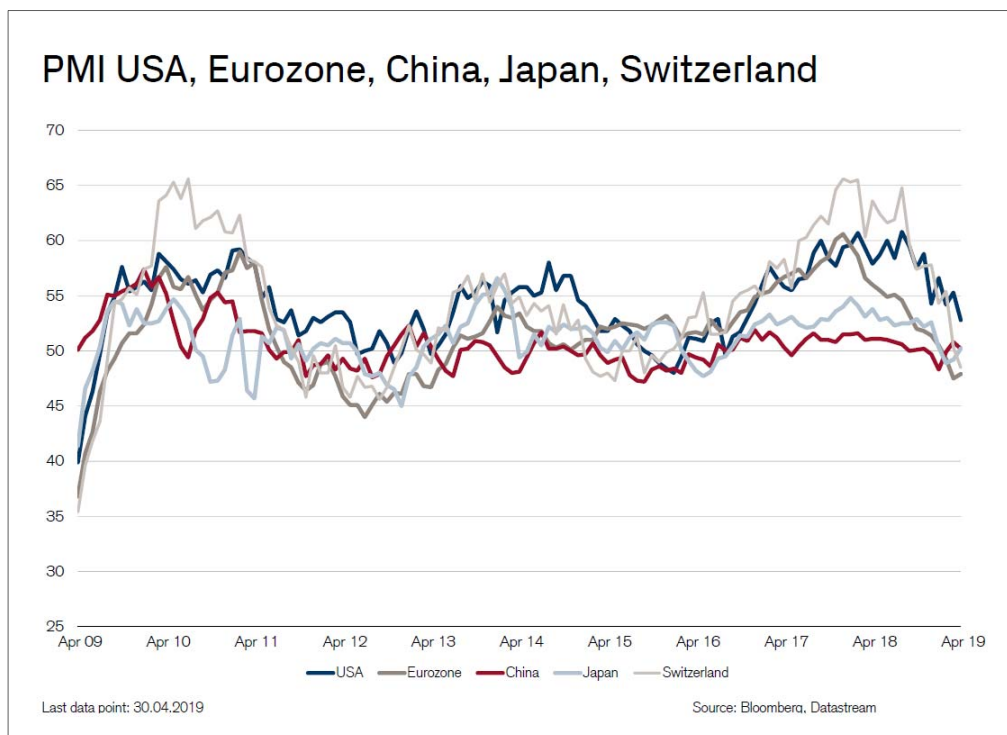
Assessment unchanged / Assessment unchanged

The absolute valuation of the U.S. stock market measured by the Shiller P/E ratio is still unattractive. By contrast, the relative valuation of equities against government bonds remains attractive.

Macro leading indicators (assessment indicator +)

Assessment unchanged

Although the data (certainly also in connection with the trade frictions already described) have weakened again since our last reporting, particularly in the United States and China, the global economy continues to expand.

**Risk index** (assessment indicator +)

Assessment unchanged

Without a trace of the euphoria that typically accompanies the end of a bull market, many investors remain underinvested in the stock markets and hold high cash reserves. In our Navigator, this circumstance is taken into account through positive assessment of the risk index.

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