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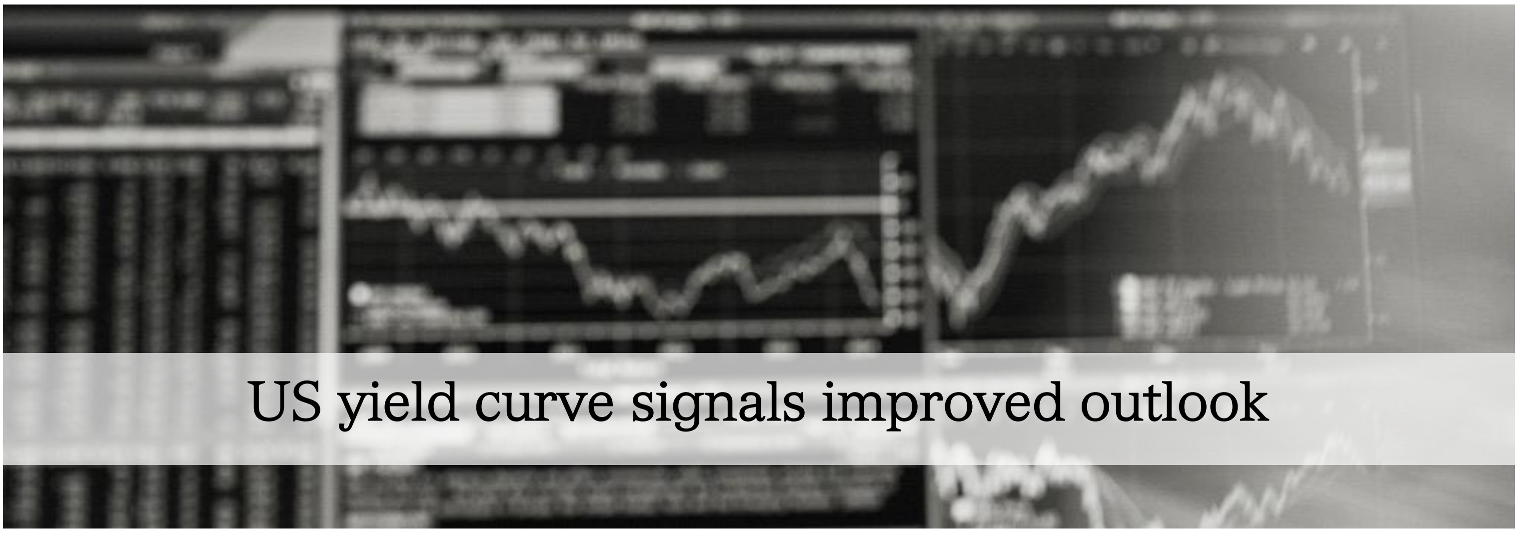

US yield curve signals improved outlook

Shifting towards a more cyclical asset allocation

November 2019

- Economic development may surprise on the upside
- Less defensive positioning of investors
- Assessment of asset classes unchanged

Investor sentiment has improved, underpinned by inflows into equities and a decline in allocation to liquidity. Hence, our countercyclical risk index fell by one notch, making a less positive contribution to our overall assessment. On the other hand, leading monetary indicators in particular point to an improved economic outlook. In total, the result is an overall unchanged assessment of our Navigator, keeping our asset allocation unchanged:

Liquidity slightly overweight, bonds underweight, equities overweight and alternative investments slightly overweight.

Nevertheless, the situation is different for asset categories:

Better global economic prospects are likely to have a positive impact on the EUR. Government bonds in particular appear less attractive than corporate bonds. With regards to equities, we favor Europe, Asia and Emerging Markets. Although we continue to have a positive long-term outlook for gold, equity investments should provide greater upside for the time being.

Sound Capital Investment Navigator

Valuation Bonds: --

	low		Yields		high
	- -	-	0	+	+ +
New	X				
Old	X				

	low		Spreads		high
	- -	-	0	+	+ +
New		X			
Old		X			

Valuation Equities: ++

	expensive		Shiller PE		cheap
	- -	-	0	+	+ +
New	X				
Old	X				

	low		Risk Premium		high
	- -	-	0	+	+ +
New					X
Old					X

	Contraction		Leading Indicators		Expansion
	- -	-	0	+	+ +
New				X	
Old			X		

	Euphoria		Risk-Index		Panic
	- -	-	0	+	+ +
New				X	
Old					X

Sound Capital Ltd
Claridenstrasse 19
P.O. Box
CH-8022 Zurich

Tel +41 44 206 25 25
Fax +41 44 206 25 00

welcome@sound-cap.com
www.sound-cap.com

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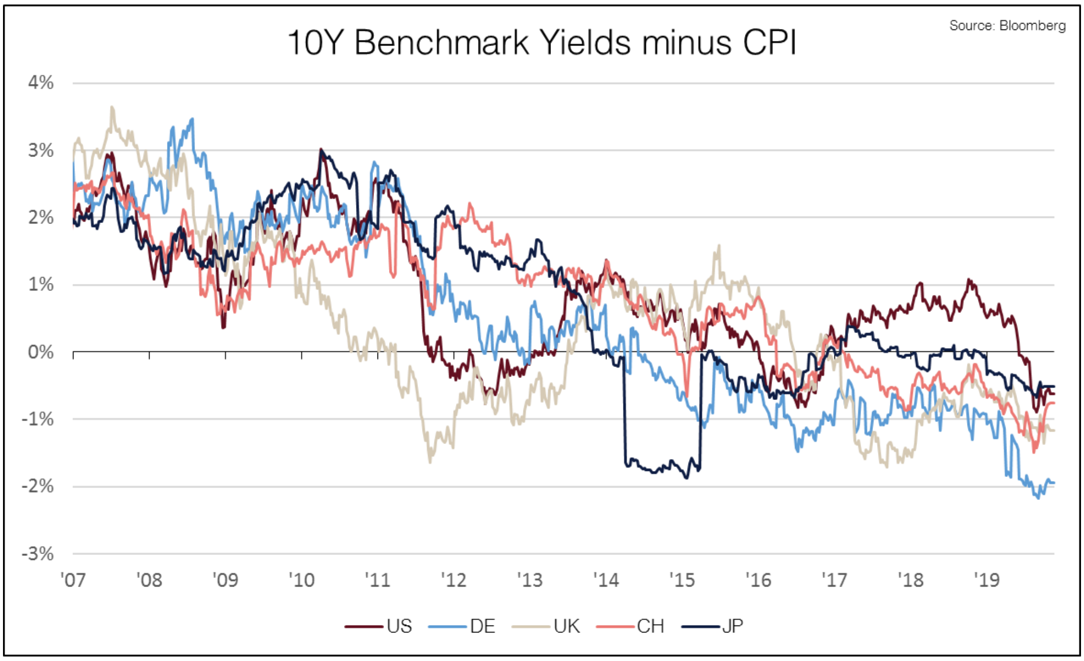
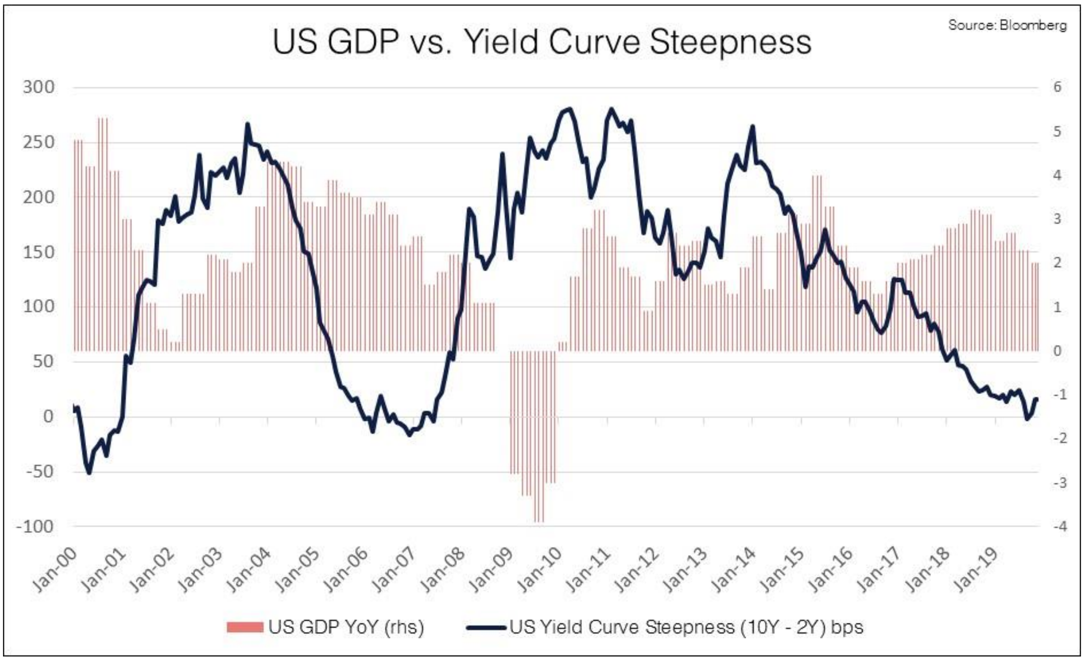
Interest rate level (assessment indicator --) / Spreads (assessment indicator -)

assessment unchanged / assessment unchanged

On average, the global yield on 10-year government bonds has risen by approximately 25 basis points since we last published our monthly Navigator.



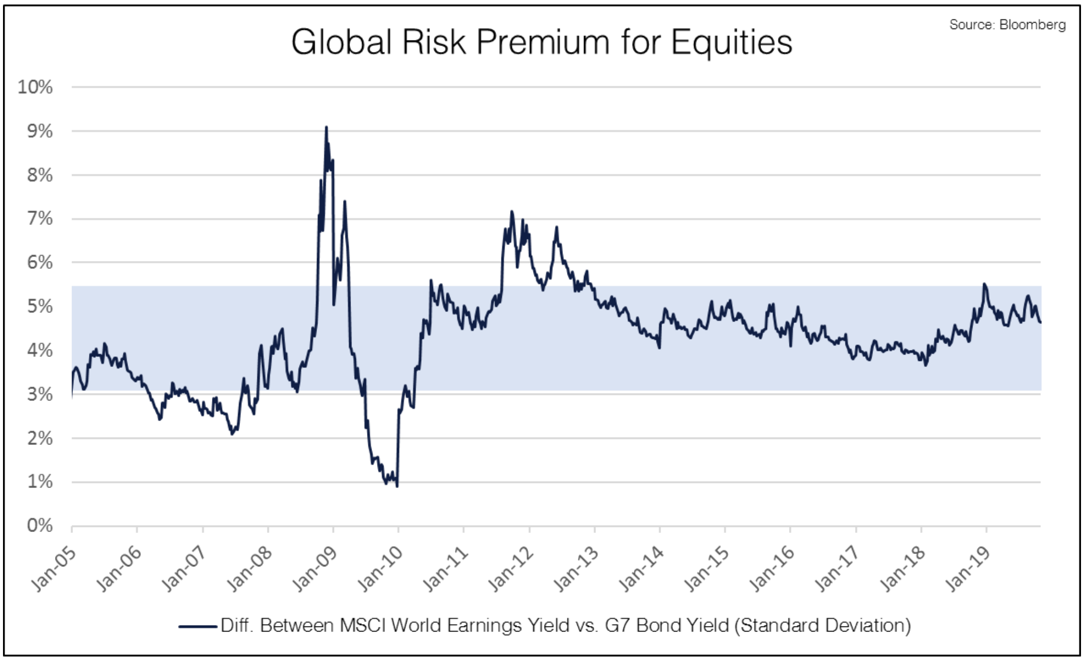
As a result, the U.S. yield curve shows a clearly positive slope again. Thus, the Federal Reserve has quite obviously succeeded in changing economic expectations, even though with modest interest rate cuts of only 75 basis points. All of a sudden, it seems to be true that these interest rate cuts are a mid-cycle adjustment rather than a longer-term trend.



Shiller P/E (assessment indicator --) / risk premium (assessment indicator ++)

assessment unchanged / assessment unchanged

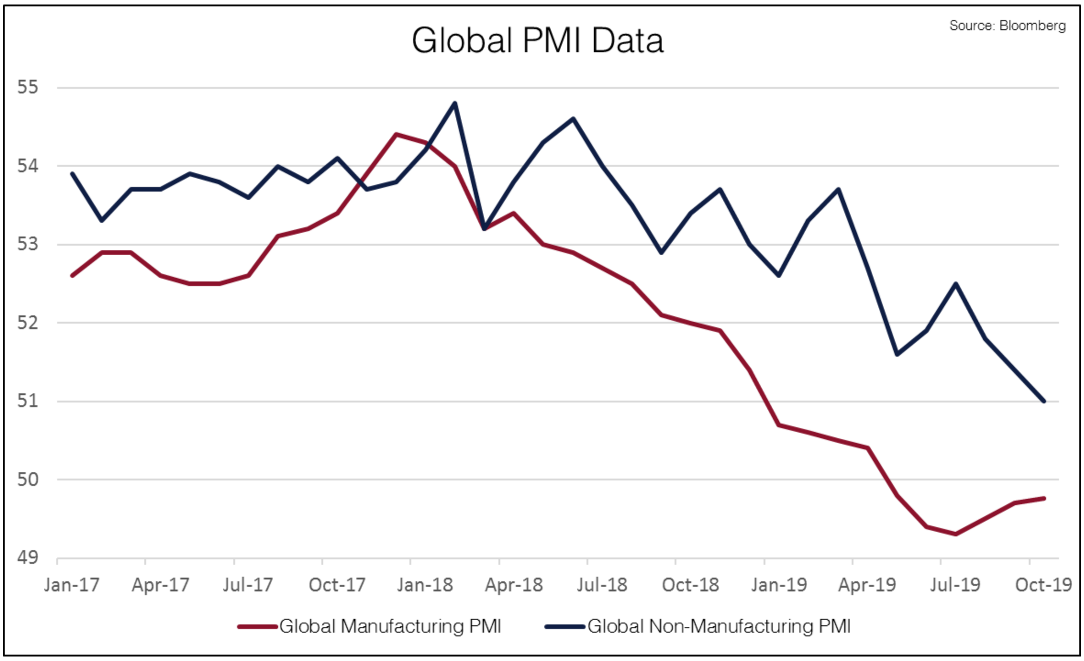
The absolute valuation of the U.S. stock market as measured by the Shiller P/E ratio is still unattractive. On the other hand, the relative valuation of equities versus government bonds is attractive. This market condition is increasingly used as the main argument for the supposedly "alternative-less" purchase of equities.



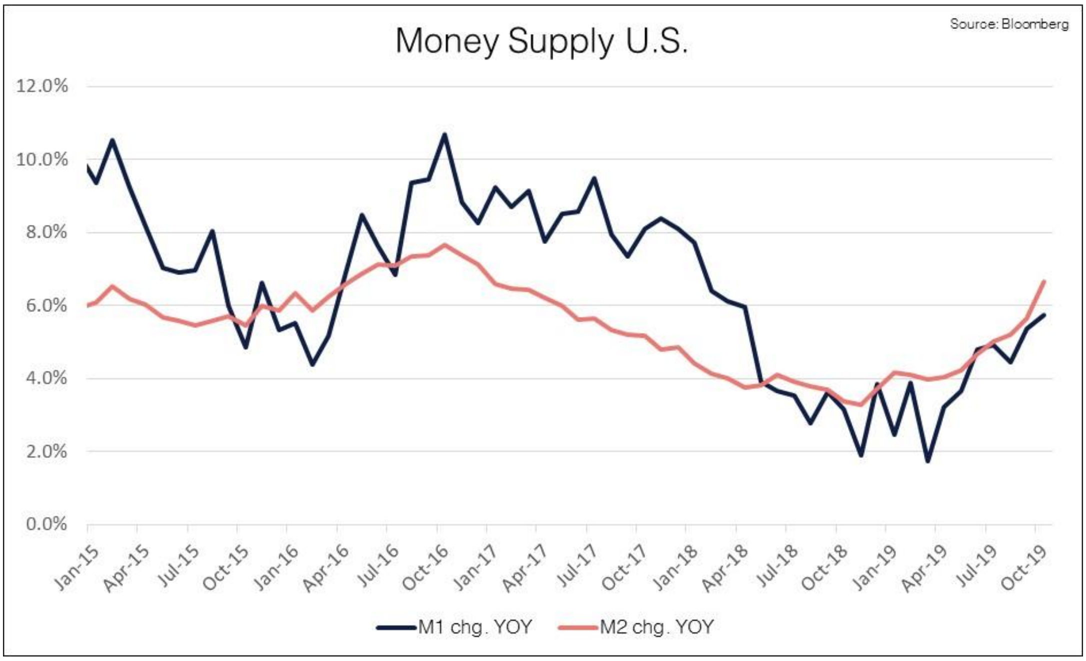
Macro leading indicators (assessment indicator 0)

assessment upgraded from 0 to +

Within the industrial sector, global PMI data (with declining momentum) still point to a shrinking economy with an index level of 49.8. In contrast, the global services sector is still expanding.



On the other hand, US leading monetary indicators point to an improved economic outlook. Therefore, we have upgraded our assessment of this indicator to positive from 0.



Risk index (assessment indicator +)

Rating downgraded from ++ to +

This strongly countercyclical indicator makes a less positive contribution to our overall assessment, in particular due to strong inflows into equities and lower liquidity levels.

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