MARKET OPPORTUNITIES

December 2018

- Stabilization in November
- US-China trade truce

Core Capital Management S.A.

46, Place Guillaume II, L-1648 Luxembourg
info@corecapital.eu Tel:+352 2621 1969

www.corecapital.eu

After a volatile October the financial markets experienced some kind of stabilization during November. The three main concerns that rattled markets in October – fear of rising interest rates, political risk related to Brexit and Italy, and Trump's trade war - all faded at the end of the month. This resulted in the S&P 500 Index turning in its biggest weekly gain since 2011 during the last week of the month. Dovish words from Fed Chairman Jerome Powell calmed down interest rate markets, and the 10 Year US Treasury Yield came down from shy of 3.25% and dipped just below 3% on the last trading day of the month. Italian rates also came down end of month on comments that Italian Prime Minister Conte is "optimistic" that a 2.2% deficit target can avoid the start of an EU excessive debt procedure.

During the G20 meeting in Argentina this weekend, US President Trump and China President Xi Jinping agreed on a 90 days trade tariff truce. Trump agreed to postpone an increase in the tariff rate on USD 200B worth of Chinese imports to 25% (from 10%) which was scheduled to come into force 1 January 2019. In exchange, China will resume buying US farm goods, energy, and industrial products. Even though this should provide some short term relief for equity markets and potentially could lead to a classic Santa Claus rally, we note that this is solely a temporary 90 days cease-fire, and the coming bilateral negotiations need to bear fruits to carry this optimism further into the new year.

On the flip side of all these market risks we have the fundamentals. We still think that the economic cycle will be the driver of the equity markets. Economic fundamentals remain strong, with unemployment globally continuing to fall combined with strong earnings. The US unemployment is at 3.7% - the lowest in almost 50 years – and we have wrapped up the US earnings season with 26% earnings growth and 8% revenue growth.

We are pleased to announce that Jesper Hertz has joined our team. Prior to joining Core Capital, Jesper held a position as Chief Representative at Nordea Bank S.A. Luxembourg's representative office in Spain. Jesper has spent the last 28 years in Spain, servicing wealthy Scandinavian individuals living in Spain. This experience has given Jesper a solid background in Cross-Border issues together with his strong local network. Jesper remains based on the Costa del Sol and his mobile number is +34 609 507 256.

Markets – November 2018

Equity indices	Nov-18	2018
MSCI ACWI	1.30%	-4.32%
MSCI World	1.15%	0.53%
S&P 500	1.79%	3.24%
Euro Stoxx 50	-0.76%	-9.44%
DAX	-1.66%	-12.85%
FTSE 100	-2.07%	-9.20%
NIKKEI 225	1.96%	-1.82%
OMX 30	-1.53%	-3.95%
OMXC 25	1.57%	-7.15%

Bond indices	Nov-18	2018
Global Treasuries	0.44%	-2.89%
Global High Yield	-0.95%	-3.33%

Currencies	Nov-18	Price
EUR/USD	0.04%	1.1317
EUR/SEK	-0.64%	10.3025
USD/SEK	-0.66%	9.1052
USD/DKK	-0.02%	6.5942

Interests	Nov-18
US T-Bill 3M	2.32%
Euribor FIX 3M	-0.32%
Libor FIX 3M	0.89%
Stibor FIX 3M	-0.37%
Cibor FIX 3M	-0.30%

Other	Nov-18	2018
Gold	0.47%	-6.32%
Oil crude. Brent	-22.21%	-12.20%
HFRX Index	-0.62%	-4.89%

MARKET OPPORTUNITIES

December 2018

Portfolio update

We were sitting firm in our seats during November being comfortable with our current allocations. Portfolio composition was not changed in November.

Market outlook

- Fixed income

There was a lot of action in the credit markets during November with volatile Italian rates and shaky credit markets. Focus was on General Electric (once the biggest company in the S&P 500 and in the world) and its huge pile of debt, as credit markets got concerned about the rapidly falling equity price. Market cap of GE is now USD 67B compared to a total debt of USD 115B. If the company gets another down grade and goes from Investment Grade down to Speculative Grade, it would represent almost 9% of the BB universe. We watch the game from the side-lines and start to dust off our shopping list for selected High Yield names, if things should get more stretched in the credit markets.

We remain negative on government bonds. We maintain our positions in Floating Rate Notes as we expect interest rates to continue to move higher. Next confirmation of this path would be Federal Reserve raising rates again 19 December.

- Equities

We still remain overall positive on global equities. In Europe we noticed a somewhat weak German output for Q3 as the economy contracted for the first time since 2015 due to challenges in the German auto sector. The US economy though is still in good shape.

- Alternative Investments

We have no positions in hedge funds at the moment as we find the risk/reward equation unattractive.

- Forex

Brexit, Italy, and a weak German output is still weighing on the EUR, while the Federal Reserve is on the path to make dollar rates relatively more attractive compared to euro rates at the upcoming Fed meeting just before X-mas.

Core Capital Management S.A.

46, Place Guillaume II, L-1648 Luxembourg
info@corecapital.eu Tel:+352 2621 1969

www.corecapital.eu

Holding of the Month
BB Healthcare Trust

BB Healthcare trust invests in the global healthcare industry with a research team which includes medical doctors focusing on companies which improve the healthcare industry.

The trust has had a total return of 22.90% year to date and while markets showed very small movements over the month of November, BB Healthcare returned 8.53%.