CORE CAPITAL

MARKET OPPORTUNITIES

July 2019

Core Capital Management S.A.

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

www.corecapital.eu

- It's Summertime
- The Dangers of Noise
- G20 – No News is Good News?

Summertime in the financial markets holds a special place in both financial theory and in the minds of investors. Historically there is the saying "Sell in May and Go Away", so far this year it would have meant missing out on the June rally. The markets are more volatile during the summer, volumes are limited and moves in any direction tends to become overstated. What could trigger these moves is usually hard to predict, the US/China trade conflict, weaker economic indicators and the prospects of a hardline Brexiter in power in the UK could all potentially rattle markets. Given the uncertain nature of the summer period and the irrational moves markets make during these months we have positioned us accordingly and are ready to weather any storm.

During July the Tory party in the UK will elect their next party leader whom is expected to become the Prime Minister leading the UK out of the EU. It's to early to speculate what will unfold, but regardless of who wins they are expected to take a harder stance against the EU than Theresa May. Politics always carry uncertainty and sudden moves, most of the time this is only noise, however with the subdued trading volumes during the summer even noise can rattle the markets. Noise can come from anywhere and though Brexit is easy to look at there are also volatile situations around the globe. Donald Trump is making an unprecedented move by being the first sitting US president to visit North Korea, all while the situation with Iran is at constant risk of escalating. These topics can feel old and they have been discussed before, however markets dislike uncertainty and with the summer conditions investors should be mindful of the impact even a minor event could have when everyone is on holidays.

Over the last weekend of the month we saw the G20 meeting, expectations were mixed in regards to the potential of a US/China trade deal. Weaker economic indicators have plagued both countries and a deal would help the global economy. There were both hopes for significant progress and fear of an escalation of the trade conflict. The end result of the G20 meeting fizzled out to a more or less "no news is good news" scenario, US and China agreed on a truce. Trade negotiations will restart, the Trump administration will relax its stance on Huawei and tariffs will for now not be increased. The result is similar to last years G20 meeting in Argentina which also saw a truce followed by trade negotiations which ultimately failed earlier this year. Though the truce is not a complete solution to the conflict it's a step in the right direction.

Markets – June 2019

Equity indices	Jun-19	2019
MSCI ACWI	6.36%	14.88%
MSCI World	5.90%	16.69%
S&P 500	6.89%	17.35%
Euro Stoxx 50	5.89%	15.73%
DAX	5.73%	17.42%
FTSE 100	3.69%	10.37%
NIKKEI 225	3.28%	6.30%
OMX 30	7.41%	15.17%
OMXC 25	2.34%	12.85%

Bond indices	Jun-19	2019
Global Treasuries	2.26%	5.05%
Global High Yield	3.18%	9.49%

Currencies	Jun-19	Price
EUR/USD	1.83%	1.1373
EUR/SEK	-0.43%	10.5604
USD/SEK	-2.23%	9.2845
USD/DKK	-1.85%	6.5624

Interests	Jun-19
US T-Bill 3M	2.07
Euribor FIX 3M	-0.35
Libor FIX 3M	0.77
Stibor FIX 3M	-0.03
Cibor FIX 3M	-0.37

Other	Jun-19	2019
Gold	7.96%	9.91%
Oil crude. Brent	3.19%	23.70%
HFRX Index	1.61%	4.22%

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Portfolio update

During June our 4 US Financials note was called reducing our market exposure and provided us with a 7.62% return for the 6 months we held it. Following the volatility we saw a good entry point for a new note based on 4 European Insurances, this provides us with an attractive return with considerable downside protection.

We also increased our exposure to Blackrock Emerging Markets Corporate Bond Fund, we remain confident in the fund and it has show repeatedly to provide a defensive element delivering return even in market downturns.

During the month we also sold our CDX notes, the price development so far during the year allowed us to exit the position at very good levels and reduce the risk further.

Market outlook

- Fixed income

We remain positive on Senior collateralized loans currently offering attractive yield compared to more traditional fixed income investments. We have also prepared our potential buying list to take on exposure if we see an increase in yield for corporate bonds, both high yield and investment grade. Given the speculation on US rates we are ready to enter should we see attractive levels.

- Equities

With the current risk/reward in the equity markets we have further reduced our overall equity exposure and have remained partially kept the proceeds on the side-lines. With the volatile summer months and geopolitical concern we await a dip to potentially re-enter the market.

- Alternative Investments

Last year we saw a large number of hedge funds closing down and we retain our view that it’s an expensive asset class which simply does not deliver.

- Forex

We maintain our strategic approach to actively hedge currency risk. With the uncertainty around Brexit the future of the Sterling remains uncertain and the ECB continue seeing downside risk which could harm the EUR. Trade and political risk continue to put the USD at risk, the US Federal Reserve are now widely expected to cut rates during the year as a direct consequence of the trade conflict.

Holding of the Month
Blackrock Emerging Markets Corporate Bond Fund

The fund invests in corporate bonds in emerging markets, during times of market volatility both this year and 2018 the fund has held up and continue to deliver.

During May when markets took a tumble the fund still delivered a positive 0.66% return and during December it delivered a positive 0.87% return.