MARKET OPPORTUNITIES

June 2019

• Politics, Trump Tweets & Statistics

During May we saw a number of political events unfold, though they were mostly expected we still do not know the full impact. In the UK after repeatedly failing to get a Brexit deal through parliament and three years after the Brexit vote UK Prime Minister Theresa May announced that she is resigning. Her resignation followed a historically poor European Election for her Conservative Party in which the Brexit party won the most seats. All around Europe there were concerns over the rise of populism and though they had strong showings in most countries they still did not reach the levels predicted by some pollsters. The month and the EU elections ended with more uncertainty, with the established political parties losing ground and the leadership of several countries seeing their power diminish as a result. For now the future leadership of the EU and some of it's members remain uncertain.

Early in the month all eyes were on the potential trade deal between the US and China. As the Chinese delegation prepared to travel to Washington, supposedly to finalize a trade deal, President Trump unleashed a series of tweets which set the markets into a tumble. When the month began a trade deal was expected to be reached before the summer, however now the future is again increasingly uncertain. Tariffs are increasing and we are now arguably in a trade war, however the current situation does not benefit anyone. Our view remains that a deal will be reached, though we are likely to see a period of increased volatility until we get there.

During the month we almost saw an inversion of the 10 Year and 2 Year yield curves in the US. This is often referred to as a sign of a coming recession, however it comes with a few often forgotten caveats. First of all inversion of the yield curves happen more often than recessions, an inversion typically occurs prior to a recession, however it also happens without a recession following. Secondly is the time frame between the inversion and the recession. A good example is the financial crisis which started in December 2007, prior to the recession there was an inversion of the yield curve, in February 2006. It took 22 months from the inversion to the recession and during this period the S&P 500 index gained 20%. Though one should always be cautious about looking at historical trends this still shows that a sell off due to an inversion in the yield curve has historically not been beneficial.

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Markets – May 2019

Equity indices	May-19	2019
MSCI ACWI	-6.23%	8.00%
MSCI World	-5.70%	10.19%
S&P 500	-6.58%	9.78%
Euro Stoxx 50	-6.66%	9.30%
DAX	-5.00%	11.06%
FTSE 100	-3.46%	6.44%
NIKKEI 225	-7.45%	2.93%
OMX 30	-9.88%	7.22%
OMXC 25	-4.57%	10.27%

Bond indices	May-19	2019
Global Treasuries	1.75%	2.72%
Global High Yield	-1.04%	6.11%

Currencies	May-19	Price
EUR/USD	-0.41%	1.1169
EUR/SEK	-0.33%	10.6061
USD/SEK	0.08%	9.4961
USD/DKK	0.43%	6.6862

Interests	May-19
US T-Bill 3M	2.29
Euribor FIX 3M	-0.32
Libor FIX 3M	0.80
Stibor FIX 3M	0.01
Cibor FIX 3M	-0.34

Other	May-19	2019
Gold	1.72%	1.80%
Oil crude. Brent	-11.41%	19.87%
HFRX Index	-1.02%	2.22%

CORE CAPITAL

MARKET OPPORTUNITIES

June 2019

Portfolio update

During May our 3 European Insurance note matured and we further decreased risk by selling our exposure to Investor AB. We see uncertainty in the markets and have taken home some profit which we are keeping on the sidelines awaiting a more attractive entry point as well as more stable markets.

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.

- Equities

Following further reducing our overall equity exposure, we have remained on the side-lines as the markets have fallen during May. With still strong fundamentals we remain ready to again increase our exposure should we see a dip and less political uncertainty.

- 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 it’s unclear regarding the Sterling and the ECB seeing downside risk could harm the EUR.

Trade and political risk continue to put the USD at risk, however the strong US economy keep supporting a stronger USD.

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Holding of the Month
iShares Stoxx 600 Health Care

The fund is a passive ETF investing in the healthcare sector in Europe, which provides a more defensive exposure in times of volatility.

During May when markets took a tumble the fund outperformed the broad Stoxx 600 index by 3.5%.