CORE CAPITAL

MARKET OPPORTUNITIES

May 2019

• Big Picture!

In China, economic data have shown signs of a moderate recovery. While Q1 GDP beat expectations with an increase of 6.4% y/y (consensus 6.3%), we saw PMI manufacturing fall back slightly again in April, which could be the same for other indicators as well. It is not unusual that Chinese data are volatile around the Chinese New Year so the decline in April was not a big surprise to us. We still expect a recovery in China, but the numbers support the case that the recovery will be moderate . Investors' hope for further monetary easing is still alive and we see a 50-50 chance of a broad based cut in the Reserve Requirement Ratio.

In Europe, euro area growth in Q1 rose to 0.4% q/q from 0.2% q/q. While we do not have the subcomponents yet, early country figures point to a further pick-up in domestic demand. The unemployment rate fell to 7.7% in March from 7.8%, another cycle low. That said, PMIs for April did not bring the big rebound that markets were expecting and together with subdued German IFO readings suggest that the euro area economy is not out of the woods yet . The ECB was on the dovish side at its last meeting. There was little new information in terms of policy signals, but it opened the door for a further easing.

US GDP growth in Q1 was higher than expected but that was partly due to increasing inventories, which is likely to revert. Still, US economic data support our long-held view that it was much too soon to talk about an imminent recession in the US. In our view the US economy remains in good shape.

US President Trump has said that Chinese President Xi Jinping will come to the White House soon. The message suggests we are moving closer to a trade deal and we expect it to become a reality at a Trump-Xi summit in late May or early June. We still think a deal would support the Chinese recovery and emerging markets hence also supporting the euro area. In equities, a trade deal is largely priced in. In FX markets, we would expect a trade deal to support commodity currencies. We now also have to watch out for the US-Iran conflict. The Trump administration surprised markets by announcing it would not renew waivers on sanctions on Iranian oil exports, which led to a rally in oil prices. This effectively means that a range of countries that have been allowed to take up oil from Iran, despite the US withdrawing from the nuclear deal, will no longer be allowed to do so, starting from 2 May.

At the extraordinary EU summit on Brexit on 10 April, the EU leaders decided to grant the UK an extension of the Brexit deadline to 31 October and some EU leaders already appear open to the possibility of a further extension if needed. Near-term we have to look out for the local elections on 2 May and European elections on 23 May. Conservative backbenchers want to get rid of Theresa May but it is not as easy as it sounds. There are no signs of imminent breakthrough in cross-party talks. We think it is likely Brexit will come down to the wire again in October with a high probability of a further extension.

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Markets – April 2019

Equity indices	Apr-19	2019
MSCI ACWI	3.20%	15.18%
MSCI World	3.77%	16.85%
S&P 500	3.93%	17.51%
Euro Stoxx 50	4.86%	17.10%
DAX	7.10%	16.91%
FTSE 100	1.91%	10.26%
NIKKEI 225	4.97%	11.21%
OMX 30	7.90%	18.98%
OMXC 25	2.39%	15.56%

Bond indices	Apr-19	2019
Global Treasuries	-0.63%	0.96%
Global High Yield	0.84%	7.23%

Currencies	Apr-19	Price
EUR/USD	-0.03%	1.1215
EUR/SEK	2.08%	10.6413
USD/SEK	2.12%	9.4883
USD/DKK	0.04%	6.6576

Interests	Apr-19
US T-Bill 3M	2.37
Euribor FIX 3M	-0.31
Libor FIX 3M	0.82
Stibor FIX 3M	-0.06
Cibor FIX 3M	-0.34

Other	Apr-19	2019
Gold	-0.68%	0.08%
Oil crude. Brent	6.45%	35.32%
HFRX Index	0.66%	3.28%

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Portfolio update

During April we made no changes to the portfolio, during May our 3 European Insurance note will mature and we are looking to deploy the cash when this occurs.

Market outlook

- Fixed income

We remain positive on Senior collateralized loans currently offering attractive yield compared to more traditional fixed income investments.

We are also dusting off 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

Although we have further reduced our overall equity exposure, we have continued to enjoy strong returns so far during the year. Q1 earnings in the US have so far surprised on the upside, however with current valuations we remain cautious.

- 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.

Holding of the Month
CDX Series 28

The note is comprised of 100 different companies equally weighted. This provides a much higher yield than individual bonds while still achieving a diversification similar to an investment fund.

YTD the note have delivered a stellar 26% return.