

- Q4 has started

The first two days of October wiped out the entire equity index gains of September. This, in essence, explains how quickly equity markets can decline when confidence in future earnings evaporate.

Aside from these first couple of negative days, October rewarded the patient investor with handsome gains for the remainder of October, and the month ended in green territory with good margins to spare.

In the U.K. the Parliament voted the Withdrawal Agreement Bill, but postponed its implementation at the same time, as the Brexit dead-line was also postponed until the end of January 2020.

The preliminary PMI data for October did not materially change, neither in the US nor in the EURO area, basically confirming the drop of September and the weakness of GDP growth. The latter has reached the “critical zone” and is dangerously nearing the “stall speed”. We do not expect much improvement in 2020.

Germany is one of the weak links in Europe, with a significant industrial weakness weighing on the service sector. The IFO index stabilized in October but is still close to contractionary levels. On the bright side, this should reinforce the domestic pressure for a significant fiscal/budget easing early next year.

Lately we have received good positive news on the subject of global trade. Wilbur Ross, the US Secretary of commerce, commented regarding good negotiations with European car manufacturers and the fact that it may not be necessary to levy duty on European car imports into the US. Further the US made a fresh trade accord with Japan during October and phase 1 of the US/China trade accord will, despite the cancellation of the APEC meeting in Santiago, be signed this month. Also US sub-contractors to Huawei are beginning to see an end to this company specific issue.

Lastly, the Swedish Riksbank has distinguished itself from the policy pursued by the ECB, stating that it still sees grounds for a December rate hike despite downgrading its macro forecasts.

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## Markets – October 2019

Equity indices	Oct-19	2019
MSCI ACWI	2.64%	17.28%
MSCI World	1.88%	20.70%
S&P 500	2.04%	21.17%
Euro Stoxx 50	0.98%	20.09%
DAX	3.53%	21.86%
FTSE 100	-2.16%	7.73%
NIKKEI 225	5.38%	14.55%
OMX 30	5.22%	23.07%
OMXC 25	0.68%	15.53%

Bond indices	Oct-19	2019
Global Treasuries	0.48%	6.36%
Global High Yield	0.81%	9.64%

Currencies	Oct-19	Price
EUR/USD	1.1152	2.32%
EUR/SEK	10.7642	0.37%
USD/SEK	9.652	-1.91%
USD/DKK	6.9994	-2.21%

Interest rates	Oct-19
US T-Bill 3M	1.50
Euribor FIX 3M	-0.39
Libor FIX 3M	0.81
Stibor FIX 3M	0.00
Cibor FIX 3M	-0.43

Other	Oct-19	2019
Gold	2.75%	17.97%
Brent Crude Oil	-0.90%	11.95%
HFRX Index	0.31%	6.22%

## Portfolio update

Early October we have taken advantage of the equity market set-back and added equity exposure to Partners Group Infrastructure SICAV.

## 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**

Although we have increased equity exposure slightly, we remain underweight equities and maintain significant cash positions and short term bonds. With the current interest rate speculation, trade disputes and geopolitical concern we await a dip to add further to equities.

- **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 as well as a potential rate cut. Trade and political risk continue to put the USD at risk, the US Federal Reserve has cut the rate, however further cuts remain data dependent.

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### Holding of the Month Partners Group Infrastructure SICAV Fund

The fund invest in global infrastructure companies within transportation, communication and utilities. The philosophy centres around new infrastructure projects, stable long-term cash-flows, inflation link and portfolio diversification benefits. Currently the fund has a very strong 2019 YTD performance of 27.4 %. The fund has been purchased beginning of October.