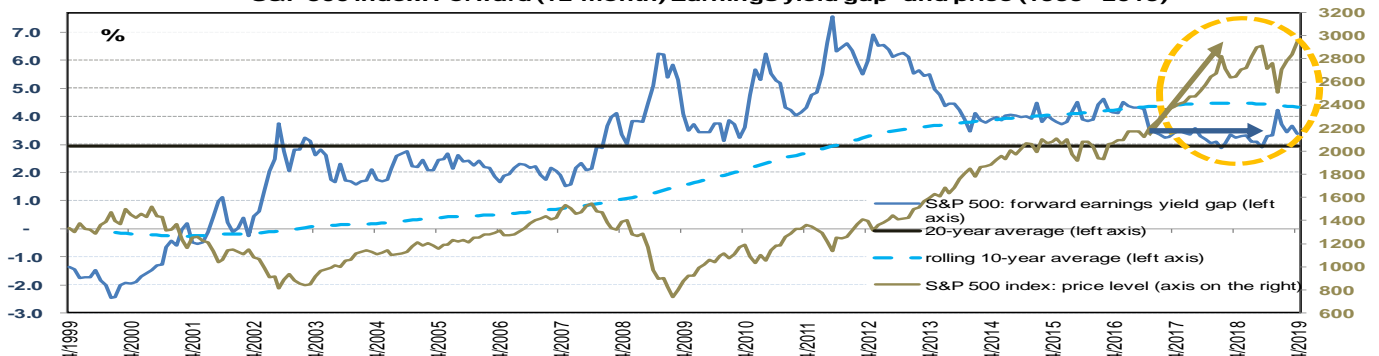


**In this week, US** increased (10/5) the tariff on \$200 bn. of products imported from China to 25% from 10%, however it is still regarded as the base case scenario that some form of a trade deal between the two countries will be reached sooner or later. The MSCI All countries **world** index dropped to a five-week low (9/5: 505.5). In its financial stability report (6/5), the Federal Reserve said that: “valuation pressures remain elevated in a number of markets, with investors continuing to exhibit high appetite for risk. Borrowing by businesses is historically high relative to GDP, with most rapid increases in debt concentrated among riskiest firms amid signs of deteriorating credit standards. In contrast, household borrowing remains at a modest level relative to incomes and the debt owed by borrowers remains at a modest level relative to incomes. The largest US banks remain strongly capitalized. Equity market prices relative to forecast earnings appear somewhat elevated”.

The forward 12-month earnings yield (9/5: 6.1%) minus the US 10-year government bond yield (9/5: 2.45%) gives a forward earnings yield gap of 3.65%. This is higher than the 20-year average of 2.9%, but lower than the 10-year average (4.3%). If the comparison is made with the 20-year average (includes period of excesses: 1999-2000), the index appears attractive versus government bonds, while its attractiveness is questionable if the comparison is made with the 10-year average. This highlights that the path of the index going forward can vary a lot, depending mainly on two points: 1) Will economic growth be sufficient (despite uncertainties around US-China trade dispute), so that the earnings yield remains sufficient ? and 2) will US government bond yields remain at the currently low level, so that the comparison with (at least the 10-year average) continues to support the stock index ?

**S&P 500 index: Forward (12-month) Earnings yield gap\* and price (1999 - 2019)**


\*Expected earnings per share (12-month forward) divided by current index price minus the current 10-Year Government Bond Yield

Source: Bloomberg

US 10-year government bond yield dropped at a 5-week low (9/5: 2.423%). **European** Commission downgraded its forecast for Eurozone growth for 2019 to 1.2% from 1.3%. German 10-year government bond yield remains around 0%.

### **The week ahead:**

Following the **US-China** trade talks (10/5), next week includes **Eurozone** industrial production for March (14/5) and GDP for the first quarter (15/5). US leading indicators for April will be released on May 17. **Quite strong US economic figures and the low level of government bond yields continue to support equities. However, the trade dispute between US-China can be the trigger for substantial downside move. In order to cope with this very difficult investment environment an investor needs: awareness of what is the risk tolerance, global diversification in major asset classes (including alternative strategies) and gradual implementation of investments.**

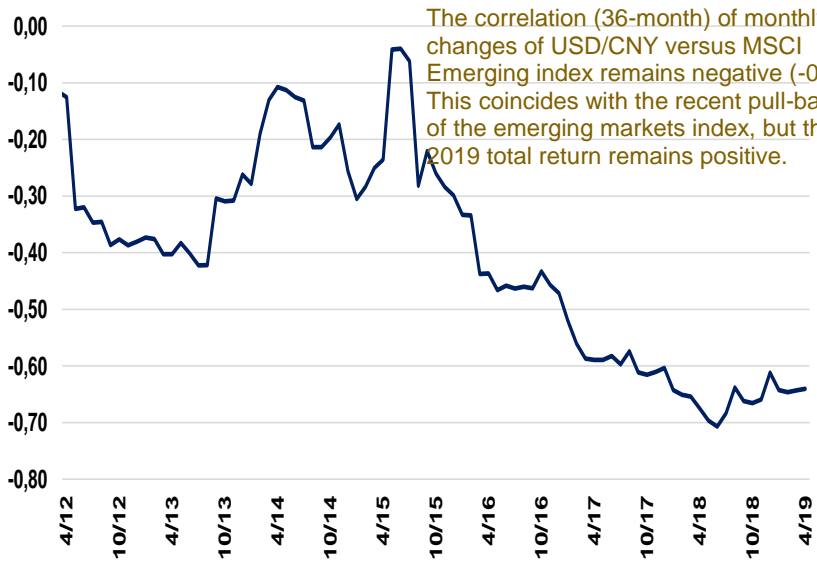
### **Quote of the Week:**

**The financial stability report of the Federal Reserve (6/5) said that: “The historically high level of business debt and recent concentration of debt growth among the riskiest firms could pose a risk to those firms and potentially their creditors”.**

Global Markets in Charts

**The uncertainty around trade talks has affected negatively the Chinese currency, pushing the USD/CNY pair at a high (9/5: 6.833) since January. This coincides with the pull-back of the MSCI Emerging markets index in the last few days. However, the emerging stock index remains in positive territory year to date (total return \$: 7.1%, €: 9.3%).**

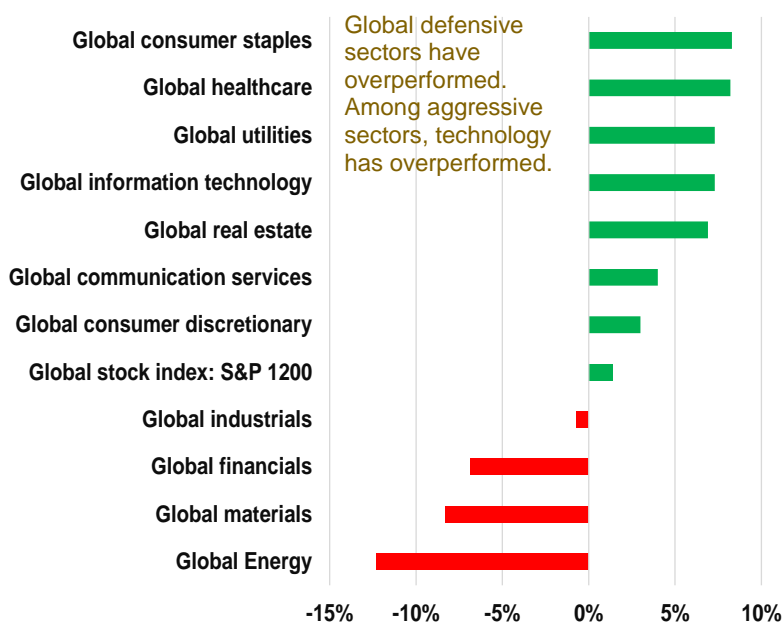
**36-month rolling correlation  
(MSCI Emerging markets index \$ versus USDCNY monthly change %)**



*In case, some kind of trade deal is reached, USD may drop a bit versus CNY and the MSCI emerging markets index may increase. The MSCI emerging markets index is currently (9/5) at 1,028.4 around the 200-days average (1,024). Key resistance at 1,100 (17/4/19 high), at 1,120 (20% area from 29/10/18 low close: 935) and at 1,145 (Fibonacci retracement 61,8%: 1,279-930). Support is at 1,000 (16/1/19 low) and at 930 (29/10/18 intraday low).*

**Defensive/Aggressive mix in sector indices performance in the last one year**

**Global stock index: One year price return\***










*Defensive sector indices (global staples, healthcare, utilities) have overperformed on a yearly basis (5/18-5/19). From the aggressive sector indices, technology has overperformed. A mix of aggressive and defensive sectors is needed, as uncertainty for market direction has increased. Despite that the US stock index (S&P 500) has recently posted historic high, the global indices (S&P Global 1200, MSCI All countries world) remain below the historic highs of January 2018. The analogy of three defensive to one aggressive sector indices, that appear in the top four performance in the last one year, is probably indicative of investors gradually becoming more cautious.*

\* S&P Global 1200 index (price return 8/5/18-8/5/19). Source: Bloomberg

**Global Markets Minesweeper**
**Event Risk Calendar, 13 - 17 May, 2019**

Monday 13/5							
Date Time	Country	Event	Period	Survey	Prior		
13/5 08:00	JN	Leading Index CI	Mar P	96.3	97.1		
13/5 09:30	FR	Bank of France Ind. Sentiment	Apr	100	100		
<b>Corp. Results</b>		EC: E.ON					
Tuesday 14/5							
Date Time	Country	Event	Period	Survey	Prior		
14/5	JN	Eco Watchers Survey Current SA	Apr	45.8	44.8		
14/5	JN	Eco Watchers Survey Outlook SA	Apr	48.0	48.6		
14/5 02:50	JN	Trade Balance BoP Basis	Mar P	¥838.9	¥489.2b		
14/5 09:00	GE	CPI (YoY)	Apr F	2.00%	2.00%		
14/5 11:30	UK	Jobless Claims Change	Apr		28.3k		
14/5 11:30	UK	Weekly Earnings ex Bonus 3M/(YoY)	Mar	3.30%	3.40%		
14/5 11:30	UK	ILO Unemployment Rate 3Mths	Mar	3.90%	3.90%		
14/5 12:00	EC	Industrial Production WDA (YoY)	Mar	-0.80%	-0.30%		
14/5 12:00	GE	ZEW Survey Current Situation	May	6	5.5		
14/5 12:00	GE	ZEW Survey Expectations	May	5.1	3.1		
14/5 13:00	US	NFIB Small Business Optimism	Apr	102	101.8		
14/5 15:30	US	Import Price Index (MoM)	Apr	0.70%	0.60%		
<b>Eco Event</b>	US	New York Fed President Williams Speaks at event in Zurich (10:15)					
<b>Corp. Results</b>		EC: Innogy SE, Vodafone Group PLC, Merck KGaA, Allianz SE					
Wednesday 15/5							
Date Time	Country	Event	Period	Survey	Prior		
15/5 05:00	CH	Industrial Production (YoY)	Apr	6.50%	8.50%		
15/5 05:00	CH	Retail Sales (YoY)	Apr	8.60%	8.70%		
15/5 09:00	GE	GDP SA (QoQ)	1Q P	0.40%	0.00%		
15/5 09:00	GE	GDP WDA (YoY)	1Q P	0.70%	0.60%		
15/5 09:00	JN	Machine Tool Orders (YoY)	Apr P		-28.50%		
15/5 09:45	FR	CPI (YoY)	Apr F	1.20%	1.20%		
15/5 12:00	EC	GDP SA (QoQ)	1Q P	0.40%	0.40%		
15/5 12:00	EC	GDP SA (YoY)	1Q P	1.20%	1.20%		
15/5 15:30	US	Retail Sales Advance (MoM)	Apr	0.30%	1.60%		
15/5 15:30	US	Empire Manufacturing	May	8.0	10.1		
15/5 16:15	US	Industrial Production (MoM)	Apr	0.10%	-0.10%		
15/5 17:00	US	NAHB Housing Market Index	May	64	63		

May 10, 2019

15/5 23:00	US	Net Long-term TIC Flows	Mar	-	\$51.9b	
<b>Corp. Results</b>		EC: RWE AG, Credit Agricole, ABN AMRO Group, Compass Group				
<b>Thursday 16/5</b>						
<b>Date Time</b>	<b>Country</b>	<b>Event</b>	<b>Period</b>	<b>Survey</b>	<b>Prior</b>	
16/5 02:50	JN	PPI (YoY)	Apr	0.20%	1.30%	
16/5 04:30	CH	New Home Prices (MoM)	Apr		0.61%	
16/5 08:30	FR	ILO Unemployment Rate	1Q	8.70%	8.80%	
16/5 12:00	EC	Trade Balance SA (Euro)	Mar		19.5b	
16/5 15:30	US	Housing Starts (MoM)	Apr	7.10%	-0.30%	
16/5 15:30	US	Building Permits (MoM)	Apr	1.90%	-0.20%	
16/5 15:30	US	Philadelphia Fed Business Outlook	May	11	8.5	
16/5 15:30	US	Initial Jobless Claims	11-May		228.000	
<b>Eco Event</b>		Minneapolis Fed President Kashkari Discusses Monetary Policy (19:05)				
<b>Corp. Results</b>		EC: Assicurazioni Generali, NN Group, US: Walmart, NVIDIA, Cisco Systems				
<b>Friday 17/5</b>						
<b>Date Time</b>	<b>Country</b>	<b>Event</b>	<b>Period</b>	<b>Survey</b>	<b>Prior</b>	
17/5 12:00	EC	CPI Core (YoY)	Apr F	1.20%	1.20%	
17/5 12:00	EC	CPI (YoY)	Apr F	1.70%	1.40%	
17/5 17:00	US	Leading Index (MoM)	Apr	0.20%	0.40%	
17/5 17:00	US	U. of Mich. Sentiment	May P	97.9	97.2	
<b>Corp. Results</b>		US: Applied Materials Inc, Deere & Co				

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