

LETTER OF CONJUNCTURE

Decisions taken and actions | Context

Decisions taken and recorded during the month of December 2018.

We sold the position in Moneta Long/Short.



PÂRIS BERTRAND
EUROPE

New Year

New Name

New Opportunities

The entire team of
Pâris Bertrand Europe
wish you
a fabulous year
2019.



PÂRIS BERTRAND
EUROPE

Annus horribilis



Everything was set for 2018 to be considered "Annus Mirabilis". The alignment of planets beloved by all the investors rightly has allowed for hope for a superb year stock market wise.

It was about sustained global economic growth with interest rates at relatively low levels, abundant liquidity, and still positive corporate results.

We had some alerts during the year, as in 2017, but the machine really jamed in the last quarter. Stock markets are down as well as assets on a broadly basis.

2018 is a disastrous year, the SP500, which had managed to stand out clearly from the other stock markets, eventually collapsed in December with a decline of 6.24%. The US markets had seen the worst month of December since ... 1931!

European markets had seen their worst year since 2016. They fell by +/- 14% with sharp declines for Germany (-18.3%) or Belgium (-18.46%) while the Chinese market collapsed by 24.59% and the Japanese market by 12% (first decrease since 2011).

Oil experienced one of its strongest fall with +/- 20%. In the meantime gold has not managed to fully play its role of safe haven. Let's not dwell on the vertiginous fall of Bitcoin, -74%.

What are the reasons for this slippage?

There is several and not directly related to the macroeconomic situation:

- The first one is political with the US-China tensions, the Brexit, Italy and last but not least the "shutdown" in the United States. It should be noted that only the "Italian" problem has been momentarily resolved, while the commercial truce until 1 March 2019 between the two big economic giants gives us hope for a reconciliation of views between President Trump and Mister XI Jinping by this deadline. . In addition, China has made several gestures of appeasement with the cut in taxes on certain products and soften access to the Chinese market in some way. It is obvious that a favorable outcome in these negotiations would give a very positive boost to the stock markets. This reaction would obviously affect mainly the American and Chinese markets but also some European values economically linked to the two regions (luxury sector, automotive).
- The second explanation is of a technical nature with the beginning of the gradual reduction of securities repurchases by central banks. The monthly reduction of \$ 50 billion from the FED corresponds more or less to the withdrawals made on the US equity markets in the last quarter. It is obvious that some adjustments are being made and that the risky assets such as stocks, mainly the less liquid ones like the small and mid caps or the loans of private companies have suffered the most from this new reality increasing nervousness and therefore volatility in the markets.

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Indexes | Prospective

Stock risk recommendations

Profile	Neutral opinion
Defensive	10 - 30%
Balanced	40 - 60%
Dynamic	55 - 80%
Agressive	70 - 90%

	Prices	Variation
	31/12/2018	in € since 01/01/2018
Indexex		
MSCI World	1,883.90	-6.24%
USA		
Dow Jones Ind.	23,327.46	-1.20%
S&P 500	2,506.85	-1.84%
Nasdaq	6,635.28	0.63%
UE		
DJ Eurostoxx 50	3,001.42	-14.34%
Bel 20	3,243.63	-18.46%
Cac 40	4,730.69	-10.95%
Dax	10,558.96	-18.26%
FTSE 100	6,728.13	-13.54%
Japan + Emerging		
Nikkei 225	20,014.77	-5.48%
China	2,493.90	-25.21%
India	36,068.33	1.32%
Brasil	87,887.26	2.93%
Rates		
Euribor 1 An	0.117	↑
Germany 10 ans	0.239	↓
France 10 ans	0.705	↓
Belgium 10 ans	0.776	↑
Italy 10 ans	2.739	↑
Spain 10 ans	1.413	↓
USA 10 ans	2.685	↑
Commodities		
Crude Oil (Brent)	53.80	-15.77%
gold	1,282.49	3.06%
Currencies		
Eur/Usd	1.1467	-4.48%
Eur/Chf	1.1255	-3.82%

Prospective

The year 2019 starts with much more questions than 2018 and we can probably evoke a new era that will be called VICA: volatile, uncertain, complex and ambiguous.



All the events mentioned above contribute to these doubts, but some parameters have to be monitored and lessons learned from previous crises:

- The stock market always anticipates events and the algorithms coupled with a negative effect on liquidity have brought some values at excessively low levels. As soon as the fundamental side will have taken over, purchases a good price will take place.
- For the moment, the GDP of most countries is revised down for 2019 but the world economy is still growing.
- It is obvious that the future message of companies will be tinged with greater caution. However, at the present time, except for certain specific sectors, we have not yet heard cries of alarm.
- Despite sharp declines in recent weeks, the flagship indices of the New York Stock Exchange have not pushed down the technical thresholds (22,000 points for the Dow Jones, 6000 points for the Nasdaq or 2400 points for the SP500)
- After several years of growth and change of paradigm, the current correction is probably beneficial: in the past, it lasted on average a little more than a year. This time must be used to accumulate titles massacred. Knowing that it started at the end of September in the United States happy are those who have cash to react gradually.
- Following its latest increase in December 2018, the Fed has already reduced the number of rate increases in the United States from 3 to 2. Without committing too much, it is likely that the Fed could further reduce this figure in 2019.

Let's also underline another statistic which reveals to us that it is rare to witness two straight downward years after such a fall of the markets and that on average over four rolling years, one often knows a bearish year for three of rise .

For our part, we prefer to analyze the fundamental aspect and valuation of companies. We are convinced that opportunities already exist and that the possible appeasement on the side of the political problems will give us the starting signal of cheap purchases.

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