



## Strategy update

Wall of worry...with Brexit, FED and China...



BK & Associates  
Private Wealth Management  
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## Asset Allocation Model

Momentum: markets still on sell, US and Emerging Markets close to neutral

Valuation: US high, Europe neutral, Emerging Markets cheap

Valuation	Momentum Model: Buy					Momentum Model: Sell					Momentum Model: Neutral				
very high	P	C	C	B	B	C	C	C	C	C/B	C	C	C	C/B	C/B
high	P	P	C/E	B	B	C	C	C	C/B	B	P	C	C/B	C/B	C/B
neutral	E/P	E/P	E/B	E/B	E/B	C	C	C	C/B	B	E/P	C/E	C/B	B	B
low	E	E	E/B	E/B	E/B	P/E	C/E	C/E	C/B	C/B	E/P	C/E	E/B	E/B	E/B
very low	E	E	E	E	E/B	E	E	E/B	E/B	E/B	E	E	E/B	E/B	E/B

very low   low   neutral   high   very high   very low   low   neutral   high   very high   very low   low   neutral   high   very high

Volatility

Stoxx   S&P   MSCI Emerging Markets

E = Equity, High Yield Bonds

B = Barrier

P = Protection / Participation / Hedge funds

C = Cash / Quality bonds



## If history repeats...

Seasonal tailwind – where was the correction?

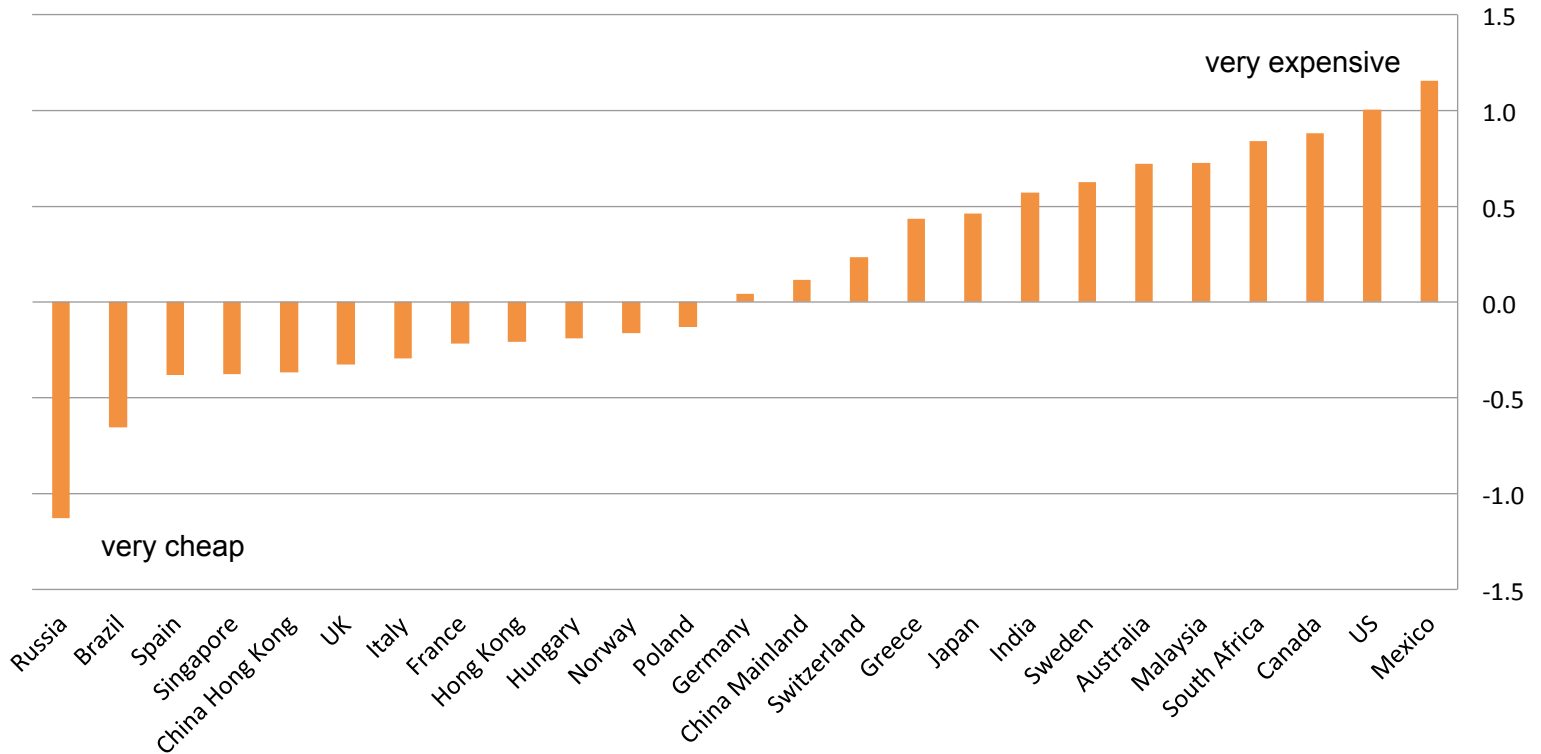


Data: 1897-2011, 28 Presidential cycles



## Valuation Monitor for equity markets (in local currencies)

South- & Eastern Europe and Latin America cheap, North America and Southeast Asia mostly expensive

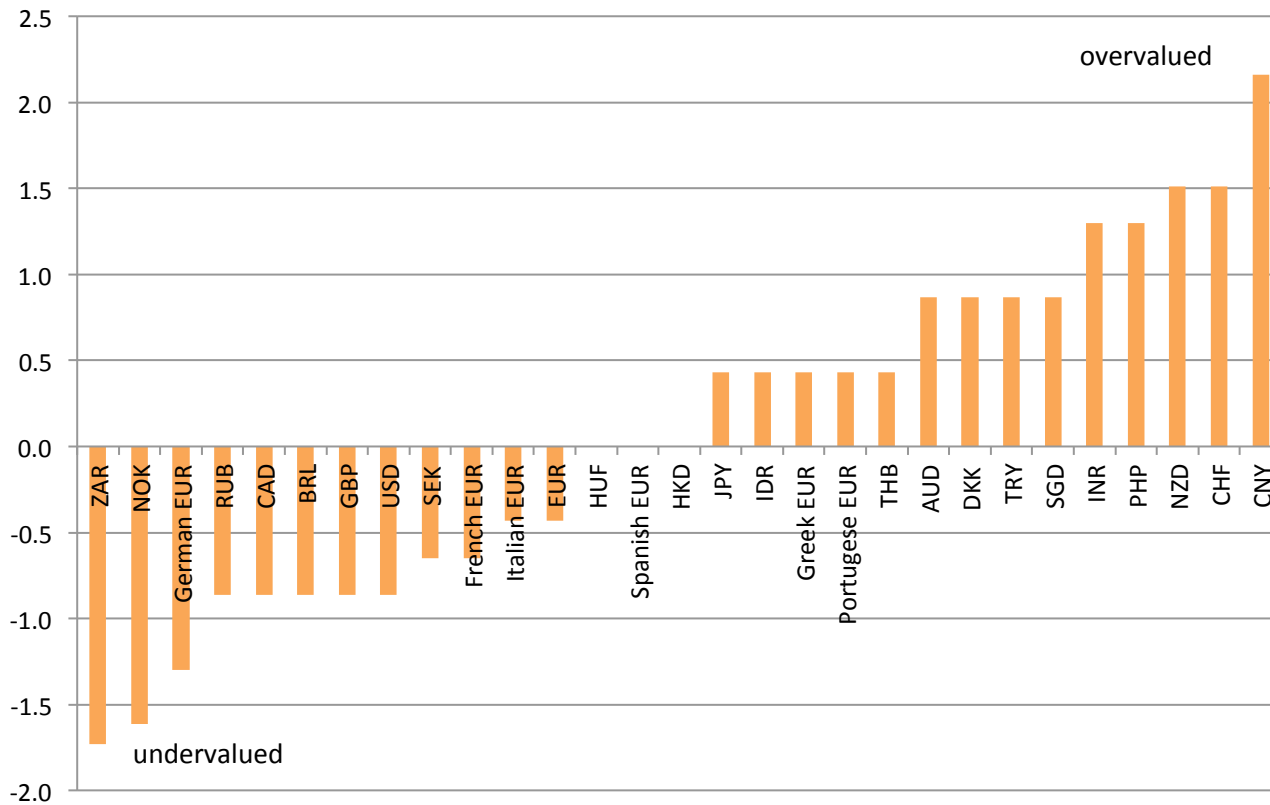




## Currency Monitor

Trade weighted real exchange rates

USD still cheap, fair value against EUR around 1.10, Asian currencies expensive





## Dollar

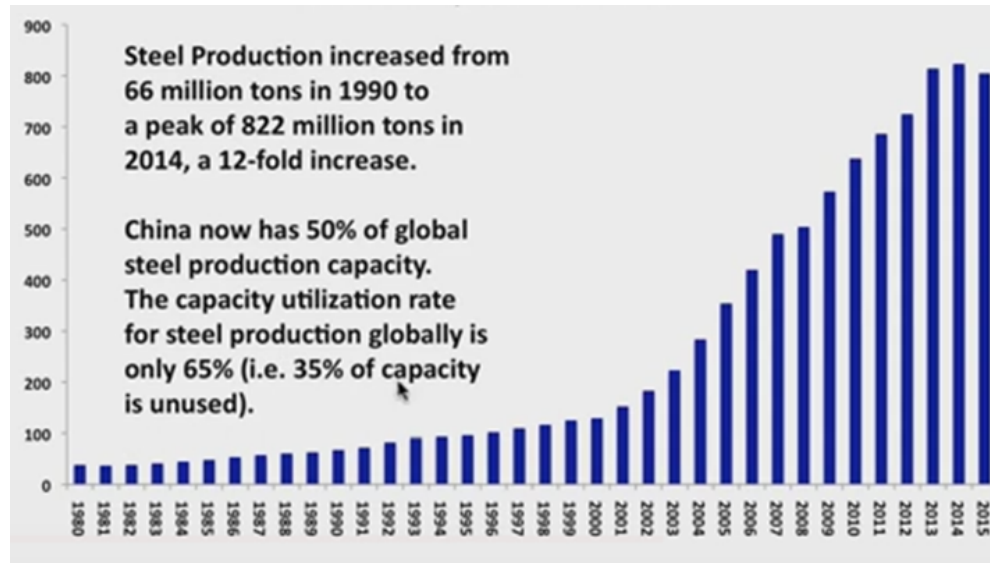
Stronger Dollar dragged down Emerging Markets and Commodities, as expected  
 Surprised, how resistant S&P 500 is against Dollar appreciation and Renminbi depreciation





## China: hard landing has started

First decline in Steel production for decades, just the beginning



average annual growth 2000-2014

2015

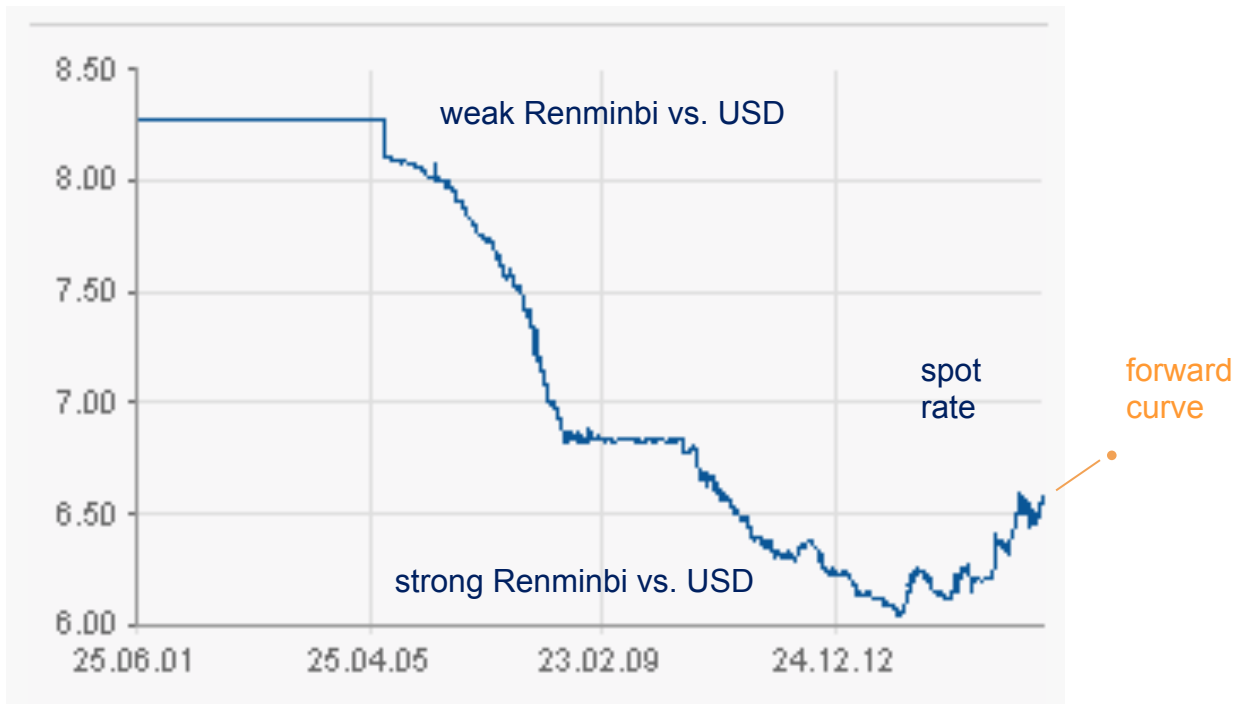
- Steel production	14%	-2%
- Electricity production	11%	3%
- Railway Freight	6%	-12%
- Exports	19%	-9%





## China: Renminbi

As expected, Renminbi continued its depreciation over the last quarters – and it should go on  
 Market expects Renminbi to devalue by only 3% against USD over 1 year (forward curve, orange below)  
 Expecting around 10%, which would be deflationary for rest of the World



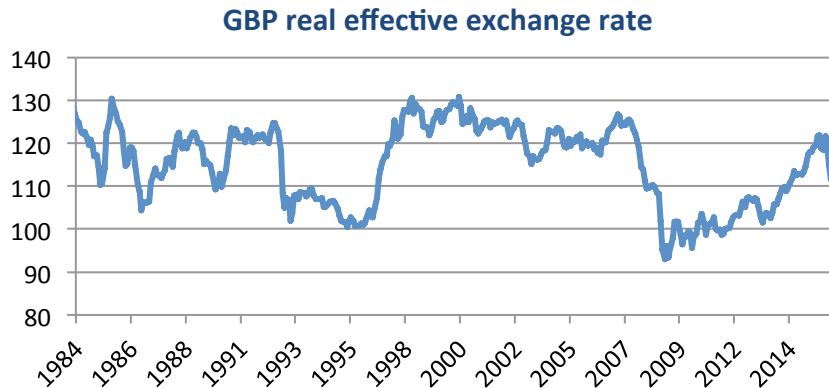
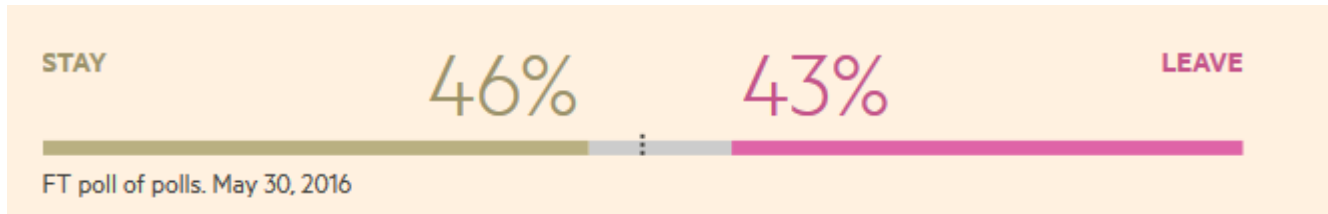


## Brexit: Referendum on June 23

Expecting UK to stay in European Union, but only by a narrow margin

GBP is slightly undervalued, but could overshoot to the downside by around 10% if Brexit

Due to uncertainties, European markets could come under heavy pressure if Brexit





## Gold- and Silver mining stocks

Precious metal stocks in consolidation

Waiting for a pullback before adding further positions





## Summary

- Asset Allocation Model still on sell for equities (page 3), but...
- Seasonality has become more favourable, despite no correction (page 4)
- China: hard landing has started and Renminbi devaluation should go on (page 8)
- Brexit could lead to market volatility
- Gold- and Silver mining stocks in correction, buying opportunity 10% lower



## Strategy implementation

- **Little exposure** to equity markets, wait and see (Brexit, FED, China all in June...)
- Reducing **Alternative Investments** further to increase flexibility and buying power
- Buying some **High Yield bonds** in Fintech (high growth, stable balance sheet):
  - 4Finance, 11.25%, YTM 11%, 2021
  - International Personal Finance, 5.75%, YTM 8%, 2021
- Buy **Structured Products** into spiking volatility
- Buy **Emerging Market equities** into further plunging markets
- **Commodities:**
  - Would reopen positions in Gold- and Silver mining stocks in a consolidation phase



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**Thank You for Your Attention!**

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