CPIC

Management Report
2nd Quarter 2019

The second quarter of 2019 saw a fair amount of action, with high-risk investments going on a veritable roller coaster ride of changing events. But one thing at a time: strong first-quarter performance continued in April, with 2018's disappointing closing quarter fading from memory. Nonetheless, things were then brought back down to earth as US President Donald Trump tweeted his intentions to raise import tariffs on Chinese goods from 10% to 25% following failed negotiations with the country on May 5. This resulted in global equities markets closing May down 5.6%, after an increase of 3.8% in April

Central banks once again took the centre stage. Comments by US Federal Reserve Chairman Jerome Powell at the start of June raised hopes that interest rates will soon be cut. Mario Draghi, Powell's counterpart in Europe, also hinted at a more generous monetary policy in June. This about-turn was prompted by factors including a deterioration in growth prospects for the global economy and the trade dispute between the US and China. Global equities markets responded positively and were up 3.2% in local currency at the end of the quarter.

Global sovereign bond markets also responded eagerly to the signals from central banks, rising by 2.5% in local currency. Bond yields thus went in only one direction in the second quarter: down.

Unlike in previous quarters, individual sectors and countries developed more or less at the same pace. Among the sectors, only energy underperformed because of the sharp slump in the price of oil in May. In terms of countries, Australia benefited from the central bank lowering interest rates, while emerging markets actually generated negative returns due to renewed escalations in the trade conflict between the US and China, a trend that was most visible in the Asia region.

Hardly anyone at the beginning of the quarter would have expected bond yields to slide the way they did, with ten-year US Treasuries even falling below 2.0% by the end of the quarter. The nosedive was even more pronounced in the Euro zone and Switzerland. Ten-year French government bonds yielded below 0% at times, while German and Swiss sovereign bonds fell even deeper into the red. The decline in government bonds from highly indebted countries such as Portugal and Greece, which usually compensate investors with high yields, was also significant. Corporate bonds – regardless of their quality – were also in demand, with emerging-market bonds almost as sought-after as government bonds in both hard and local currency.

The Japanese yen and the Swiss franc were the strongest currencies, while cyclicals such as the Swedish krona and the Australian dollar depreciated. The Euro stabilized against the US dollar after weakening in the first quarter. Emerging-markets currencies also fared well in light of the trade conflict and interest rate cuts expected in the US in the second half of the year.

The risk of an armed conflict between the US and Iran sent the price of oil and gold shooting up. Gold broke the USD 1,350 barrier and, briefly, the USD 1,400 mark. The precious metal also benefited from the fall in US real interest rates. With performance like this, investors shrug off the fact that gold does not yield any interest.

Since the beginning of 2019:

the value of the A share increased by 8,74% from EUR 216,47 to EUR 235,38

the value of the B share increased by 1,25% from EUR 157,00 to EUR 158,97

the value of the C share increased by 6,37% from CHF 114,45 to CHF 121,74.

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