August 2016

When the glass turns from half-empty to half-full

- Trends defined by strong fundamental data
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The panic that swept through stock markets following the Brexit vote at the end of June and prompted many investors to sell had already dissipated by the first trading days of July. There was a growing consensus that the UK's exit from the EU would initially be far more of a burden for Britain itself rather than for the EU or even the entire world. What will go down as a milestone event in the annals of economic history once again triggered premature and emotion-fuelled reactions from many investors. Much to the surprise of the market bears, a set of very upbeat fundamentals in mid-July dealt a final blow to the negative mood. Above all, the figures from the US labour market beat even the most positive estimates and made it clear that America's economic outlook is much better than many pundits would have us believe. As a result, the S&P 500 Index in the USA was able to break out of the sideways movement it had been trapped in for the past two years and climb to fresh historic highs, climbing 3.5% over the course of the month and building on the dynamic performance initiated in the wake of the Brexit vote. The Eurozone stock market, which had been particularly frail in the recent past, did even better than the main US index, advancing well over 5%. By contrast, the Swiss equity market, which is dominated by defensive blue-chip heavyweights, once again found the going rather tough. Despite this, the Swiss Performance Index still registered a gain of 1.8%. In response to upbeat fundamentals, the US dollar strengthened a little against both the Euro and the Swiss franc. However, the Swiss franc is still highly sought after as a safe-haven currency and showed its strength against the Euro in particular. Bonds also continued to benefit from their strong reputation for safety.

More positive fundamentals increase the appeal of equities

The latest figures for the four components that make up ENISO's fundamental model for the attractiveness of the equity market are all registering an upward trend. While the components "Valuation" and "Monetary environment" only show a marginal improvement, "Industry sentiment" and above all "Consumption" are signalling a sharp rise in the attractiveness of equities. Even though the real economic statistics are not as important for equity market performance as the monetary policy of central banks, these fundamentals do provide wider support for a broader stock market recovery and slightly reduce the dependence on monetary policy. As far as fundamentals are concerned, the positive trend on global equity markets should continue.

Monetary environment: The European Central Bank still has plenty of room for manoeuvre. Even though the outlook for the economy is gradually improving, inflation does not pose any threat for the time being. Neither the unemployment rate nor capacity utilisation in the manufacturing sector provide any evidence of creeping inflation in the Eurozone. In the USA, on the other hand, there are increasing signs that the US Fed will raise benchmark interest rates at its next meeting. Wage cost pressure is likely to increase yet again in response to the latest labour market data. In addition, the prospects for future consumption have continued to improve. That is why the readings for the monetary environment coming out of Europe and Japan are still mainly positive, but not those coming out of the USA.

Industry: The latest figures from the US industrial sector are once again a little more favourable than they have been for a long time. Both the order intake figures and company surveys indicate that the manufacturing sector is now starting to recover. Along with Europe, the USA's economic motor could therefore soon be sending positive signals again for equity markets on the back of manufacturing performance.

Consumption: After a disappointing start to the year, many different US indicators are signalling an imminent acceleration in consumption. After end-consumers had already contributed the most to GDP growth in the second quarter, consumer confidence improved again in July, boosted by the positive employment outlook. Rising employment levels are also helping to boost disposable incomes. These are positive indicators for equity markets and the US economy, as consumption is responsible for two thirds of US GDP.

Valuation: The sub-indicator "Valuation" shows very little change. In a historical comparison, US equities still look expensive and are trading at a premium to European and Japanese shares. However, if the half-year results in the current US reporting season continue to be so encouraging, valuations are likely to become more attractive.

Risk appetite indicator: When the dam bursts

Many investors struggle to understand why the US equity market is climbing to new highs given the backdrop of numerous political and economic problems worldwide. The fact is that after a long period of hectic ups and downs with increasingly short cycles of euphoria and panic, it takes very little for sentiment to settle in one direction or the other. The better-than-expected data from the economy and the corporate world effectively caused the dam to burst in a positive sense. In recent weeks, ENISO's risk appetite

Risk appetite indicator: at its highest level since March 2015

	Number of Indicators	Current Signal	1 Week	1 Month	3 Months
MONEY FLOW	31	Buy	↗	↗	↘
SURPRISE EFFECT	17	Buy	↗	↗	↗
MARKET BREADTH	24	Buy	↘	↗	↗
HEDGING DEMAND	7	Sell	↘	↗	↘
MARKET RISK	37	Buy	↘	↗	↗
OVERBOUGHT / OVERSOLD		Neutral			
RISK APPETITE INDICATOR	**116**	**Buy**	↗	↗	↘

indicator has steadily risen and now stands at its highest level since March 2015. Suddenly the glass now appears to be half-full – rather than half-empty, as repeatedly seemed to be the case in the recent past. All five components monitored by ENISO Partners to measure risk appetite and thus investors' preference for equities, are contributing towards this marked improvement. It is also encouraging to see that the rally has not progressed too quickly. Fears that stock markets are already starting to overheat are therefore completely unfounded. Even though the majority of institutional investors in particular may not truly believe in a stable rally and have recently once again hedged their equity positions more fully, we can now once again – and for the first time in a long while – talk of healthy market sentiment on global financial markets without any trace of euphoria. According to our systematic analyses, this provides the ideal foundation for a continuation of the upward trajectory in stock markets (bar some minor corrections) that will also help European equities to shrug off their bear phase.

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