

News

After our last newsletter 2 weeks ago financial markets continued to rally. Major equity indices marked new record highs. Volatility dived to record lows.

There are fundamental reasons behind diminished volatility such as still-ultra-low interest rates at a time of solid economic growth. However, a study by equity-derivatives analysts at Deutsche Bank AG found that hedging by large banks and rebalancing activity tied to exchange-traded products have a stabilizing effect on financial markets. They estimate that large dealer banks would have to buy \$14 billion if the S&P 500 fell by 1 percent just to maintain their hedging of U.S. equities at a constant level. Accordingly daily hedging activities suppress realized volatility and keep the VIX low, providing a backstop to moves in U.S. equities.

Erwin Lasshofer and his INNOVATIS team can handle lower overall market volatility by carefully selecting attractive niches in the course of our stock picking process or by timing the market. Even in an economic stable environment we can find attractive opportunities by political disruptions. For example U.S. President Trump provides such opportunities from time to time. After a long list of surprising decisions Trump asked FBI director James Comey to drop the FBI's investigation into his former cabinet member Michael Flynn and fired Comey afterwards. New revelations about undisclosed contacts between Trump's campaign and the Kremlin sent markets to the worst day in eight months for U.S. stocks. Erwin Lasshofer and his INNOVATIS are ready to exploit such opportunities for their clients.

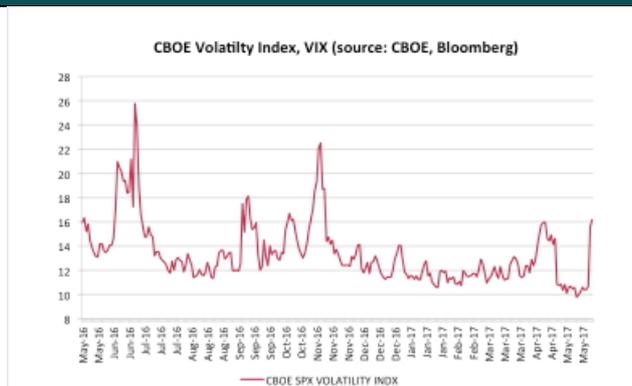
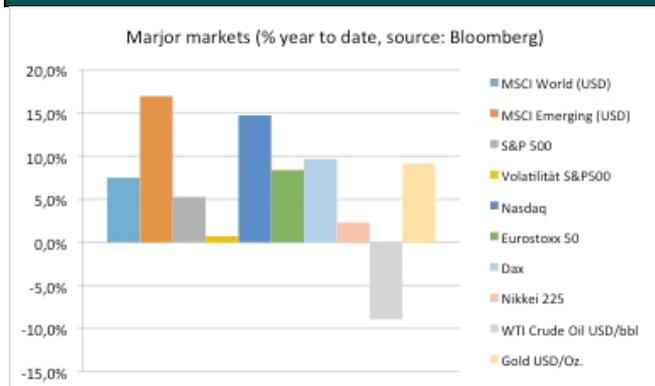
Global Markets	Ticker	Price	% Month	% YTD
MSCI World (USD)	MXWO	1.882,62	2,5%	7,5%
MSCI Emerging (USD)	MXEF	1.008,63	5,3%	17,0%
S&P 500	SPX	2.357,03	0,6%	5,3%
Volatilität S&P500	VIX	14,8%	0,3%	0,7%
Nasdaq	NDX	5.580,55	3,5%	14,7%
Eurostoxx 50	SX5E	3.584,83	4,6%	8,4%
Dax	DAX	12.591,91	4,9%	9,7%
Nikkei 225	NKY	19.553,86	6,2%	2,3%
WTI Crude Oil USD/bbl	CL1	48,92	-6,7%	-8,9%
Gold USD/Oz.	Gold	1.257,70	-2,5%	9,1%

Source: Bloomberg Finance L.P.

Govt. Bond Yields	Ticker	Yield	+/- Month	+/- YTD
2y Switzerland	GSWISS02	-0,9%	0,0%	0,1%
10y Switzerland	GSWISS10	-0,1%	0,1%	0,1%
2y U.S. Treasury	USGG2YR	1,3%	0,1%	0,1%
10y U.S. Treasury	USGG10YR	2,2%	0,1%	-0,2%
2y Germany	GDBR2	-0,7%	0,2%	0,1%
10y Germany	GDBR10	0,3%	0,2%	0,1%
10y U.K.	GUKG10	1,1%	0,0%	-0,2%
10y Italy	GBTPGR10	2,2%	-0,1%	0,3%
10y Spain	GSPG10YR	1,6%	-0,1%	0,2%
10y Japan	GJGB10	0,0%	0,0%	0,0%

Source: Bloomberg Finance L.P.

Charts of the Day



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