

# Bedrock Friday 07 April 2017 Newsletter

Q2 starts with a bang! The week started, as we had mentioned last week, with good and better economic news in the United States. U.S. companies added 263,000 jobs in March, according to the latest ADP and Moody's Analytics private payrolls report. That was well above the 185,000 expected from economists surveyed by Reuters. Blowout ADP jobs growth is new evidence of economic traction, outgoing Fed Gov Tarullo said. And the Fed Listened; on Wednesday, the Board said that it wants to start unwinding the \$4.5 trillion in bonds on its balance sheet this year. The revelation came Wednesday from a summary of the Federal Open Market Committee meeting held in March, during which the group approved a quarter-point hike in its benchmark interest rate target. Officials at the meeting noted that the Fed likely is on a faster pace with rate hikes ahead.

Unwinding the balance sheet is significant both because of its sheer size and the impact it could have on markets, as Fed members including Chair Janet Yellen have indicated that the move itself would amount to a rate hike.

"Provided that the economy continued to perform about as expected, most participants anticipated that gradual increases in the federal funds rate would continue and judged that a change to the Committee's reinvestment policy would likely be appropriate later this year," the summary, or minutes, said.

No timetable was mentioned and there wasn't any indication given that the balance sheet was in play when the FOMC released its post-meeting statement.

The market was quick to react as the Dow Jones, which was up by 180 points prior to the release of the statement, quickly erased the gains and finished down by 40 points. And the Nasdaq had just hit a new record high... The USD lost some ground (counterintuitive as this action amounts to a tightening and shows a healthier economy!). The next day though, these price actions reversed and showed more normalcy. Today's unemployment report should further confirm the state of the healthy jobs market in the US, and also confirm that we are on the way to more interest rate hikes.

The other big news of the week was of course the horrendous attack in Syria with chemical weapons. The world watched in shock as those same weapons were supposed to have been taken out of the country under the previous accord between Obama and the Russians. This has prompted Trump to undertake his first military action, whereby Missiles were fired into the Airbase from which the planes carrying these weapons took off. Trump warned the Russians beforehand of the strike. But is this a new serious development which risks further escalation, or is this just a warning shot? We don't know and for now, the markets have reacted pretty mutedly. Markets in Asia were up, and the S&P Futures point to a slightly negative open. The USD is stable, but Oil and Gold are up by 1 and 2%. We will see today how the Russians will react and what noises will come from the long awaited meeting between the 2 major economic powerhouse meeting between Trump and Xi today in Florida.

The high-stakes summit opened at Trump's Florida beach resort on Thursday evening, with the urgent threat of North Korea's nuclear ambitions and tensions over trade on the agenda for the first meeting between the leaders.

The president pointed to the crisis in North Korea as a top priority in the meetings with Xi, telling reporters on Air Force One on his way to Florida on Thursday that he thinks China will "want to be stepping up" in trying to deter North Korea's nuclear ambitions.

Another piece of news, which has not made a lot of noise but could be signalling a change of attitude and rationale in the White House was the announcement that WH chief strategist Steve Bannon had been removed from his seat on the National Security Council, reversing one of the most controversial decisions of the young Trump administration.

In a sign of new economic times, Tesla shares a hit a new high and at the same time passed Ford's market value! Tesla's move past Ford came one day after Musk's company reported worldwide shipments of 25,000 cars and SUVs in the first quarter, exceeding analysts' estimates. While Ford delivered about nine times as many vehicles in just the U.S. last month, its sales missed projections and the shares fell.

"I don't know if people want electric cars, but people want Tesla," said Ben Kallo, an analyst at Robert W. Baird & Co. "I'm not an Elon Musk worshiper, but people that would normally buy a Porsche are buying Teslas right now. Ford, which reported net income over the last five years totalling \$26 billion, towers over Tesla on most metrics.

The stock market still seems to defy gravity. But Citi this week said that it sees a further 5% uptick for global stocks by year-end, and added that the next big downturn is 'not imminent'. Citi credited its own in-house "Bear Market Checklist" which it used to compare global market variables at times of historic financial crises to the current day.

"Right now, only 3/18 factors are flashing sell compared to 17.5/18 in 2000 and 13/18 in 2007,". Despite the bank's bullish equities outlook, Citi economists stressed it would be unwise for investors to overlook the ramifications of France's upcoming general election. And on that, we can only agree!

We believe that France 's first round presidential election could bring a huge surprise, which would match the markets reactions that followed the Brexit vote or the Trump Election.

Marine Le Pen could very well be above 30% in the first round, and her victory, although improbable, should not be dismissed, especially if, and it is a big if, in another big surprise, Melenchon finishes second in the first round! We let you imagine this nightmare scenario, where the 2 final contenders to become the next French President are Le Pen and Melenchon,, and ponder about the effects on the Euro and stock markets reactions...

As this election shows, the populists are the ones who are rising in the polls and who get their message across to the population. One should then always remember these wise words from Franklin D. Roosevelt: "True individual freedom cannot exist without economic security and independence. People who are hungry and out of a job are the stuff of which dictatorships are made."

## Market Weekly Highlights:

- The greenback has marked a pause since last year's strong rebound against all currencies. The DXY reached 103.80 and has lost some ground so far this year to trade now just above 100, almost unchanged this week. The USD is at around 1.06 against the EUR and just above parity against the CHF. The Pound is trading lower this week at almost \$1.245. The Japanese Yen is almost unchanged for the week against the USD at 110.60, but remaining up strongly vs the Dollar YTD. The Russian Ruble is trading slightly lower against the USD at 56.89. The Brazilian Real is now at 3.14, slightly down for the week. Crude oil WTI reached \$55.24 a barrel on the first day of trading on January 1st and after trading at almost \$47 has bounced back at 52.66 as we write while Brent is trading at 55.76.
- The yield on 10Y U.S. Treasuries have traded in range bound since end of the year trading beyond 2.60% for a couple of days to finally trade back down at 2.33% as we write, slightly lower for the week. The Japanese 10 year JGB is trading lower for the week but continues to offer POSITIVE returns trading at 0.061%.  
In Europe, since the start of the year we saw the German Bund has traded in range bound from 0.50% to 0.20% and now trades again down at 0.25% as we write. The French 10Y Yield crossed the 1% level, reaching the high spread-levels of 2014 against the German Bund, reflecting some investors worries on French Presidential election in a couple of weeks; now trades at 0.90%. The Swiss 10 year bond yield traded for the first time in positive territory since 2015 and this for several days in mid-March, to only slide down at -0.139% after the status quo announced by the SNB.  
In Peripheral Europe Italian 10Y yields crossed the 2% level having started the year at 1.71% and are currently up at 2.26% while the Spanish 10Y yields trade 65bps lower having started the year at 1.30% and currently trading at 1.61%.
- All markets are down globally this week with the exception of some domestic emerging markets. In the USA, even though all the major indices have marked all new time highs this month with DJIA trading just below 21'000 and remaining well positive for the year, for this week they are all slightly down. The Dow is down at 0.32%, Nasdaq showing - 0.60% and the SP500 is showing -0.45% for the week  
In Europe stocks have been also down for the week so far with Eurostoxx50 negative 0.69%, pushed lower thanks to the DAX, which is down -1.20% for the week and the peripheral Italian MIB at -1.24%. The Spanish IBEX is at -0.09% for the week as we write. UK FTSE down 0.32%, as was the CAC40 -0.34%. The Nikkei was down about 0.42% for the week.  
In LATAM and ASIA, Bovespa is down 1.60% for the week while the Hang Seng is down -0.14% but the Domestic Shanghai Composite is up 1.40% as is the Nifty 50 at +0.81%.

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Highlighted items are interesting data points for the week

All data is compiled from Bloomberg

## MARKET INDICES PERFORMANCE

06/04/2017

INDEX NAME	CCY	Last Price	PRICE CHANGE IN % (unless indicated)									P/E
			1D	5D	MTD	1M	3M	6M	YTD	1Y	3Y	
<b>EQUITY MARKET INDICES - BY REGION</b>												
S&P 500 INDEX	USD	2,357.49	0.22	-0.45	-0.22	-0.46	3.54	9.46	5.30	15.46	27.77	18.13
DOW JONES INDUS. AVG	USD	20,662.95	0.09	-0.32	0.00	-1.25	3.50	13.28	4.56	17.79	27.19	17.24
<b>NASDAQ COMPOSITE INDEX</b>	USD	5,878.95	0.25	<b>-0.60</b>	-0.55	0.77	6.48	11.08	<b>9.21</b>	21.26	44.10	19.91
RUSSELL 2000 INDEX	USD	1,364.43	0.91	-1.30	-1.55	-0.76	-0.21	10.34	0.54	24.86	20.13	19.11
EURO STOXX 50	EUR	3,489.57	0.49	-0.73	-0.73	2.66	4.64	15.82	5.61	21.02	9.08	14.86
EURO STOXX 600	EUR	380.77	0.24	-0.47	-0.47	1.90	3.80	11.69	4.96	15.61	13.25	15.48
CAC 40 INDEX	EUR	5,121.44	0.58	-0.39	-0.39	2.97	3.92	14.66	4.94	20.17	15.02	15.04
<b>DAX INDEX</b>	EUR	12,230.89	0.11	<b>-1.24</b>	-1.24	1.62	4.84	<b>15.91</b>	5.92	27.59	27.86	13.78
FTSE 100 INDEX	GBP	7,303.20	-0.25	-0.37	-0.37	-0.58	1.19	3.57	2.15	18.89	10.17	14.75
SWISS MARKET INDEX	CHF	8,638.37	-0.02	-0.58	-0.58	-0.18	2.27	5.96	4.73	10.91	2.42	17.35
NIKKEI 225	JPY	18,597.06	-1.40	-1.29	-1.29	-3.51	-4.06	10.70	-2.35	18.51	26.04	16.33
<b>HANG SENG INDEX</b>	HKD	24,273.72	-0.52	<b>-0.51</b>	0.27	2.10	7.44	1.36	9.89	19.30	8.04	12.03
<b>SHANGHAI SE COMPOSITE</b>	CHY	3,281.01	0.33	<b>1.40</b>	1.99	1.36	4.19	9.38	5.90	9.25	59.64	13.92
S&P BSE SENSEX INDEX	INR	29,927.34	-0.16	0.68	0.77	2.93	11.55	6.37	12.11	20.92	33.60	17.46
<b>RUSSIAN RTS INDEX S</b>	USD	1,148.75	-0.32	<b>1.06</b>	1.06	<b>2.56</b>	<b>-4.01</b>	<b>12.32</b>	<b>-2.32</b>	30.99	<b>-5.72</b>	<b>6.18</b>
BRAZIL IBOVESPA INDEX	BRL	64,222.72	-0.85	-1.60	-1.17	-2.31	4.15	5.10	6.63	32.38	23.14	11.93
MSCI WORLD	USD	1,846.59	0.07	-0.38	-0.38	0.33	3.56	7.84	5.45	13.87	11.29	16.85
MSCI WORLD HEDGED	USD	828.69	0.05	-0.48	-0.25	-0.06	3.49	10.17	5.29	18.18	27.10	-
MSCI WORLD LOCAL	-	1,426.82	0.06	-0.31	-0.31	-0.17	2.85	9.34	4.59	16.46	20.77	16.85
MSCI AC WORLD	USD	447.59	-0.01	-0.28	-0.28	0.60	4.17	7.56	6.10	14.42	9.64	16.21
MSCI EM	USD	963.29	-0.61	0.51	0.51	2.86	9.33	5.30	11.72	19.03	-4.07	12.37
<b>MSCI AC ASIA x JAPAN</b>	USD	585.02	-0.49	<b>0.52</b>	0.52	3.72	10.93	5.02	<b>13.74</b>	18.00	5.96	13.01
MSCI EM LATIN AMERICA	USD	2,639.05	-1.08	-0.73	1.07	1.62	10.77	7.52	12.75	29.74	-19.45	14.06
MSCI EM Eur, ME & Africa	USD	250.81	-0.38	0.39	0.39	-0.39	1.15	3.85	2.47	11.40	-21.21	10.39
<b>EQUITY MARKET INDICES - BY SECTOR</b>												
<b>MSCI ENERGY</b>	USD	208.67	0.65	<b>0.93</b>	0.93	0.41	<b>-5.55</b>	0.88	<b>-4.71</b>	15.13	<b>-25.17</b>	22.35
MSCI MATERIALS	USD	236.77	-0.07	0.37	0.37	1.46	5.03	11.15	6.71	26.93	-2.48	16.08
MSCI INDUSTRIALS	USD	225.66	0.09	-0.13	-0.13	0.79	4.47	9.45	6.20	16.96	13.04	17.70
MSCI CONS DISCRETIONARY	USD	208.10	0.13	-0.92	-0.92	1.32	3.95	8.04	5.94	11.44	18.98	16.58
MSCI CONS STAPLES	USD	220.77	-0.06	-0.17	-0.17	1.06	5.70	2.24	6.38	2.13	16.17	20.55
<b>MSCI HEALTH CARE</b>	USD	207.39	-0.07	<b>-0.26</b>	-0.26	-0.09	4.73	2.18	<b>7.55</b>	3.78	17.07	16.41
MSCI FINANCIALS	USD	109.33	0.19	-1.09	-1.09	-2.19	0.78	16.00	2.97	25.66	7.67	13.04
<b>MSCI INFO TECH</b>	USD	179.41	-0.09	-0.60	-0.60	1.12	8.73	11.42	<b>11.28</b>	23.32	46.83	18.59
MSCI TELECOMS	USD	69.10	-0.40	-1.10	-1.10	-0.39	-2.04	0.97	-0.61	-2.13	-1.90	14.50
MSCI UTILITY	USD	122.25	0.00	0.44	0.44	2.38	6.04	7.13	6.34	3.71	3.59	16.86
MSCI WORLD REAL ESTATE	USD	198.02	0.33	0.67	0.67	1.43	1.73	2.26	4.17	1.18	9.89	25.12
<b>HEDGE FUND INDICES</b>												
<b>HFRI GLOBAL HEDGE FUND</b>	USD	1,222.72	0.08	<b>-0.06</b>	<b>-0.06</b>	<b>-0.28</b>	<b>1.32</b>	<b>2.66</b>	<b>1.60</b>	<b>6.52</b>	<b>-1.37</b>	-
HFRI EQUAL WEIGHTED	USD	1,235.89	0.15	0.04	0.04	-0.10	1.42	2.65	1.54	6.96	1.69	-
HFRI GLOBAL EUR	EUR	1,093.61	0.08	<b>-0.12</b>	<b>-0.12</b>	<b>-0.46</b>	0.78	1.56	1.00	4.48	<b>-4.72</b>	-

## MARKET INDICES PERFORMANCE

06/04/2017

INDEX NAME	CCY	Last Price	PRICE CHANGE IN % (unless indicated)									
			1D	5D	MTD	1M	3M	6M	YTD	1Y	3Y	
<b>LIBOR RATES AND YIELD ON US GOVERNMENT BONDS (Yield in %, Change in bps)</b>												
US 3 MONTH	USD	0.79	-1.54	3.56	3.56	4.57	27.46	47.18	28.98	55.83	-	-
<b>US 2 YEAR</b>	USD	1.23	-0.40	-2.01	-2.01	<b>-9.38</b>	2.41	40.38	<b>4.56</b>	54.61	-	-
<b>US 10 YEAR</b>	USD	<b>2.32</b>	-1.78	-6.44	-6.44	-19.49	-9.63	60.49	<b>-12.13</b>	63.41	-	-
US LIBOR 3M	USD	1.15	0.06	0.36	0.08	4.87	14.11	28.25	15.25	52.38	-	-
EUR LIBOR 3M	EUR	0.36	0.00	-0.14	-0.14	-0.50	-2.07	-3.87	-2.29	-10.79	-	-
GBP LIBOR 3M	GBP	0.34	0.09	-0.42	-0.13	-1.94	-3.67	-4.87	-3.04	-25.32	-	-
CHF LIBOR 3M	CHF	-0.73	-0.02	0.04	-0.02	-0.58	-0.26	0.56	-0.06	-0.12	-	-
<b>FIXED INCOME INDICES - BY TYPE OF ISSUER</b>												
Yield to Worst												
GLOBAL AGG TR HEDGED	USD	502.99	0.05	0.28	0.28	0.75	0.88	-1.04	0.73	0.98	11.20	1.61
<b>GLOBAL HY TR</b>	USD	1,227.10	0.07	<b>0.27</b>	0.27	0.60	2.46	3.18	<b>3.46</b>	13.52	11.37	5.51
US GOVERNMENT TR	USD	2,137.37	0.07	0.29	0.29	1.08	0.80	-2.06	0.97	-1.61	6.39	1.61
US CORPORATE TR	USD	2,770.51	0.08	0.38	0.38	1.02	1.28	-0.80	1.60	2.88	11.30	3.30
<b>US HIGH YIELD TR</b>	USD	1,867.83	<b>0.02</b>	<b>0.27</b>	0.27	0.38	1.99	4.31	<b>2.98</b>	16.50	14.37	5.80
EU GOVERNMENT TR	EUR	247.89	0.05	0.42	0.42	0.50	-0.09	-2.80	-0.96	-1.02	12.18	0.57
EU CORPORATE TR	USD	263.03	-0.03	0.34	0.34	0.42	1.25	0.64	1.00	3.97	13.19	0.86
EU HIGH YIELD TR	EUR	302.08	-0.01	0.13	0.13	0.01	1.49	3.75	1.98	8.76	14.96	3.66
<b>BARCLAYS GLOBAL CONVERT.</b>	USD	230.59	<b>0.24</b>	<b>0.22</b>	0.13	0.46	2.36	4.65	<b>3.60</b>	9.78	7.88	-
<b>GLOBAL EM TR (HEDGED)</b>	USD	367.93	<b>0.09</b>	<b>0.32</b>	0.32	0.85	2.66	1.14	<b>3.44</b>	8.80	16.82	4.29
S&P/LSTA U.S. LEV LOAN	USD	98.76	0.00	0.22	0.10	-0.42	-0.26	6.84	0.15	11.11	0.38	4.48

## COMMODITY INDICES - BY TYPE OF ISSUER

GSCI INDEX TOTAL RETURN	USD	2,322.78	0.55	1.48	1.20	-1.93	-3.91	-0.66	-3.91	11.76	-53.01	-
<b>GSCI ENERGY TR</b>	USD	402.78	1.01	3.06	2.47	<b>-1.52</b>	<b>-6.54</b>	<b>-3.57</b>	<b>-7.36</b>	19.33	-64.25	-
GSCI INDUSTRIAL METALS TR	USD	1,220.63	-0.83	-1.97	-0.45	0.69	7.40	16.81	8.75	26.29	-6.35	-
GSCI PRECIOUS METALS TR	USD	1,535.54	0.38	0.42	0.15	2.13	6.84	0.04	9.04	3.07	-6.37	-
GSCI AGRICULTURE TR	USD	417.14	-0.47	-0.61	-1.14	-7.49	-5.90	-6.10	-3.22	-5.46	-40.02	-
GENERIC 1ST 'CL' FUTURE	USD	52.41	1.37	3.58	3.58	-3.02	-6.34	-2.58	-5.89	13.34	-55.51	-
<b>GOLD SPOT \$/OZ</b>	USD	1,263.93	<b>0.96</b>	<b>1.17</b>	<b>1.17</b>	<b>3.95</b>	<b>7.77</b>	<b>0.56</b>	<b>9.69</b>	1.89	-2.58	-

## CURRENCIES

<b>DOLLAR INDEX SPOT</b>	USD	<b>100.67</b>	0.02	0.34	0.34	-1.10	-1.50	4.20	<b>-1.49</b>	6.57	25.50	-
Euro Spot	EUR	1.06	-0.06	-0.13	-0.13	0.68	0.61	-5.03	1.15	-6.50	-22.59	-
<b>Japanese Yen Spot</b>	JPY	<b>110.81</b>	0.19	0.71	0.71	3.06	4.91	-6.89	<b>5.75</b>	-2.16	-6.78	-
British Pound Spot	GBP	1.25	-0.10	-0.73	-0.73	2.11	2.43	0.19	0.96	-11.37	-24.99	-
Swiss Franc Spot	CHF	1.01	-0.10	-0.34	-0.34	0.73	0.92	-2.83	1.29	-4.99	-11.74	-
Brazilian Real Spot	BRL	3.14	-0.73	0.24	-0.68	-0.19	2.52	2.69	3.56	15.86	-28.87	-
China Renminbi Spot	CNY	6.90	0.00	-0.15	-0.15	0.07	0.58	-3.28	0.69	-6.31	-9.92	-
Singapore Dollar Spot	SGD	1.40	0.02	-0.35	-0.35	0.66	2.45	-2.05	3.20	-3.52	-10.19	-
<b>Russian Ruble Spot</b>	RUB	<b>56.31</b>	<b>-1.13</b>	<b>-1.25</b>	<b>-1.25</b>	<b>2.17</b>	<b>5.59</b>	<b>9.41</b>	<b>8.05</b>	<b>19.69</b>	<b>-37.43</b>	-
Norwegian Krone Spot	NOK	8.63	0.09	-0.22	-0.22	-1.91	-0.90	-6.16	0.27	-3.42	-30.45	-

## VOLATILITY / LIQUIDITY INDICES

<b>CBOE SPX VOLATILITY INDX</b>	USD	<b>12.39</b>	-3.88	6.47	6.47	<b>15.02</b>	<b>16.34</b>	-2.30	<b>-6.20</b>	-18.50	-15.41	-
USD SWAP SPREAD SEMI 2YR	USD	33.82	-	-6.74	-6.74	5.27	20.23	43.35	32.39	155.18	164.78	-
TED SPREAD	USD	35.29	-	-8.34	-10.88	-12.95	-29.07	-35.96	-29.49	-12.15	68.61	-

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