

Jyske Invest International

Market Comments · Q3 2019

Jyske Invest Growth Strategy CL

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Q3 – rising market volatility set in

After the first warning in May, when risky assets for the first time in 2019 saw general headwinds, the same scenario was played out at full force in early August. However, once again investors were more frightened than hurt, as already after a little less than a fortnight the markets rallied, and subsequently the leading S&P500 rose to new record highs. However, the general picture for Q3 was that the fluctuations in the market gained momentum. Especially the development of developed-market bonds was remarkable and contributed considerably to supporting risky assets. The new more relaxed signals from the Fed resulted in two interest-rate cuts of 0.25% and sharply falling US rates in general in Q3. Despite the higher volatility in Q3, all asset classes managed to yield positive returns, which also applied to the mixed portfolios, which posted positive absolute as well as relative returns.

	THE FUND*	BENCHMARK	DIFF.
Latest quarter	0.29%	0.79%	-0.51%
Year-to-date	14.68%	13.82%	0.86%

* See past performance under the tab Past Performance

Fed & President Donald Trump at each other's throats

Despite the Federal Reserve's downright U-turn as regards its monetary policy when it implemented interest-rate cuts, it did not suffice to satisfy US President Trump, whose warfare against the Fed - and not least Fed Chief Jerome Powell - escalated the late summer. This escalation was primarily due to the new monetary policy move on the part of retiring ECB chief, Mario Draghi, who at the September meeting delivered a new relaxed monetary policy broadside at the ailing European economy. Seen in this light, it seems that the initiatives from the Fed are fading - at least from the point of view of the White House, which continued to give the Fed the hot and strong. Moreover, Q3 saw a new dimension in the continuing trade war between the US and China after the Chinese chose to allow CNY to penetrate the psychologically important 700 mark, resulting in weakening of the Chinese currency. This was also to the liking of Trump who had previously thundered against the strong USD given the defensive monetary policy from the Fed. All in all, a politically "exciting" third quarter.

Macro-economic deterioration

As autumn approached, the macroeconomic trend – especially with respect to manufacturing – turned increasingly sluggish. Particularly the development in the US manufacturing industry has suffered considerably during the ongoing trade war between the US and China. Both in August and September, the confidence indicator for US manufacturing industry has been in the contraction phase which is worth noticing in the light of the historically good correlation between especially this sector and US equities. So far, it is therefore actually only US consumers who keep growth expectations going both in the US but also globally. A pressure that really gives food for thought.

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Right now

During the first turbulent period for risky assets in early August, we chose in respect of the mixed portfolios to lower the risk slightly by reducing the proportion of equities. Keeping the above in mind, we still think there is a risk of another correction to the downside. Because of the increasing volatility, the frail macroeconomic situation, the highly-charged political situation and the central banks' use of the same old ammunition, we still have a slightly more cautious approach to risk in the portfolios and await the future market development before making our next allocation.

Please note

Past performance is not a reliable indicator of future results. The value of and return on your investment may fall, and you may not get back the full amount invested. An initial charge is usually made when you purchase and sell units. The fund may invest in instruments denominated in various currencies. At least 75% of the fund assets will at all times be invested in EUR or hedged to EUR. You should be aware that changes in exchange rates may have an adverse effect on your investment. This may also be the case if EUR is not your base currency.

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