

## OUT OF THE BLUE !

Letter to investors

October 2019

### BIG IN JAPAN

When it seemed that the market had gained new strength and was about to breach the value highs for the year, some bad news from the macro data harmed the mood. Against a modest rebound by Chinese SMEs and the confirmation of the difficult but stable situation in Europe, the real “anticlimax” was the collapse of American manufacturing, which had remained relatively unspoilt until now. The service sector, which is much more representative of the economy status, was also ultimately affected, creating serious doubts about the future of the US economy. An American recession would have serious consequences for the global macro scenario, which is already not especially bright.

In this monthly newsletter, we will try to answer two central questions: will there be a recession or a simple economic slowdown in the United States; and, in the latter eventuality, how much should it bother us in view of the reasonable performance of the markets? The short answers are: a true recession is unlikely at the moment, but the potential for a slowdown continues to increase proportionally to how far away a trade agreement with China and Europe appears to be. However, the effect of a simple slowdown on the markets should not be underestimated, and an extremely prudent management strategy is needed, which we are already implementing. As time goes by, the scenario increasingly reminds us of the “Japanese” one, characterized by an endless series of potential upward and downward cycles, with highly volatile and quite violent market movements. Rates are expected to remain low (despite a range of fluctuations) with central banks reluctantly adjusting to these rates, accompanied by an increasingly urgent attempt at fiscal intervention, in order to avoid the worst. The performance of the markets remains confined to a narrow trading range which, although it has been satisfactory until now, has struggled to reach new highs. In the absence of good news on the macro and political fronts, we are dubious about this possibility and advise you to remain cautious during a month that could prove to be the most dangerous and sensitive of 2019, one of those months that could decide the fate of an entire year. We may think that we are in Lugano, London or New York, but in fact, we have been flying in the direction of Tokyo for some time now...

Market	September 2019	Year to Date 2019
<b>Bloomberg Barclays Euro Aggr. Bond Index</b>	-0.5%	+8.4%
<b>Bloomberg Barclays US Aggregate Bond Index</b>	-0.5%	+8.5%
<b>S&amp;P 500 Index</b>	+1.9%	+20.6%
<b>Stoxx Europe 600 Index</b>	+3.7%	+20.3%
<b>MSCI Asia Pacific Index</b>	+2.7%	+9.4%
<b>Bloomberg Commodity Index</b>	+1.0%	+1.4%



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