

## OUT OF THE BLUE !

Letter to investors

November 2019

### RAGING BULL

Against all our expectations, October turned out to be one of the best months for the equity segment in the apparently unpredictable - but in the end very positive - 2019. Whereas September ended with so many uncertainties on the macroeconomic and trade war fronts, everything stabilized in October, which the market wanted to believe and see the glass as half full. As a result, share prices have progressed, the dollar has weakened slightly, rates have risen again after sliding during the summer, emerging markets and Europe have got back relative ground and the most defensive sectors with the most growth/momentum profile have sold relative to the values/cyclicals.

This is all how periods of economic and market reflation typically go. However, we must admit that a string of good news has overwhelmingly reappeared to justify a trend which seems very strong - at least in the short term, but BlueStar never uncritically commits to any scenario without first studying the risks (which tend to be ignored at one's peril at the moment) before looking at the positive aspects. However, since unsuspecting times, we believe that a recession is most unlikely and that it is far too early to be saying whether or not we are in a new phase of reflation for certain as we are in a very long and objectively worn-out economic cycle. Despite being in a supposed truce, the trade war is also heading towards a more delicate and difficult confrontational phase. Estimates for next year's earnings seem rather ambitious and only a clear cyclical recovery, and final demand, could justify another re-rating. Lastly, we feel that accommodating monetary policies are useful in order to avoid excessive market drawdowns, but they are unlikely to bring any kind of benefit to the economy. Even though the last top-market phases are often historically exponential, we do not believe that the level of risk-reward is especially attractive as the situation stands - quite the opposite. Even the strongest of fighters who is trying to beat down his opponent, and taking a few hits himself in the process, can get tired and end up getting knocked out even if all the odds were in his favor...

Market	October 2019	Year to Date 2019
<b>Bloomberg Barclays Euro Aggr. Bond Index</b>	-0.9%	+7.4%
<b>Bloomberg Barclays US Aggregate Bond Index</b>	+0.3%	+8.9%
<b>S&amp;P 500 Index</b>	+2.2%	+23.2%
<b>Stoxx Europe 600 Index</b>	+1.1%	+21.6%
<b>MSCI Asia Pacific Index</b>	+4.4%	+14.3%
<b>Bloomberg Commodity Index</b>	+1.9%	+3.3%



**BlueStar Investment Managers SA**

Via G. B. Pioda 8

CH-6900 Lugano

T. +41 91 260 36 70

F. +41 91 260 36 71

[www.bluestar-im.ch](http://www.bluestar-im.ch)

**Disclaimer:** This document does not represent advertisement material and it does not constitute an offer to anyone. The performances figures shown in this document are based on either estimated or final prices as supplied to BlueStar by third party information providers. Although BlueStar and its information providers seek to ensure that such information is accurate and has been obtained from sources presumed to be reliable, no warranty, expressed or implied, is made as to its accuracy and BlueStar shall not be held liable for any inaccuracies or incompleteness. Past performance is not necessarily indicative of future results. It is made with the aim of informing BlueStar's clients and may not be redistributed to third parties albeit related to BlueStar's client without the express, written consent of BlueStar. The information contained in this document shall not be considered as legal, tax, regulatory or other advice. Its recipient should obtain relevant and specific advice regarding its local regulation before making any investment decision.