

OUT OF THE BLUE !

Letter to investors

December 2019

MOM, I MISSED MY FLIGHT!

The progress of the market in an already very positive 2019 also continued in the month of November, confirming the tradition of the so-called "Christmas rally." Bond rates continued to recover after the summer lows, while currencies remained essentially stable, as did commodities. The decrease in the fear of a recession in the US, improved global macro data, and moderate optimism about a mini trade agreement between the US and China supported the usual end-of-year good mood. The markets are ready to sing Christmas carols as they celebrate one of the best years of the last decade. Although BlueStar has no intention of ruining the magic of a white Christmas for our loyal readers, it is at least fair to say that the equity sector has already taken a great deal of the good news on the macro front, profits and trade war for granted. At the current valuation levels, we fear that the market may be more sensitive to any bad news, or at least, it could suffer from an air pocket in the stream of positive news. Although a number of factors still persuade us that a recession is highly unlikely, the likelihood of a significant new mini recovery cycle has yet to be demonstrated. The profit estimates are already quite ambitious and, although phase one of the US-China trade negotiations has ended positively (finally!), there is nothing to prevent the fireworks between the two countries from flaring up again as the American presidential election approaches. As often happens in the final stages of a peak market, this is taking the form of an exponential progression that acts as a powerful magnet, attracting those who have totally or partially remained on the outside and increasing their fear of "missing the train." This could explain the recent rally of the past few days, but it also casts a dark omen on the near future when, in the absence of positive news, those who previously entered may want to make a profit. BlueStar does not rule out the possibility that 2020 could also prove to be a good year, but we would advise against not getting on the departing train. At these levels of assessment, however, the anxiety to get on board at all costs could prove to be very disappointing in the short term...

Market	November 2019	Year to Date 2019
Bloomberg Barclays Euro Aggr. Bond Index	-0.6%	+6.8%
Bloomberg Barclays US Aggregate Bond Index	-0.1%	+8.8%
S&P 500 Index	+3.6%	+27.6%
Stoxx Europe 600 Index	+2.9%	+25.1%
MSCI Asia Pacific Index	+0.5%	+14.8%
Bloomberg Commodity Index	-2.7%	+0.5%



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