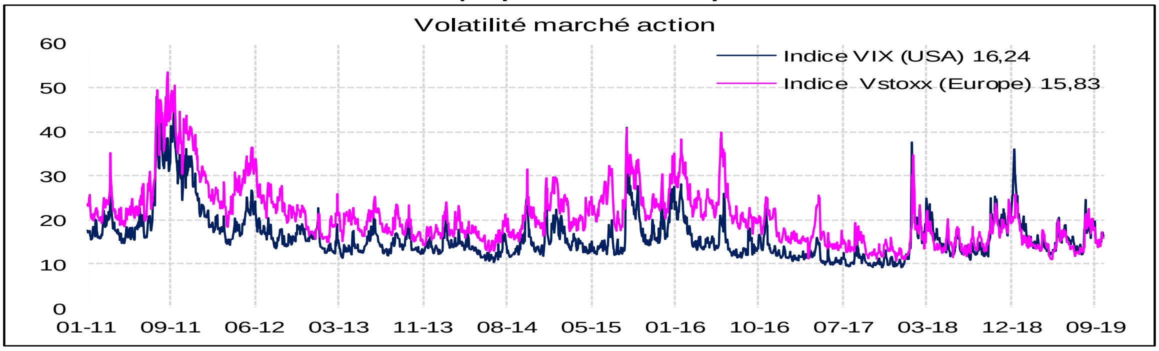
Hugau Gestion – October 2019 Review

Financial markets were kept afloat by major central banks reinforcing their accommodating stances. The Dow Jones gained 1.95% while the Stoxx600 and CAC 40 ended the month 3.6% higher.
Without this safety net, the US-China trade war would have sent markets lower, if high day-to day volatility - fuelled by Donald Trump's tweets- is anything to go on.

Equity Market volatility



In his September 24 address to the UN, China's foreign minister Wang Yi warned that trade disputes might lead to a global recession. In this highly unstable environment, and with more drama on the Brexit front, the OECD revised down its growth forecasts for 2019 and 2020, citing a contraction in global trade.

OECD economic growth forecast September 2019

%, year-on-year. Arrows indicate the direction of revisions since May 2019.

downward by 0.6 pp and more — downward by 0.3 to 0.6 pp — downward by less than 0.3 pp — no revision — upward

	2018	2019	2020		2018	2019	2020
World	3.6	2.9	3.0	**G20**	3.8	3.1	3.2
Australia	2.7	1.7	2.0	**Argentina**	-2.5	-2.7	-1.8
Canada	1.9	1.5	1.6	**Brazil**	1.1	0.8	1.7
Euro area	1.9	1.1	1.0	**China**	6.6	6.1	5.7
Germany	1.5	0.5	0.6	**India**[1]	6.8	5.9	6.3
France	1.7	1.3	1.2	**Indonesia**	5.2	5.0	5.0
Italy	0.7	0.0	0.4	**Mexico**	2.0	0.5	1.5
Japan	0.8	1.0	0.6	**Russia**	2.3	0.9	1.6
Korea	2.7	2.1	2.3	**Saudi Arabia**	2.2	1.5	1.5
United Kingdom	1.4	1.0	0.9	**South Africa**	0.8	0.5	1.1
United States	2.9	2.4	2.0	**Turkey**	2.8	-0.3	1.6

Source: OECD

The downward revisions were particularly marked for commodity-exporters like Saudi Arabia, Russia, Australia, Brazil, Mexico and South Africa as well as for countries with high industry specialisation like China, Germany, Italy and CEECs. The second group has been particularly hard hit by falling car sales and a slowdown in demand for capital goods. The OECD considers that monetary policy stimulus has been used to excess and now recommends budgetary stimulus through investment generally, and infrastructure programmes in particular. It also observes that growth in numerous countries is being held back not just by barriers to world trade but also by a skilled labour shortage. Many posts are being left unfilled. With today's ageing population, the trend will only get worse so it would make sense to increase capital intensity in production.

As a result of the economic slowdown, investors continued to seek out safe havens like government bonds. Yields on 10-year US Treasuries were at 1.66%, with the equivalent German Bund at minus 0.57% and France's 10-year bond at minus 0.27%. However, bond indexes rowed back a little over the month after a strong summer. The BOAML All maturities Euro Government Bonds index fell 0.38% but was still up 9.13% year to date. The flow of new corporate bond issues continued. But the secondary market fared less well as credit spreads widened a little.

Spread BBB 4Y EURO 10 years as of 09/30/2019

In the eurozone, disagreements among ECB members, culminating in the resignation of Sabine Lautenschläger from the board, fuelled investor uncertainty. Her departure came after Mario Draghi unveiled further monetary stimulus: the bank deposit rate was cut by 10bp to minus 0.5% and asset purchasing, this time for €20bn a month, will resume on November 1st when he is replaced by Christine Lagarde as chairman.

There are some who think that this fresh bout of QE was agreed in return for targeted budgetary stimulus in Germany and in the Netherlands and that there would therefore be a risk of bond yields rising from the lows seen over the summer months. This is why bond returns in the eurozone over the month were more or less flat. Markets are now looking for direction and hoping for some guidance from the third quarter earnings season and company comments on the outlook for 2020.

HUGAU GESTION

NAV OF THE FUND

NAV Date	UCITS	NAV	% 1 Week	%1 Month	%3 Months	Cumulated Performances %YTD	%1 Year	%2 Years	%3 Years	%5 Years
30/09/2019	HUGAU MONETERME - I	120 810,08	-0,00	-0,00	-0,00	**+0,00**	**- 0,04**	**- 0,20**	**- 0,05**	**0,93**
30/09/2019	HUGAU OBLI 1-3 - I	1 393,58	-0,05	+0,02	+0,55	**+2,33**	**0,82**	**- 0,17**	**2,56**	**4,86**

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