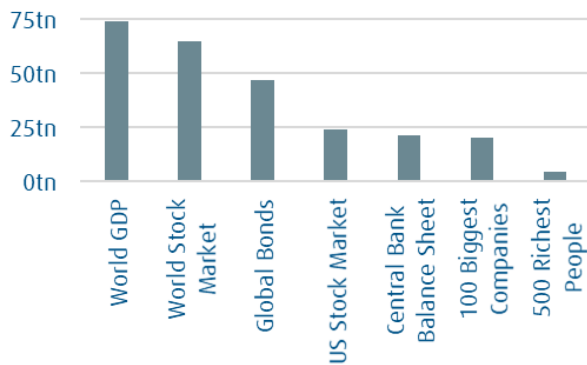


ECONOMIC OUTLOOK

Global economy synchronized its **steady growth** and continues with PMI's in US and Europe reaching multi-year tops. The **FED announced to reduce its balance sheet** by USD 10bn monthly. Every quarter, this limit increases to USD 50bn (USD 30bn Treasuries, USD 20bn Mortgage-backed Securities). In 2020, the balance sheet would drop below USD 3 trillion leading to the next discussion: how big should the FED balance sheet remain. The US yield curve slightly rose by 20bp and steepened at short-term rates up to 2 years. A FED rate hike in December is expected by 70% probability.

Central Bank's Balance Sheet in Perspective



The ECB might announce a tapering end of October, but the EUR appreciation could harm the growth trend. A 10 percent euro appreciation normally subtracts ~0.6% from Euro GDP in one year. However, **negative interest rates can be expected to stay until 2019**. The Central Banks' Balance Sheets make up to one third of World GDP or half of Global Bond Indices' market capitalisation. Therefore, a cautious approach of Central Banks with "Forward Guidance" seems reasonable.

Financial markets were driven by higher earnings expectations for the following years. Consensus estimates project a double-digit increase of global corporate earnings for 2017. Global Equity markets performed steadily in September by 3% despite of the geopolitical situation and the US hurricane season. **We expect volatility in US macro data but a continuation of its grow trend**. The dispute between Barcelona and Madrid also add up some uncertainties but will not harm the positive trend in European macro data. However, it will be a challenging time for the European Union: France's longing for a stronger European Union, the difficult government forming in Germany as well as the will to independency of the Catalanian region are putting a strain on the idea of the European Union.

In this risk-on mode, financial markets lead bond prices lower and equity markets higher. EUR and USD Bond Markets retreated by 0.5% and global equity markets closed three percent higher. High yield spreads further tightened. As Central Banks are eyeing an exit of their liquidity interventions and global economy expands, we **recommend reducing the fixed income allocation to a slight underweight**. High Grade Corporate Bonds are still offering value over Government Bonds.

Stock markets were supported by Trump's plans to reduce tax burdens. Investors remain positive culminating in global M&A and private equity investment volumes surging in Q3. We recommend **taking a neutral position** from a slight underweight due to seasonality factors and macro data.

Gold retreated to USD 1'274 with a loss of 4% within a month and confirmed our negative view. We are considering **implementing positions at USD 1'250**.

TACTICAL ASSET ALLOCATION

| | |
|-------------------------|--------------------|
| Liquidity | Slight Overweight |
| Bonds | Slight Underweight |
| Equities | Neutral |
| Alternative Investments | Neutral |

EQUITY INDICATORS

| | |
|-------------|--------------------|
| Valuation | Slight underweight |
| Momentum | Slight overweight |
| Seasonality | Neutral |
| Macro | Neutral |

Should you require further information or advise, please do not hesitate to contact your Clarus Capital relationship manager.

MARKET OVERVIEW AS OF FRIDAY, 06 OCTOBER 2017, 9:13 AM
FIXED INCOME

| | Rate | Δ 1m | Δ 3m | Δ ytd | | Δ 1m | Δ 3m | Δ 6m | Δ ytd |
|-----------------|-------|-------|-------|--------|---------------------|-------|-------|-------|-------|
| USD Overnight | 1.18 | 0.00 | 0.01 | 0.49 | USD Deposit 1m | 0.1% | 0.3% | 0.6% | 0.8% |
| USD 1y Swap | 1.58 | 0.16 | 0.11 | 0.39 | USD Aggregate 1-3y | -0.2% | 0.4% | 0.6% | 1.1% |
| USD 3y Swap | 1.85 | 0.27 | 0.06 | 0.16 | USD Aggregate 3-5y | -0.6% | 0.7% | 1.2% | 2.2% |
| USD 5y Swap | 2.00 | 0.29 | 0.01 | 0.03 | USD Aggregate 5-7y | -0.5% | 1.0% | 1.7% | 2.8% |
| USD 10y Swap | 2.29 | 0.28 | -0.02 | -0.05 | USD Aggregate 7-10y | -0.9% | 1.2% | 2.1% | 3.3% |
| EUR Overnight | -0.36 | 0.00 | 0.00 | -0.03 | EUR Overnight | 0.0% | -0.1% | -0.2% | -0.3% |
| EUR 1y Swap | -0.26 | 0.01 | -0.02 | -0.06 | EUR Aggregate 1-3y | -0.1% | 0.1% | 0.0% | 0.0% |
| EUR 3y Swap | -0.05 | 0.05 | -0.04 | 0.06 | EUR Aggregate 3-5y | -0.2% | 0.4% | 0.4% | 0.4% |
| EUR 5y Swap | 0.24 | 0.12 | -0.04 | 0.16 | EUR Aggregate 5-7y | -0.5% | 0.7% | 0.8% | 0.7% |
| EUR 10y Swap | 0.91 | 0.12 | -0.01 | 0.24 | EUR Aggregate 7-10y | -0.7% | 0.8% | 1.2% | 0.8% |
| CDX Xover 5y | 1.08% | 0.01% | 0.01% | 0.02% | US Corp. HY | 0.9% | 2.0% | 4.0% | 7.1% |
| iTraxx Xover 5y | 2.48% | 0.11% | 0.01% | -0.40% | EUR HY | 0.5% | 1.5% | 3.3% | 4.6% |

EQUITY

| | Price | P/E | D. Yield | FCF yield | | Δ 1m | Δ 3m | Δ 6m | Δ ytd |
|----------------------|-------|------|----------|-----------|----------------------|------|------|-------|-------|
| MSCI World | 5649 | 17.7 | 2.4% | 4.8% | MSCI World | 3.0% | 5.2% | 10.1% | 16.6% |
| S&P 500 | 2538 | 19.2 | 2.0% | 4.2% | S&P 500 | 3.3% | 4.3% | 7.9% | 13.4% |
| Euro Stoxx 50 | 3595 | 15.3 | 3.4% | 9.6% | Euro Stoxx 50 | 5.1% | 3.3% | 3.5% | 9.3% |
| SMI | 9284 | 18.4 | 3.3% | 6.4% | SMI | 4.7% | 3.7% | 7.4% | 12.9% |
| MSCI Asia Pacific | 163 | 14.5 | 2.5% | 5.1% | MSCI Asia Pacific | 1.5% | 5.6% | 10.5% | 20.6% |
| MSCI Emerging Market | 1102 | 13.9 | 2.5% | 6.9% | MSCI Emerging Market | 1.6% | 9.1% | 13.7% | 27.8% |

COMMODITY

| | Price | FCST 17 | FCST 18 | Δ Future | | Δ 1m | Δ 3m | Δ 6m | Δ ytd |
|-----------|-------|---------|---------|----------|-----------|-------|-------|-------|--------|
| Gold | 1274 | 1255 | 1268 | -1.8% | Gold | -4.0% | 4.5% | 1.5% | 10.6% |
| Silver | 16.6 | 17.2 | 17.7 | 4.6% | Silver | -7.4% | 3.9% | -9.8% | 2.5% |
| Platinum | 917 | 965 | 1027 | 10.4% | Platinum | -9.5% | 0.5% | -5.2% | 0.1% |
| Palladium | 924 | 843 | 898 | -2.0% | Palladium | -3.5% | 11.2% | 14.2% | 34.5% |
| Crude Oil | 50.0 | 50.0 | 52.3 | 2.8% | Crude Oil | 1.7% | 9.1% | -5.2% | -12.4% |
| Brent Oil | 55.9 | 52.9 | 56.0 | 2.0% | Brent Oil | 4.7% | 14.8% | 1.5% | -4.9% |

FOREIGN EXCHANGE

| | Price | FCST 17 | FCST 18 | Δ Spot | | Δ 1m | Δ 3m | Δ 6m | Δ ytd |
|---------|--------|---------|---------|--------|---------|-------|-------|--------|-------|
| EUR/USD | 1.1755 | 1.1800 | 1.2100 | 2.9% | EUR/USD | -1.3% | 3.6% | 10.2% | 11.8% |
| GBP/USD | 1.3242 | 1.3100 | 1.3200 | -0.3% | GBP/USD | 1.6% | 2.4% | 6.1% | 7.3% |
| USD/CHF | 0.9755 | 0.9700 | 0.9600 | -1.6% | USD/CHF | -2.1% | -1.2% | 3.0% | 4.5% |
| USD/JPY | 112.75 | 112.00 | 112.00 | -0.7% | USD/JPY | -3.5% | 0.5% | -1.8% | 3.7% |
| EUR/CHF | 1.1467 | 1.1500 | 1.1700 | 2.0% | EUR/CHF | -0.8% | -4.6% | -6.6% | -6.5% |
| USD/RUB | 57.68 | 58.00 | 59.90 | 3.8% | USD/RUB | 0.3% | 3.0% | -2.8% | 6.2% |
| EUR/RUB | 67.81 | 68.44 | 73.08 | 7.5% | EUR/RUB | 1.1% | 0.4% | -11.4% | -4.6% |

Source: Clarus Capital Group, Bloomberg

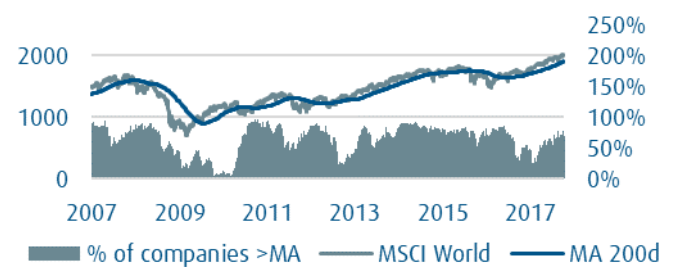
EQUITY: VALUATION

Valuation figures kept stable during September due to the support of macro-economic data and possible tax cuts in the US. However, in a historical perspective markets price in strong double-digit growth globally. **Valuations indicate a slight underweight to equities.**



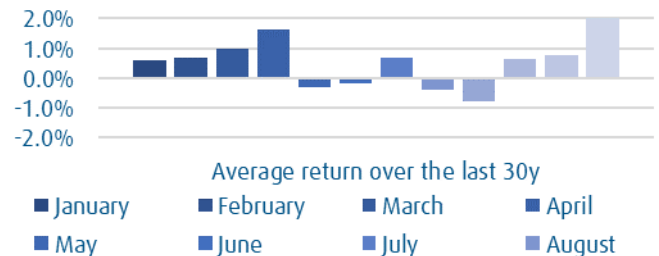
EQUITY: MOMENTUM

Momentum is strongly supporting equity markets. More than three quarter of the companies' stock prices are above their moving average. Other figures such as MACD or RSI are also indicating strong markets. **Momentum is still in favour of equity markets.**



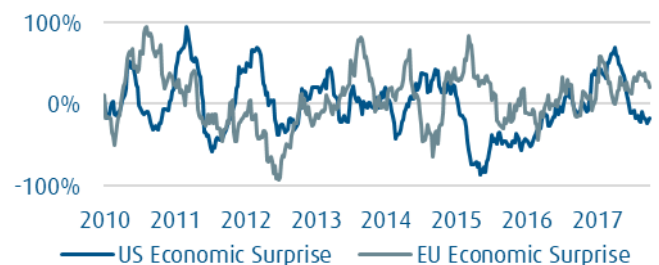
EQUITY: SAISONALITY

Seasonality signals are starting to be mixed with positive returns on average in October. However, the dispersion of returns is wide, and the past saw already significant draw-downs in this month (Halloween effect). **The Seasonality signal changes to a neutral position for the upcoming weeks.**



EQUITY: MACRO

No weaknesses are seen in the global growth trend: PMI data are reaching impressive levels all over the globe. Despite of the difficult hurricane season, the US economy continues its steady growth. As far as interest rates hikes are following stronger macro data, we only see limited down-side risks. But political risks are rising. **We continue to interpret the macro-economic environment as neutral for equities.**



Source: Clarus Capital Group, Bloomberg

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