



VIEWPOINT

Newsflash

A new month and the 140th issue of Viewpoint from **Financial Partners**.

This document will be made available on our website www.f-p.hk

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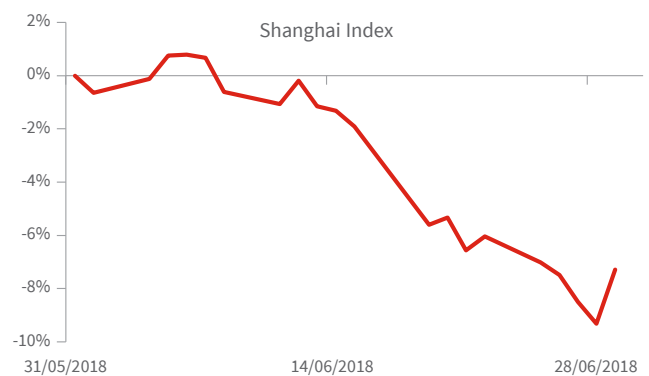
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Market Commentary

It was a flat month for developed equities and safe haven government bonds, with the MSCI World index and US Treasuries returning zero in June. Notably, the market action came in emerging markets; where the MSCI Global Emerging Market equities declined 4.2%, EM bond yields fell by 1% and EM currencies came under pressure. Emerging market currencies vulnerable to a strong dollar and rising interest rates were put under considerable pressure. The Shanghai market fell by 8% in June, taking its fall from the peak in January into bear market territory, down over 20%.

Figure 1: The Shanghai Index fell 8% in June



Source: Bloomberg, Momentum GIM

Underlying these moves in the emerging market asset classes was a more hawkish tone from the Federal Reserve and escalating trade tensions. The Federal Reserve hiked rates by 0.25% in June which was widely expected by the market, following strong macroeconomic data. However, the Federal Reserve changed their forward guidance to include two additional rate rises in 2018 and then another three next year. If implemented this would take rates up from the current 2.0% to 3.25%, this would be the first time for a decade that US dollar cash would offer a positive real return.

A tightening of the monetary cycle and reduced dollar liquidity invariably exposes vulnerabilities in the global system. It is currently being reflected in emerging markets and the most vulnerable of which have been those with large funding needs (current account deficits and fiscal deficits) as well as large dollar borrowings. Hence the sharp falls both in June and in the past 4-5 months for EM currencies and assets.

The falls in emerging market assets were exacerbated by the deterioration in trade disputes. The US implemented higher tariffs on a range of goods from its trading partners, including; Canada, Mexico, the EU and most importantly China, with each country retaliating. In response to the US implementing tariffs on \$34bn of Chinese goods, the Peoples Bank of China reduced banks' reserve requirements, with the aim of stimulating the economy. To date the effect of the US tariffs on global trade is not material, however, the risk of an all-out trade war remains a real threat to the sustainability of this long economic cycle.

Fortunately, the global economy is in good health, with macroeconomic data pointing to a pick-up in growth after the soft patch experienced in Q1. Inflation remains generally subdued, with the biggest threat to inflation coming from the US, where the economy has been performing strongly and is being supported by accommodative fiscal policy from tax cuts and additional government spending.

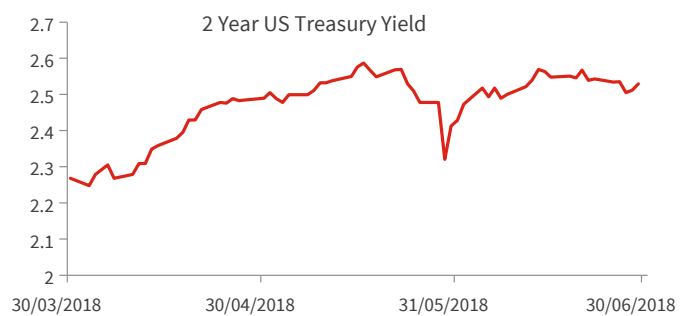
In Europe, the ECB moved to a slightly more dovish monetary stance, deferring the end of its QE programme to the end of 2018 and announcing there will be no change in interest rates until the summer of 2019 under forward guidance. In the UK, Brexit negotiations have continued, but almost entirely within the governing Tory party in the UK, not with the EU. The UK government appears to have reached agreement on a soft Brexit, keeping the UK closely aligned to the EU on goods, although not services. Whether this can pass through the UK political morass remains to be seen, but markets were largely unmoved and continue to point to a softer Brexit and certainly not a 'no deal'.

There are several geopolitical issues that could play a key role to the future market direction including; trade wars, the threat to the long-term stability of the Eurozone from populism and specifically Italian politics, Brexit and instability in the Middle East. Certain geopolitical issues have the potential to be globally important events and, although there is low probability of this occurring, it could derail markets. Yet to

date, none of these have had any lasting impact on markets. The most worrying of them all from a global economic perspective, the threat of trade wars, is so far affecting only a tiny proportion of global trade. There is a clear risk of trade disputes escalating, resulting in negative consequences including weaker business, consumer confidence and spending. Even more, the highly unpredictable nature of Donald Trump makes predicting the future outcomes of trade disputes extremely difficult. It is possible Donald Trump is seeking political gain ahead of the mid-term elections in November and is using threats to extract concessions which would play out well with this electorate. Ultimately a negotiated settlement to the disputes, to avoid a damaging trade war, is the most likely and most desired outcome.

Ultimately the US monetary policy will determine the longevity of the current cycle. One of the most important effects of the Federal Reserve tightening monetary policy is that the return on risk free assets has risen, notably for US government bonds and cash. This changes the relationship with riskier assets and puts pressure on their valuations. The yield on 2-year US government bonds reached a low of 0.5% in mid-2016 and reached 1.3% in September 2017. Currently, the yield is at 2.6% which is the highest since before the financial crisis and now with a positive real inflation adjusted return. For the first time since the financial crisis safe haven government bonds, albeit only in the US to date, are beginning to offer an acceptable yield, and ultimately will change the way other, riskier, markets perform in the months ahead.

Figure 2: The Argentine Peso fell considerably versus the US Dollar



Source: Momentum GIM, Bloomberg

The global economy is in good shape as we enter a period of greater uncertainty and Federal Reserve tightening. Leading indicators remain in expansionary territory and there are few signs of over-heating that would lead to inflationary

pressures and trigger an unexpectedly steep tightening of monetary policy. The Federal Reserve is on course for policy normalisation, with further interest rate rises and quantitative tightening on the back of stronger US economic data, although monetary policy globally remains loose by any historical standard. Gradual monetary tightening is likely to keep bond markets under pressure with yields rising further, but not to levels which would undermine equity markets.

With the 'goldilocks' environment of 2017 being replaced with greater uncertainty and tighter financial conditions the markets are undoubtedly more vulnerable to setbacks and greater volatility. But this is reflected in valuations with strong growth in corporate earnings and flat markets this

year have improved valuations of equity markets materially. We continue to believe that shorter duration exposure is appropriate and are increasingly cautious about credit as interest rates rise but we are beginning to see some value arising in US Treasuries. As we have seen throughout this long cycle, periods of weakness in markets have provided good entry points for longer term investors and such an opportunity is opening up in emerging markets, which have fallen sharply from the peaks earlier this year. Overall, we believe it remains appropriate to stay invested, building greater resilience in portfolios through more defensive assets while at the same time taking advantage of valuation opportunities as they arise.

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 29 June 2018		
		Currency	1 Month	3 Month
Developed markets equities				
United States	S&P 500 NR	USD	0.6%	3.3%*
United Kingdom	MSCI UK NR	GBP	-0.2%	9.4%
Continental Europe	MSCI Europe ex UK NR	EUR	-0.6%	2.3%
Japan	Topix TR	JPY	-0.8%	1.1%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	-3.8%	-3.6%
Global	MSCI World NR	USD	0.0%	1.7%
Emerging Market Equities				
Emerging Europe	MSCI EM Europe NR	USD	-0.6%	-10.2%
Emerging Asia	MSCI EM Asia NR	USD	-4.7%	-5.8%
Emerging Latin America	MSCI EM Latin America NR	USD	-3.1%	-17.8%
BRICs	MSCI BRIC NR	USD	-4.5%	-6.7%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-4.2%	-8.0%
Bonds				
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.0%	0.1%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.4%	0.8%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.6%	-1.0%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.4%	1.0%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.6%	0.1%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.4%	-0.1%*
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.8%	-0.9%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.0%	-0.3%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	-0.5%	-1.3%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.1%	0.2%
Australian Government	JP Morgan Australia GBI TR	AUD	0.5%	0.8%
Global Government Bonds	JP Morgan Global GBI	USD	-0.3%	-3.0%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.2%	-2.7%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	-0.5%	0.4%*
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	-1.0%	-4.1%*

Source: Bloomberg | Past performance is not indicative of future returns. | *) denotes estimate

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 29 June 2018		
		Currency	1 Month	3 Months
Property				
US Property Securities	MSCI US REIT NR	USD	4.2%	9.7%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	0.5%	8.2%*
Asia Property Securities	S&P Asia Property 40 Index NR	USD	-3.6%	-3.3%
Global Property Securities	S&P Global Property USD TR	USD	0.3%	2.7%
Currencies				
Euro		USD	-0.1%	-5.2%
UK Pound Sterling		USD	-0.7%	-5.8%
Japanese Yen		USD	-1.7%	-4.0%
Australian Dollar		USD	-2.2%	-3.6%
South African Rand		USD	-7.5%	-13.7%
Commodities & Alternatives				
Commodities	RICI TR	USD	-1.5%	3.6%*
Agricultural Commodities	RICI Agriculture TR	USD	-6.9%	-3.4%*
Oil	Brent Crude Oil	USD	2.4%	13%*
Gold	Gold Spot	USD	-3.5%	-5.4%
Hedge funds	HFRX Global Hedge Fund	USD	-0.4%*	0%*
Interest rates				
United States			2.00%	
United Kingdom			0.50%	
Eurozone			0.00%	
Japan			0.10%	
Australia			1.50%	
South Africa			6.50%	

Market Performance - UK (All returns in GBP)





Asset Class/Region	Index	To 29 June 2018		
		Currency	1 Month	3 Months
Developed markets equities				
UK - All Cap	MSCI UK NR	GBP	-0.2%	9.4%
UK - Large Cap	MSCI UK Large Cap NR	GBP	0.1%	9.5%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	-1.6%	7.4%
UK - Small Cap	MSCI Small Cap NR	GBP	0.0%	8.8%
United States	S&P500NR	USD	1.3%	9.7%*
Continental Europe	MSCI Europe ex UK NR	EUR	0.2%	3.1%
Japan	Topix TR	JPY	-1.9%	3.1%
Asia Pacific (ex Japan)	MSCIACAsia Pacificex Japan NR	USD	-3.0%	2.5%
Global developed markets	MSCI World NR	GBP	0.7%	8.2%
Global emerging markets	MSCI EM (Emerging Markets) NR	GBP	-3.4%	-2.1%
Bonds				
Gilts - All	BofA Merrill Lynch Gilts TR	GBP	-0.6%	0.1%*
Gilts - Under 5 years	BofA Merrill Lynch Gilts TR under 5 years	GBP	-0.2%	0.4%*
Gilts - 5 to 15 years	BofA Merrill Lynch Gilts TR 5 to 15 years	GBP	-0.4%	0.7%*
Gilts - Over 15 years	BofA Merrill Lynch Gilts TR over 15 years	GBP	-1.0%	-0.4%*
Index Linked Gilts - All	BofA Merrill Lynch Inflation-Linked Gilts TR	GBP	-0.7%	-1%*
Index Linked Gilts - 5 to 15 years	BofA Merrill Lynch Inflation-Linked Gilts TR 5 to 15 years	GBP	-0.2%	0.9%*
Index Linked Gilts - Over 15 years	BofA Merrill Lynch Inflation-Linked Gilts TR over 15 years	GBP	-1.0%	-1.9%*
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.4%	-0.1%*
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.8%	6.5%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.2%	5.3%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	1.2%	7.5%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	1.6%	-0.1%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.8%	0.5%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.3%	-0.5%
Global Government Bonds	JP Morgan Global GBI	GBP	0.5%	3.1%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	GBP	0.5%	3.5%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	-0.5%	0.4%*
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	-0.3%	1.8%*

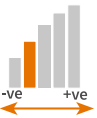
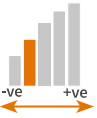

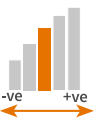
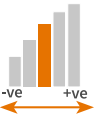

Source: Bloomberg | Past performance is not indicative of future returns. | * denotes estimate

Market Performance - UK (All returns in GBP)

Asset Class/Region	Index	To 29 June 2018		
		Currency	1 Month	3 Months
Property				
UK Direct Property	UK IPD All Property TR	GBP	0.6%	2.2%
Global Property Securities	S&P Global Property USD TR	GBP	1.0%	9.2%
Currencies				
Euro		GBP	0.6%	0.6%
US Dollar		GBP	0.7%	6.1%
Japanese Yen		GBP	-1.1%	1.8%
Commodities & Alternatives				
Commodities	RICI TR	GBP	-0.7%	10%*
Agricultural Commodities	RICI Agriculture TR	GBP	-6.2%	2.6%*
Oil	Brent Crude Oil	GBP	3.2%	20.1%*
Gold	Gold Spot	GBP	-2.8%	0.6%
Interest rates				
United Kingdom			0.50%	
United States			2.00%	
Eurozone			0.00%	
Japan			0.10%	

Asset Allocation Dashboard

Asset class	View
Equities	
Developed equities 	<ul style="list-style-type: none"> » We retain a neutral allocation to global equities today. Valuations vary across regions and sectors and whilst in aggregate they are not cheap, they do offer the prospect of reasonable returns, both in absolute terms and relative to other classes. Low bond yields can support this for now, although we recognise the direction is upward from here » Monetary policy and cross border politics will remain key drivers of risk appetite and global equity returns + The global macro backdrop remains favourable for global equities + Equities are better placed than most asset classes to perform in a moderately pro inflationary environment - Valuations remain selectively expensive at current levels - Continued talk around and implementation of trade tariffs is not constructive for global equities
UK equities (relative to developed) 	<ul style="list-style-type: none"> » UK equities look somewhat cheap today but caution is warranted given UK's evolving Brexit negotiations an political jockeying. While the larger cap market constituents are more globally focused than they are UK, and have earnings shielded in large part from FX swings, the more domestically oriented names may face bigger challenges, not least with traditional high street retailers remaining under pressure » The UK market remains sensitive to commodity prices + The UK market remains exposed to global markets and factors and as such is somewhat insulated from the headline Brexit concerns, benefiting from any associated Sterling weakness - Today the chief worries lie with the ongoing Brexit negotiations, and perhaps an overconfidence in the increasingly 'softer Brexit' outcome that is appearing
European equities (relative to developed) 	<ul style="list-style-type: none"> » European equity valuations remain favourable when viewed against corporate and sovereign European bond markets. From a more cyclical point of view Europe continues to recover from its post crisis lows and lags other parts of the world. The string of weaker than expected data has now stopped and with the Euro near its recent lows the region may benefit in the months ahead » Investors should be mindful of the ECB ending its QE program but indications today are that this will not happen until mid/late 2019 + European earnings have scope to recover meaningfully from their lows, and the recent currency weakness provides a tailwind to European exporters - European assets, including equities, may come under pressure should the ECB's bond programme reduction accelerate, or the Euro strengthens again after recent weakness - Episodic risk off events, such as that recently witnessed in the Italian bond market, should be expected
US equities (relative to developed) 	<ul style="list-style-type: none"> » The US remains the most expensive of the major developed markets, even when adjusted for the strong tech sector performance. The US economy remains in good health but equity returns face a valuation headwind today, and prices already discount strong earnings growth ahead following a stellar Q1 earnings season. The region continues to lead the rest of the world and a premium seems increasingly warranted. We go into Q2 earnings season with high expectations priced in » Monetary policy remains crucial to keeping markets in check and volatility under control. To date the Fed has managed this well but there remains an outside risk of higher inflation leaving the Fed little alternative to raising rates more quickly than rates markets are pricing + The economy is remains in rude health with leading indicators remaining firmly positive + Financial conditions remain relatively loose which can help propel economic growth further - Valuations remain somewhat extended and rising yields may prove an obstacle to further index gains from current levels
Japan equities (relative to developed) 	<ul style="list-style-type: none"> » Japanese equities remain reasonably attractive and we acknowledge the government's policies to improve working practices and governance. Q1 earnings have been strong with ~14% earnings growth recorded. The direction of the Yen is an important driver of returns and further Yen weakness would support Japanese equities » Japanese assets should remain well buoyed by BoJ policy which remains aggressive when compared to the other main DM central banks. + Yen weakness will likely boost equities further if the Fed moves in line with their stated intentions and the BoJ maintains their yield curve policy. - In a protracted risk off scenario Yen strength would hit Japanese equities, as seen earlier this year
Emerging market equities 	<ul style="list-style-type: none"> » EM assets have continued to come under pressure in recent weeks as a buoyant Dollar, high oil price and heated trade war rhetoric weigh on markets. We continue to favour EM assets more generally over DM as the longer term relative growth dynamics look favourable, which coupled with low inflation and accommodative policy should support EM equities. This shorter term volatility if anything provides a buying opportunity but some caution is warranted as further bouts of volatility are inevitable + EM currencies have continued to weaken and this provides additional support over the longer term to what already look somewhat cheap currencies in aggregate - Emerging markets remain prone to bouts of volatility and flow reversal at times of heightened perceived risk - Recent Dollar strength bears witness to this. A sustained reversal will see EM assets remain under pressure

Fixed Income	
Government 	<ul style="list-style-type: none"> » On a medium term outlook DM government bonds remain largely unattractive today with poor real return prospects in aggregate » US treasuries are the exception though and offer improved value today as yields oscillate around the 3% level + Quality government bonds remain one of the best diversifiers in a multi asset portfolio - 2018 is likely to mark the year that net central bank bond purchases turns negative. That provides a headwind for all rate sensitive debt
Index-linked (relative to government) 	<ul style="list-style-type: none"> » Index linked bonds offer some selective value today but, like their nominal counterparts, they are expensive today with US breakevens looking somewhat full » UK linkers remain one of the more expensive DM markets + Index linked bonds are one of the few ways to meaningfully protect against inflation risk - Inflationary forces are at best nascent today and on any renewed concerns over global growth they would almost certainly underperform nominal bonds
Investment grade (relative to government) 	<ul style="list-style-type: none"> » Investment grade bonds provide some diversification benefit in a multi asset portfolio but valuations remain somewhat tight today. Marginally preferred to sovereigns today » Fundamentals remain reasonable but we would advocate owning more shorter dated credit at today's levels as rate sensitivity remains near highs + A reasonable alternative to owning sovereign bonds with diversifying qualities and some spread - With central bank buying slowing the risks are asymmetric - Credit quality has drifted lower in recent years, and leverage has moved higher
High yield 	<ul style="list-style-type: none"> » Spreads remain quite tight in leveraged credit markets, and whilst fundamentals remain robust, all in valuations are somewhat expensive » We favour owning shorter duration credit where the risk return looks more favourable today, and loans where permissible + In the absence of a systemic market shock high yield returns will likely trump most of other fixed income - Issuance terms are increasingly favouring the issuer, and valuations look somewhat expensive
Emerging market debt 	<ul style="list-style-type: none"> » Emerging market bonds have taken a battering along with their equity cousins in recent months on the back of higher oil prices, a surging dollar and trade war rhetoric. With yields above 6% again the asset class is attractive and the only barrier to upgrading our view is that spreads remain at best fair. Most of the yield increase is due to the underlying treasury yield increase » It remains a preferred credit allocation for us and continue to prefer hard currency to local exposure at this time + EM bonds continue to offer some of the best return opportunities in core bond markets today - Continued Dollar strength will on EM assets, with local bonds and FX likely bearing the brunt
Convertible bonds 	<ul style="list-style-type: none"> » Convertible bonds are somewhat rich to their constituent parts today. Whilst this is driven by loftier US valuations we favour an allocation to this asset class in a multi asset portfolio for the convexity it brings, which remains valuable at a time of elevated valuations, as we are today » Some caution is warranted given the concentration to the US market and technology names + The natural convexity provided by convertibles should continue to provide reasonable protection against any protracted equity correction - The call optionality embedded into convertibles only really has any value if markets move higher, and the US, the largest constituent is well valued today - If volatility reverts again to the recent multi year lows then the optionality holds limited value

Alternatives	
Commodities 	<ul style="list-style-type: none"> » Commodity prices are primarily supply and demand driven, and idiosyncratic factors can be as important as the global economic cycle. Prices are likely to be affected by the increasing number of trade tariffs being imposed by the US and their trade partners (Europe and China in particular) in retaliation. This dynamic remains in flux and is likely to cause some volatility » After 20%+ gains year to date, crude has fallen back in recent weeks as marginal new supply comes online and there are signs that the Saudis are responding to Trump's call for lower prices + With the US Dollar still near cyclical highs, and growth reasonably strong globally, commodities have scope to generate positive returns + Gold remains a good hedge against risk off outcomes - Should the Dollar's decline come to a halt or reverse, commodities would likely come under pressure. However, recent dollar strength has been accompanied by a rising commodity index. The negative relationship is likely to reassert at some point - Trade tensions may continue to weigh on the commodities sector which is particularly exposed to a slowdown in global growth
Property (UK) 	<ul style="list-style-type: none"> » Property remains an attractive asset class for investors requiring yield » Total returns will come mostly from income with limited scope for capital growth with global REIT stocks at somewhat elevated valuations after recovering from recent selling pressure. » When viewed against high quality, longer duration Sterling assets and inflation linked bonds, UK property holds some appeal, with industrial and office space remaining more attractive than the under pressure retail sector + Attractive yields should continue to attract capital and provide some floor to prices, as will any sustained Sterling weakness - As a long duration asset class property remains susceptible to any repricing in long term bond yields - UK property remains sensitive to eventual Brexit terms, which continues to evolve slowly
Infrastructure 	<ul style="list-style-type: none"> » Infrastructure stocks trade at reasonable valuations today - broadly in line with global equities today » Their income generating potential should continue to support the sector and attract buyers of quality infrastructure assets + In a multi asset portfolio the relatively defensive nature of the asset class and a degree of inflation protection make the asset class appealing + The asset class offers a healthy yield at a reasonable valuation today - As a long duration asset class, infrastructure remains susceptible to any repricing in long term bond yields - Regulation can work both for and against the underlying investments
Liquid Alternatives 	<ul style="list-style-type: none"> » We define this section as less/non-directional, absolute return type strategies that seek to capture long term risk premia or market mispricings, and includes hedge fund alternatives in predominantly UCITS vehicles » We favour an allocation to a basket of liquid strategies today to provide additional diversification as high quality bonds remain expensive + These strategies provide additional diversification with reasonable return potential - The sector is relatively young and growing. It remains somewhat untested through a protracted risk off period so thorough due diligence is vital, and blend is recommended - The hurdle for performance is higher given the more attractive level of treasury yields today
Currencies	
GBP 	<ul style="list-style-type: none"> » Sterling continues to lose ground as expectations over the higher path of policy rates has receded and Brexit uncertainty and cabinet level political risk remains high » In real terms the currency remains at the lower end of valuations and has room to appreciate over the medium to long term, but politics and rate policy is likely to dominate its nearer term path, and remains a source of volatility » With the Dollar having rallied in recent weeks at the same time as UK short rates have repriced lower, the currency may find support around these levels but positioning remains extended (long) and the stronger Dollar trend may persist as rate differentials exert. There is no imminent catalyst for uplift
Euro 	<ul style="list-style-type: none"> » The Euro has steadied in recent weeks with the common currency trading in a range and seemingly floored around current levels. Whilst any change in explicit rate policy has now been pushed towards the latter half of 2019, the reducing quantum of bonds the ECB is purchasing may increase rates volatility » In real terms the common currency looks about fair value today but with long market positioning having been scaled back in recent weeks, and sharply rebounding economic surprise, we take a more neutral view on the currency today
Yen 	<ul style="list-style-type: none"> » Rate differentials continue to offer little reason to buy the Yen as the Bank of Japan's yield curve policy means short rates will offer no real value for some time. However, in real terms the Yen remains cheap today and recent weakening accentuates this » What sets the Yen apart from Sterling and the Euro is the currency's diversifying qualities at times of risk. We remain neutral today but further weakness from the currency or gains in global equities will likely see the currency re rate higher

For more information, please contact your adviser or alternatively contact:

Financial Partners Ltd.
泛柏資產管理有限公司
Unit 01 - 03
24/F, Kinwick Centre
32 Hollywood Road
Central, Hong Kong

Tel +852 2827 1199
Fax +852 2827 0270
client.services@f-p.hk
www.f-p.hk

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