



AXIOMA
Wealth Management AG

Monthly overview
October 2017

October saw many political events that added to market volatility. Bonds yielded a modest profit on the back of slightly narrower credit spreads.

US Treasury yields moved up to a certain degree reflecting the expectations of a rate hike during the Fed's December meeting. The market was somewhat turbulent anticipating the announcement of replacement for the current Fed Chair Janet Yellen whose term expires in February 2018, with yields alternately rising and falling as the selection process had markets flip-flopping between hawkish and dovish candidates. In the end, the US President nominated Jerome Powell, a candidate whose views on the monetary policy are similar to those of Yellen. This outcome had a soothing effect on the markets. The Congress is not expected to oppose Powell's candidacy.

The Turkish market came under pressure following the diplomatic row between Ankara and Washington. As a reminder, the US Department of State and the Turkish Ministry of Foreign Affairs announced the suspension of non-immigrant visa services for Turkish and US citizens, respectively. The sharpest reaction came from the currency market, with Turkish lira losing 6.5% in just one month. Eurobonds followed suit, but the average monthly drop in prices for medium duration issues did not exceed 2%. Even though both parties are allegedly set to take every step to resolve the conflict, high volatility may persist for some time.

In October, after holding an independence referendum, Catalonia declared a unilateral split from Spain, which is against the Spanish constitution. In response, Madrid dissolved the Catalan parliament, imposed direct rule over the region and ordered early parliamentary elections to be held on 21 December. As the markets did not take seriously the risk of Catalonia seceding from Spain, both Catalan and Spanish bond prices ended the month higher.

At the meeting that took place in late October, the ECB decided to reduce its bond purchases from EUR 60 bn to EUR 30 bn and extend the QE programme until September 2018. The markets viewed this as a confirmation that the regulator's current dovish monetary approach has further to run.

We hope you find this information useful and will be glad to answer your questions

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