Bendio
ADVISORS

House View Review

ASSET MANAGEMENT UNIT

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In 2018, volatility returned to the markets after an extreme (unlikely) calm during the previous months. The main stock indexes suffered double-digit reversals at the beginning of the year and subsequent corrections after the tensions of a possible trade war between the United States and China were exacerbated. Despite this, the markets have been shaking the bad news to recover the maximum levels and implying that the reading of the investors before the commercial conflict between the great powers of East and West, must go through negotiation. In a year marked by macroeconomic uncertainty, we have seen prolonged episodes where the correlation has become positive and extreme between different types of financial assets, such as bonds and stocks.

On fixed income:

In fixed income, the rise in interest rates in the United States (US) drove a migration of capital from emerging economies and other developed to that country where the short-term interest curve of treasury bonds exceeds 2% of performance annual. This has implications for global cash flows, since capital outflows put those economies that do not have the house in order on a plane of vulnerability. We observe strong setbacks in some emerging destinations and economies in Europe, product of these adjustments in the cost of the dollar. Also, it is important to note the increased demand for dollar bonds in the face of the geopolitical instability between China and the US where the little appetite for risk makes bonds function as a matress for portfolios.

On variable income:

The history of synchronized global growth that we experienced last year has shown a clear divergence between the United States and the rest of the world for this year. This is how the main stock indexes in the US return to near historical highs, while the rest try to recover the lost ground. The American fiscal stimulus, which began in early 2018 and will last until 2023, has encouraged companies to make disbursements to invest and develop projects that improve their future profitability, all without having to sacrifice existing areas with zero influence on dividends and the prices of the shares. The timing of sales, operating margins and corporate profits remains constructive and continues to support the valuations (extreme in some cases) of many of them.

House View:

In Bendio AG we seek to build balanced portfolios between fixed income and variable income to exploit the benefits of non-correlation in returns. We have invested in the short part of the debt curves, both of the American treasury and some emerging destinations, including Brazil, Argentina, Colombia and Asian economies. We also maintain the focus on American stocks of leading sectors with positive trend movements, especially in technology and finance, as they are favored in this environment and make investments to improve or complement their products. We look forward to other companies outside the US with good growth prospects and, whose market value does not reflect their target potential. In short, we maintain a flexible and dynamic vision that adjusts to market conditions and constantly quantifies portfolio risks.

Disclosure

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