

## **GENERAL INVESTMENT CLIMATE**

### **The Economy**

During the fourth quarter of 2015 attention shifted from the financial markets towards central bankers' decisions. First up was the European Central Bank. On the third of December, Draghi and associates opted for a further, but limited reduction of the interest rate and the continuation of the bond-buying program. The market reacted somewhat disappointed, as the size of the rate cut fell short of expectations.

Afterwards the market waited for the Fed's rate increase, which indeed arrived on the 16th of December, when The Fed Funds Rate range was increased by 0.25%. However, the opinions on this within the Fed were much divided and the increase only barely came through. The FED justified the increase by pointing out the declined unemployment rate and the continued worry about the lack of inflation.

In the past the first increase after a period of declines proved to be followed up by a whole series of increases, but whether these will follow quickly remains to be seen. The market assumes they will.

The unemployment rate in the United States went unchanged in the fourth quarter of 2015 at a level of 5%, which is the lowest level since April 2008.

The economic growth relapsed in the third quarter, falling back to a 2.1% year-on-year increase, compared to 3.5% year-on-year in the second quarter.

It is no surprise that interest rates remain low in Europe. Even though unemployment in the Eurozone is going down steadily, from 11.4% in June 2015 to 10.5% in November, it's still at a considerably higher level than in the US. The growth went up from 1.5% to 1.6% in the third quarter of 2015. Also, the inflation increased slightly to 0.2% in December but it is still nowhere near the target of 2% set by the ECB.

Within Europe the South European countries are performing better and better. In Germany, the "Dieselgate" hasn't had any negative consequences as of yet and the export machine keeps on turning unabated.

During the course of the quarter it became more and more clear that growth in China was faltering. The level of 6.9% in the third quarter was the lowest since 2009.

This relapse doesn't just relate to the planned transition from an export-oriented to a consumer-oriented economy, but also to the Chinese government pulling in the reins. The severe crash down on the corruption and speculation on the stock markets now also seems to have a paralyzing effect on the economic activity.

Against the background of the declined economic growth in China raw material prices kept going down further. The oil price in particular showed a declining trend. Looking at the end of June prices were still at about \$60. Further down the line at the end of September, they were around \$45 and by the end of the year they finished at \$37. The improved relations of Iran with the outside world and the end of the embargo increased the oil supply, while budgetary pressure in other oil countries didn't contribute to a reduction of production.

Political tensions seem to be increasing rather than declining and unrest in the Middle East is increasing. Contrary to expectations the influx of refugees to Europe did not fade out with the arrival of winter. This doesn't lead to negative effects in the short

term and politicians regard the associated expenses as an excuse to no longer stick to budgetary restrictions, rather than as an incentive to introduce additional cut-backs.

### Currency and money markets

The depreciation of the euro versus the dollar seems to have come to a halt. The trend now shows a stable development and daily fluctuations have diminished. Around a level of 1.1000 it seems calmer times have come. Neither were there significant changes in relation to other currencies in the fourth quarter.

### Stock markets

**Table 1.1 - General**

	31-dec-15	30-sep-15	30-jun-15	31-mrt-15	31-dec-14
		- 3 mth	- 6 mth	- 9 mth	- 12 mth
AEX	441,82	4,91%	-6,51%	-9,72%	4,09%
BEL20	3700,30	10,64%	3,51%	-0,68%	12,63%
DAX	10743,01	11,21%	-1,85%	-10,22%	9,56%
EU50	3267,52	5,38%	-4,58%	-11,63%	3,85%
DJ	17425,03	7,00%	-1,10%	-1,98%	-2,23%
SP500	2043,94	6,45%	-0,93%	-1,16%	-0,73%
Nasdaq	5007,41	8,38%	0,41%	2,17%	5,73%
EUR/USD	1,0856	-2,87%	-2,61%	1,16%	-10,27%
EUR 3 months	-0,1310	-0,0910	-0,1150	-0,1500	-0,2090
EUR 10 year	0,7930	0,0120	-0,2420	0,4490	0,1080

After a worse second quarter and an awful third quarter the stock markets showed good results in the fourth quarter, although they were somewhat embellished by the low share prices at the end of September. This wasn't the first time prices reached their most extreme level (in this case: low) by the end of the quarter.

The most important European indexes showed profits around 5% and equaling the entire profit over the year 2015.

The German stock market showed a greater increase. Over the full year the German stock market increased more than two times as much as the Dutch stock market.

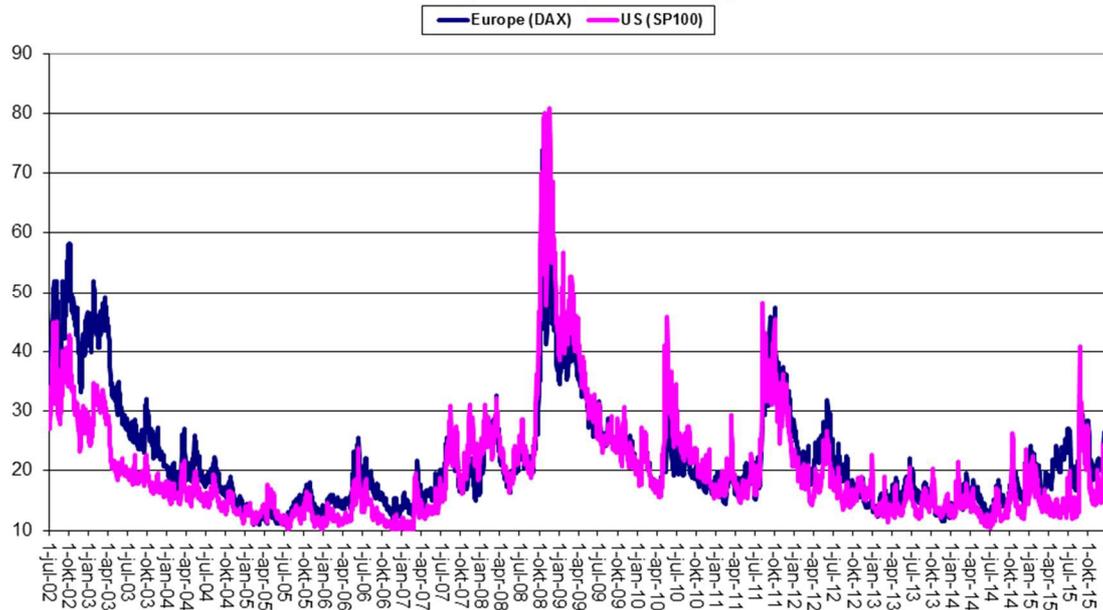
In the Netherlands the small and midcap indexes went up considerably. With regard to the ASCX index, the increase was mainly caused by the distorting effect of a number of bankrupt companies which were removed from the index. Similarly, in Germany the smaller indexes showed a greater increase than the DAX index.

During the fourth quarter the American stock markets increased in line with the European stock markets. For the year 2015 in total, the American markets failed to finish in the black. From the point of view of the European investor the appreciation of the dollar was necessary too, compared to an investment in European stocks, not end up with a loss.

## Implied Volatility

Unusually, the volatility did not drop by the end of the year. It would seem that the increase comes with a structural element.

Tabel 1.2 Ontwikkeling van de implied volatility jul 02 - dec 15



## The long term

For 2015, the AEX failed to rise above the long term moving average again and remains below the trend line that has now become a resistance. The 200-day moving average now has - for the first time since the middle of 2012 - turned from rise into decline. The pattern for the other indexes is identical.

Tabel 1.3 Lange termijn ontwikkeling AEX jan 03 - dec 15

