Outlook for capital markets in 2013

Zurich, December 2012

Dear Clients,
Ladies and Gentlemen, Dear Friends

As a very successful year draws to a close we now turn to the question of an investment strategy that will deliver good profits in the new year. **The economic cycle is still in a recovery phase and the world economy is expected to grow approx. 3.2% in 2013 compared to the year now ending.**

The improvements in the American labour market, the stabilisation of house prices in the USA and the resumption of growth in China reinforce this view. **In the Eurozone no positive growth is expected until 2014**, but at least the strains of making savings are past their worst in the various countries. The world economic upswing is being reinforced by low central bank rates. **Currently the American Federal Reserve has announced** its intention to buy further amounts of long-dated Treasury Bonds, and also in the Eurozone the latest statements from the European Central Bank show that it does not expect rates to rise. Whilst the creation of more liquidity in the USA has had a positive effect on the economy, in the Eurozone there has been no perceptible increase in the amount of credit available from banks nor any increased demand by companies for credit.

For the stock markets we anticipate positive developments in the USA, in Europe – especially Switzerland and Germany – and also in the Asiatic markets. In general, on account of the higher growth rates in the emerging markets and Asia they will see greater emphasis on the capital markets. Measured by absolute Gross National Product China has now achieved almost the same level of performance as the Eurozone and in the foreseeable future will overtake the Eurozone, thus becoming the second largest economic power after the USA. **If one looks at National Debt** it is noticeable that in relation to their Gross National Product the emerging markets are only half as indebted as the G20 countries. This means that the bond markets in those countries are more attractive than in the G20 countries, especially in the USA and Eurozone where bond yields are actually negative after taking inflation into account. That applies both to Treasury Bonds and to bonds issued by companies with good ratings.

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The consequence of the **resumption of increases in worldwide economic growth**, coupled with low interest rates, will be further increases in the prices of raw materials, gold and silver.

In conclusion it can be said that with the expectation of resolution of the budget dispute in the USA and the increasing efforts to consolidate national budgets in the Eurozone the climate for growth has now improved and should be reflected in positive developments in the capital markets. We will be happy to provide more detailed explanations and illustrations on request.

Please do not hesitate to contact us personally or by phone on +41 44 215 17 17 (Zurich Switzerland) or +44 20-3178-7217 (London).

At this point we would like to wish you until then a happy festive season and a healthy and successful new year.

Best wishes
Helvetic Trust AG

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