

HIGHLIGHTS OF THIS ISSUE

In this issue, we briefly update our existing themes.

- The market mood has improved; however, memories of a violent spring constrain market confidence. It is exactly such circumspection that prompts our belief in a sunnier August.
- In **Paying the Piper**, if the European clouds are indeed receding, the euro would likely need to do further catch-up in the coming month against most of its other counterpart currencies.
- In **Say Swiss!**, some hints of capital repatriation into the Eurozone help weaken the CHF, not enough though yet to render it a cheap insurance. In **Pigs vs. Bacon**, the European periphery bond spreads are finally tightening, however, Greece is lagging in improvement. We believe August will close the European periphery performance gap in a good or a bad way.
- In the **Gem of GEMS**, Russia keeps rebalancing its growth profile successfully towards domestic demand, but it appears that China is also making a more decisive, similar policy turn. In **Earth, Wind & Fire**, we note that fiscal consolidation needs are easier to meet for commodity producers.
- In **By and Large**, the cost of being small is still high.
- In **Fleeced by Gold**, if gold prices behave as a solid market hedge, they should drop further in the coming period.

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