

The question is:

Are developed market central banks towards the end of their tightening cycle? If so, what are the potential impacts on developed market interest rates, currency and equity markets?

The challenge is:

You are tasked to present your findings and trade ideas for a \$100m portfolio. Your return objective is 8% p.a. with volatility of 10% p.a. and a maximum drawdown of 4% p.a.

The Task – You will need to address the following items:

- Market research across asset three classes (interest rates, currencies and equities)
- Projected central bank interest rate pricing (focus US Federal Reserve, ECB and RBA)
- Market forecasts for the three asset classes (1, 6 and 12 months)
- Suggested one developed market trade/position (long or short) in each asset class (projected target and risk-reward) over a one year time horizon
- Please choose from the following securities:
 1. Interest rates: US 10 year yield, AU 10 year yield & EUR 10 year yield
 2. Currencies: AUDUSD, EURUSD & USDJPY
 3. Equities: S&P500 Index, ASX 200 Index and Euro Stoxx 50 Index

Items for consideration

- Define your strategy as clearly as possible
- Articulate rationale of choice of asset class trades/positions and risk-reward for each
- Consider timeframes for trades and views
- Appropriate sizing for each trade/position
- Risk management for each trade/position