We start this end-of-week letter with "Shana-Tova" to all and our wishes for a good, productive and profitable year to all! And we sure thing are entering this new year with thunder...

The Federal Reserve took the first tentative steps Wednesday to unwind its history-making economic stimulus. As markets expected, the U.S. central bank announced it will begin to roll off its \$4.5 trillion balance sheet in October. Most of those assets consist of the Treasurys and mortgage-backed securities it acquired under a program known as quantitative easing. At the same time, the Fed did not raise its benchmark interest rate from its current 1% to 1.25% target, but indicated that one more hike is likely this year. Officials also projected one fewer rate hike than initially forecast between now and 2019. As the forecast stands with this week's revisions, there would be three increases in 2018 and two in 2019. As often is the case, there is good news and bad news in the above- When buying their balance sheet the Fed was adding liquidity and in selling it, logic wants this to be a tightening as they extract money from the system. Effectively, a rate increase without actually raising the target Fed Funds' rate. The good news herein is that the Fed believes that the economy is purring nicely and could grow too fast. A little dab on the brakes... They did reduce their outlook for inflation, cutting its expectation from 1.7% this year to 1.5%, and from 2% to 1.9%in 2018. In sum, that means the Fed now believes it won't reach its 2% target until 2019. They are still trying to understand why they failed to bring it up... Well, it is Amazon and the other Internet based commerce, disintermediating costs! So the US Dollar rallied, US equities held at their all time highs as bonds lost some price-pennies as the benchmark ten year US Treasury yield rose back through 2.25% Looking forward, we were told that we are facing an extended period of time of bond selling. Well, they didn't lock themselves into a rate of sales, so they can fine tune the form of the yield curve and the speed at which it will rise. A slow-motion train wreck? We must trust they dexterity with the brake pedal...

And then, S&P cuts China's credit rating, citing increasing economic, financial risks. And then, Angela Merkel looks all but certain to take a fourth term in office as chancellor of Germany following an election on Sunday but many Germans are worried that a nationalist, ring-wing party could also gain a lot of votes. Only founded in 2013, the Alternative for Germany (AfD) party is currently polling in third place and is expected to gain enough votes to enter the national Bundestag for the first time. If so, it will be the first nationalist, right-wing party to enter the German parliament since World War II. Worrisome.

North Korea war of words with the Donald intensifies as new sanctions are applied, new threats of an "H" bomb test in the Pacific are hitting the news wires. The US President bashing Iran and its nuclear plans in front of the UN address, but then, surprisingly, Russian Foreign Minister Sergey Lavrov said "I think it's a very welcome statement, which we haven't heard from an American leader for a very long time...", while acknowledging relations are at "a very difficult and a very low point".

And then Hugh Hendry announced that he is killing off his Eclectica hedge fund after 15 years. Moreover, he predicts that investors won't be willing to back other hedge-fund managers pursuing similar strategies.

Another Hedge Fund manager was in the news this week. Bridgewater Associates founder Ray Dalio said Tuesday he is not a believer in cryptocurrencies. "It's not an effective storehold of wealth because it has volatility to it, unlike gold," the hedge fund founder added. "Bitcoin is a highly speculative market. Bitcoin is a bubble." Joining Jamie Dimon's views who said "It's just not a real thing, eventually it will be closed," at the Delivering Alpha conference.

An amusing observation- As the Dutch caretaker government of Prime Minister Mark Rutte unveiled its 2018 budget on Tuesday, the country is growing at its fastest clip in a decade. The Netherlands are growing at a faster pace than the euro area as a whole- With a new government yet to be formed more than 185 days after the Dutch general elections in March -- the second-longest such period since World War II. Much like Belgium a decade ago, no government isn't really a hindrance to successful growth... On this same Tuesday, the DJIA had its 41st all-time-high for the year 2017 (arguably, the US also doesn't have a functioning government)... But then statistically speaking, the S&P 500 has traded lower 70% of the time during the last two weeks of September since 1980. We read this to say that 30% of the time, the S&P rises in the same interval...

At 104.7% of its 2012 average, US total industrial production in August was 1.5% above its year-earlier level. Capacity utilization for the industrial sector decreased 0.8 percentage point in August to 76.1%, a rate that is 3.8 percentage points below its long-run (1972–2016) average. What does this tell us? Low capacity utilization suggests low pricing pressures coupled with growth potential.

How can we capture some of this? We depart from our aversion of stock-picking and suggest you take a look with us at the most successful "sort-of-hedge-fund": The Swiss National Bank ticker code [SNBN]. Its shares are trading at CHF4'450.00 or so, after a 61.36% rise in 2016, it gained 154% ytd 2017, showing 188.71% for its 12 months' return. Trailing 12 months EPS of CHF43'911 (yes, you read right!)... A truly amazing business model- Sell Swiss Francs for say US\$... Charge your buyers 0.75% pa to hold the money for them, have your US\$ placed at the Fed for 1.25% and you can do this in any size the market wants... Talk of a money printing machine... P/E of 0.10!!! What the Fed said is that they will be paying more on the SNB balances with them... just a thought Happy New Year indeed.



Market Weekly Highlights:

- The DXY rebounded this week to 91.89 on FED coments about its balance sheet unwind. The EUR is trading currently below 1.20 against the USD. USDCHF has strengthened somewhat at 0.9684. The Pound which jumped last week from 1.32 and hit 1.3657 this Wednesday is trading now at 1.3562 almost unchanged for the week; while the Japanese Yen lost ground versus the USD for the week showing about 112.
 - The Russian Ruble has traded sideways against the USD at about 57 following the oil-price pattern. The Brazilian Real is unchaned against the USD for the week at just about 3.14 and the Crude oil WTI trades at almost \$50.50, quite a big jump, while Brent is trading at just below \$56.40.
- 10Y U.S. Treasuries are trading down in price with yields rising to almost 2.27% as we write, on the back of the Fed plan to sell-down its portfolio.
 - The Japanese 10 year JGB yield is unchanged this week and continues to offer POSITIVE yields, if barely-trading at almost 0.034%.
 - In Europe, we see the German Bund yield trading higher by 5Bp for the week showing 0.46%. The French 10Y Yield is up as well trading at 0.74%
 - In Peripheral Europe Italian 10Y yields had crossed the 2% level having started the year as high as 1.73% are currently again up at 2.1% whilest the Spanish 10Y yields trade 50bps lower than Italy at 1.60% they are higher then where they started the year: 1.30%.
- Markets are mixed this week in the USA with the two main indices DJIA, S&P hitting consecutive new all-time highs and NASDAQ slightly down after also hitting all time highs during the week. The DJIA is trading at 22'400 up about 0.80% for the week, SP500 at just above 2'500, up 0.22% and Nasdaq at about 6'410, fractionally down for the week as we watch.
 - In Europe the situation is similar with Eurostoxx50 is up 0.84%, with the DAX, CAC40 and FTSE100 at respectively +0.76%, 1.35% and 0.60% for the week while the peripheral Spanish IBEX 35 is down 0.27%. The Nikkei trades higher at +2.42% for the week and shows positive returns for the year at 6.18%.



Highlighted items are interesting data points for the week

All data is compiled from Bloomberg

				PRICE CHANGE IN % (unless indicated)									
INDEX NAME	CCY	Last Price	1D	5D	MTD	1M	3M	6M	YTD	1Y	3Y		
QUITY MARKET INDICES - BY									Fwd P/E	T12m P/E			
5&P 500 INDEX	USD	2,500.60	-0.30	0.20	1.17	1.96	2.72	6.48	11.69	14.86	25.39	19.16	21.46
DOW JONES INDUS, AVG	USD	22,359.23	-0.24	0.70	1.87	2.10	4.50	8.22	13.14	21.57	30.20	18.38	19.04
NASDAQ COMPOSITE INDEX	USD	6,422.69	-0.52	-0.10	-0.09	1.99	2.98	10.32	19.31	20.29	41.85	24.08	40.81
RUSSELL 2000 INDEX	USD	1,444.18	-0.08	1.34	2.77	5.30	2.82	7.33	6.41	14.31	27.88	31.69	52.02
URO STOXX 50	EUR	3,539.59	0.40	0.65	3.42	2.40	-0.49	3.44	7.53	15.95	8.62	15.12	18.15
URO STOXX 600	EUR	382.88	0.24	0.38	2.21	1.69	-1.64	2.17	5.73	9.85	10.23	15.91	21.16
CAC 40 INDEX	EUR	5,267.29	0.49	1.12	3.67	2.74	-0.18	5.56	8.43	16.91	18.68	15.59	18.31
AX INDEX	EUR	12,600.03	0.25	0.50	4.36	2.88	-1.66	5.69	9.58	17.87	29.05	13.86	17.56
TSE 100 INDEX	GBP	7,263.90	-0.10	0.40	-2.51	-1.86	-2.62	-1.10	1.42	4.82	6.95	15.10	24.50
SWISS MARKET INDEX	CHF	9,134.13	0.42	1.12	2.29	1.85	0.86	6.55	11.07	9.89	3.54	18.08	24.29
NIKKEI 225	JPY	20,347.48	0.18	2.47	3.31	4.71	0.92	6.59	6.18	20.76	25.24	17.44	18.34
HANG SENG INDEX	HKD	28,110.33	-0.04	0.30	-0.28	1.79	8.63	14.68	26.77	17.39	16.43	12.66	13.89
HANGHAI SE COMPOSITE	CNY	3,357.81	-0.24	-0.03	-0.25	1.89	6.52	3.31	8.02	10.20	46.41	14.74	17.55
&P BSE SENSEX INDEX	INR	32,370.04	-0.09	-0.71	0.99	2.41	2.41	9.86	20.35	11.37	17.78	20.63	23,64
RUSSIAN RTS INDEX \$	USD	1,120.13	-0.20	-0.36	2.15	7.70	14.41	-0.33	-2.86	11.71	-2.76	7.05	7.70
RAZIL IBOVESPA INDEX	BRL	75,604.34	-0.53	1.27	6.73	7.99	23,39	19.02	25,53	28.16	33.06	14.54	23,60
ISCI WORLD	USD	1,990.33	-0.41	0.13	1.56	2.32	3.58	8.02	13.65	14.35	15.28	17.57	20.97
ASCI WORLD HEDGED	USD	881.42	-0.14	0.43	1.46	2.99	2.39	6.82	11.99	17.66	26.68	-	-
ASCI WORLD LOCAL	-	1,499.58	-0.13	0.42	1.35	1.94	1.82	5.61	9.92	13.93	19.55	17.57	20.97
ASCI AC WORLD	USD	486.05	-0.41	0.18	1.60	2.44	4.28	8.76	15.22	15.03	14.48	17.03	20.25
ASCI EM	USD	1,108.19	-0.35	0.55	1.88	3.33	9.85	14.60	28.52	20.33	6.53	13.82	16.18
MSCI AC ASIA x JAPAN	USD	677.03	-0.26	0.87	2.15	3.50	8.04	16.11	31.63	20.93	16.33	14.34	15.59
VISCI EM LATIN AMERICA	USD	2,978.96	-0.71	0.70	3.68	4.28	19.88	14.34	27.27	22.66	-10.73	15.84	22.23
MSCI EM Eur, ME & Africa	USD	270.30	-0.57	-0.75	-2.69	0.05	7.66	3,59	10.43	9,29	-13.64	11.59	13.29
EQUITY MARKET INDICES - BY SECTOR												P/E	P/E
ASCI ENERGY	USD	207.51	-0.02	1.63	6.90	7.98	7.80	1.67	-5.24	3.73	-27.28	26.92	41.16
ASCI MATERIALS	USD	261.36	-0.64	0.63	1.96	3.77	9.87	11.07	17.80	21.14	8.74	17.19	18.83
ISCI INDUSTRIALS	USD	248.55	-0.03	1.29	3.31	3.91	4.57	10.65	16.98	18.55	23.85	17.95	21.08
ASCI CONS DISCRETIONARY	USD	222.06	-0.33	-0.01	1.65	1.98	2.25	7.49	13.04	13.99	24.44	17.27	19.31
ISCI CONS STAPLES	USD	225.89	-1.14	-2.06	-1.04	-1.65	-1.74	1.72	8.84	1.50	15.17	20.07	22.60
ISCI HEALTH CARE	USD	225.70	-0.52	-0.84	1.02	3.17	-0.17	8,63	17.05	8.20	15.03	17.63	23,84
ISCI FINANCIALS	USD	119.67	0.08	1.74	2.82	2.57	6.55	9.09	12.71	26.05	15.06	13,59	16.14
ISCI INFO TECH	USD	202.28	-0.69	-0.58	0.09	1.86	4.87	12.92	25,46	25.18	47.99	19.88	24.90
ISCI TELECOMS	USD	70.07	-1.20	1.29	0.16	0.02	1.12	-0.37	0.78	-2.86	-1.71	14.63	19.58
ASCI UTILITY	USD	130.05	-0.58	-1.58	-1.38	-1.03	1.09	7.07	13.13	5.95	8.88	16.92	19,89
ASCI WORLD REAL ESTATE	USD	205.66	-0.54	-1.56	-0.90	0.37	1.00	5,34	8.19	0.07	10.55	24.10	18.37
IEDGE FUND INDICES													
FRX GLOBAL HEDGE FUND	USD	1,255.15	0.02	0.15	0.47	1.40	1.66	2.61	4.30	6.10	0.39		
IFRX EQUAL WEIGHTED	USD	1,261.77	-0.05	0.12	0.37	0.96	1.31	2.21	3.67	5.36	3,30		
HFRX GLOBAL EUR	EUR	1,110.52	0.02	0.14	0.31	1.20	1.02	1.37	2.57	3.72	-3,95		

MARKET INDICES PERFOR	MANC	E										21
								(unless in			3Y	
NDEX NAME JBOR RATES AND YIELD ON US	CCY	Last Price	ID IDS /Viold in	% Chango i	MTD n bns)	1M	3M	6M	YTD	17	3Y	
JS 3 MONTH	USD	1.02	-0.52	-0.38	3.17	2.53	7.76	26.08	52.53	85.53	-	
JS 2 YEAR	USD	1.43	-1.16	4.66	10.13	10.53	8.68	17.92	23.86	65.66		
JS 10 YEAR	USD	2.26	-2.13	5.29	13.82	4.21	10.75	-14.98	-18.91	63.69	-	
JS LIBOR 3M	USD	1.32	-0.31	0.31	0.53	0.83	3.58	16.68	32,52	45.72	-	
FUR LIBOR 3M	EUR	-0.38	-0.07	-0.41	-0.69	-0.11	-0.59	-2.44	-4.23	-5.71	-	
GBP LIBOR 3M	GBP	0.33	-0.46	2.43	4.91	4.88	3.94	-1.53	-4.01	-4.94	-	
HF LIBOR 3M	CHF	-0.73	0.00	0.00	0.02	-0.02	0.46	0.20	0.32	1.98		
IXED INCOME INDICES - BY TY	PE OF IS	SSUER									Y	ield to Worst
SLOBAL AGG TR HEDGED	USD	510.56	-0.03	-0.11	-0.44	-0.09	0.06	1.96	2.24	0.04	9.96	1.60
GLOBAL HY TR	USD	1,297.71	-0.13	-0.04	0.61	1.35	3.32	6.69	9.41	9.53	17.14	5.12
JS GOVERNMENT TR	USD	2,168.56	0.03	-0.32	-0.65	-0.20	-0.04	1.82	2.45	-1.18	6.62	1.60
JS CORPORATE TR	USD	2,863.71	0.05	-0.11	-0.33	0.25	0.65	3.86	5.02	2.28	12.56	3.17
JS HIGH YIELD TR	USD	1,935.30	-0.01	0.22	0.61	1.17	2.01	5.08	6.70	9.07	16.81	5.47
U GOVERNMENT TR	EUR	249.51	-0.12	-0.03	-0.44	-0.21	-0.84	1.53	-0.31	-3.02	7.47	0.55
U CORPORATE TR	USD	268.53	-0.08	0.08	-0.11	0.00	0.87	2.84	3.11	2.43	11.17	0.79
U HIGH YIELD TR	EUR	313.92	-0.01	0.20	0.48	0.55	1.57	4.34	5.98	7.93	16.97	2.99
SARCLAYS GLOBAL CONVERT,	USD	236.36	-0.12	-0.25	0.42	1.61	0.83	3.79	6.20	7.53	9.44	-
SLOBAL EM TR (HEDGED)	USD	381.23	-0.06	-0.31	0.02	0.71	1.96	4.34	7.18	4.48	16.70	4.12
&P/LSTA U.S. LEV LOAN	USD	98.30	0.00	0.05	-0.01	-0.03	-0.12	-0.34	-0.32	6.61	0.58	4.83
OMMODITY INDICES - BY TYPI	E OF ISS	SUER										
SCI INDEX TOTAL RETURN	USD	2,314.06	-0.35	0.79	2,77	5.39	12.63	3.19	-4.27	3.98	-49.00	
SSCI ENERGY TR	USD	397.41	-0.25	0.77	4.46	8.25	21.20	5.59	-8.60	4.75	-62,20	
SCI INDUSTRIAL METALS TR	USD	1,343,30	-0.48	2.02	-1.49	0.76	14.63	10.62	19.68	31.83	-2.07	
SSCI PRECIOUS METALS TR	USD	1,560.67	-1.66	-2.77	-2.13	-0.09	3,57	2.38	10.82	-5.08	2.67	
SCI AGRICULTURE TR	USD	389.84	0.03	-0.16	0.79	1.63	-3.69	-9.17	-9.56	-13.73	-22,28	
ENERIC 1ST 'CL' FUTURE	USD	50.67	0.24	1.00	6.65	5.32	16.91	1.83	-11.74	-2.61	-56,38	
OLD SPOT \$/OZ	USD	1,297.16	0.46	-1.74	-1.83	0.94	3.74	3.89	12.57	-2.98	6.75	
URRENCIES		2,227722										
OLLAR INDEX SPOT	USD	92.26	-0.36	0.06	-0.80	-1.73	-5.80	-7.77	-10.06	-3.69	8.47	
curo Spot	EUR	1.19	0.37	0.33	0.63	1.90	7.47	11.00	13.96	6.93	-6.72	
apanese Yen Spot	JPY	112.48	0.46	-1.02	-1.78	-2.14	-0.57	-0.72	4.46	-10.01	-2,80	
ritish Pound Spot	GBP	1.36	0.06	-0.04	5.09	5.96	7.14	8.83	10.11	3.90	-16.95	
wiss Franc Spot	CHF	0.97	0.23	-0.84	-1.00	-0.03	0.35	2.38	5.23	0.03	-2.94	
razilian Real Spot	BRL	3.14	-0.15	-0.55	0.35	0.86	6.30	-1.60	3.73	2.19	-24.54	
hina Renminbi Spot	CNY	6.59	-0.02	-0.59	-0.02	1.07	3.69	4.40	5.36	1.11	-6.84	
ingapore Dollar Spot	SGD	1.35	0.16	-0.16	0.64	1.12	3.18	3.76	7.39	0.66	-5.73	
ussian Ruble Spot	RUB	57.92	0.53	-0.14	0.74	2.54	4.13	0.25	6.81	10.46	-32,84	
lorwegian Krone Spot	NOK	7.80	0.28	0.91	-0.25	1.66	9.09	8.76	11.05	4.54	-18.43	
OLATILITY / LIQUIDITY INDICE		7100	ULLO	0.51	-0.23	1.00	3,03	0.70	11.03	41.24	-10/43	
		0.57	-1.12	-2.46	C 22	-12.60		-22,56	-29.34	-17.47	-27,54	
					-6.33							
JSD SWAP SPREAD SEMI 2YR	USD	9.67 27.30	-1.12	3.56	28,29	2.64	-5.34 39.19	-25.98	4.12	5.07	10.63	



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