Signs of a recovery

Tactical Positioning – January 2020

Early economic data this year speaks a fairly clear language. The risk of a recession has decreased and a recovery has become more likely. That's why we are increasing the equity allocation, with a focus on Europe.

Financial markets started the year in a state of agitation. The feared escalation in tensions between Iran and the US never materialised, instead remaining an exchange of rhetorical blows. The rapid easing of the situation was mirrored in financial markets, showing that investors were ready to start the new year hopefully. They are more optimistic than pessimistic, but as long-term sentiment indicators show, they are not overly confident. The first step in a settlement of the trade dispute between the US and China as well as the long-awaited clarity on Britain's exit from the European Union have contributed to this reduction in tensions.

At the same time, the latest economic data shows that the downward trend has bottomed out. In Germany, export expectations have increased, not least because China's imports have grown significantly. This development is generally supported by the central banks, which are again pumping a lot of cheap money into the economy. As expected in our baseline scenario for 2020, the probability of recession has clearly decreased. The increased risks at the turn of the year did not materialise.

Taking these developments into account, we increase the weight of our equity position. Our focus is on Europe. The European market is best positioned in a phase of economic recovery. At the same time, investors there receive a dividend yield that is clearly higher than that of corporate bonds. And relative to other equity markets, valuations are not exaggerated. We remain convinced of gold, but we are trimming the position.

Dr. Felix Brill

Chief Investment Officer VP Bank Gruppe

Equities neutral

The equity allocation is increased from underweight to neutral. We achieve this by increasing the allocation in the reference currency to the strategic quota. We are also building an overweight in European stocks.

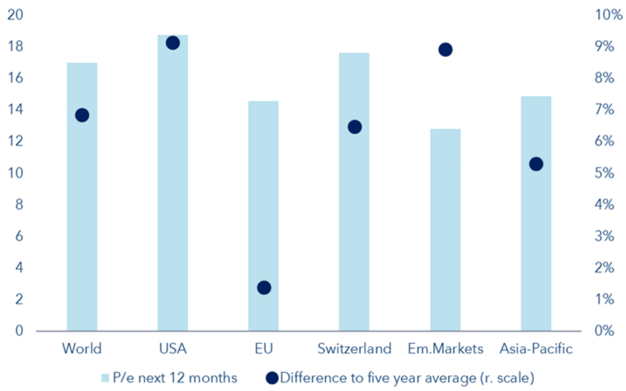
Dollar Bonds

We closed the underweight in USD bonds. We do not expect interest rates to rise and we are bringing interest income into our portfolio.

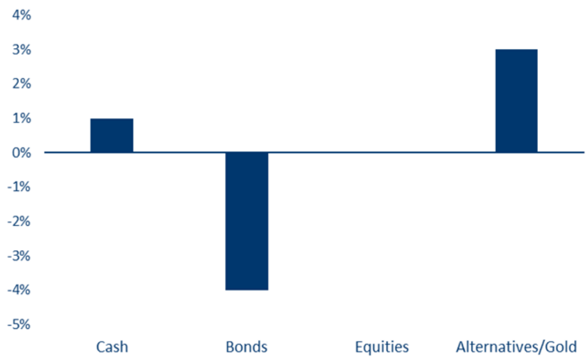
Adjusting Position in Gold

Gold proved its value as a hedge at the beginning of the year. Now that overall risk for investors has decreased, we are reducing the overweight in gold.

Equity valuations in Europe relatively attractive



Tactical vs. Strategic Allocation



Basis: Mandate CHF balanced

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