

Ready for the new year

Tactical Positioning - December 2019

If nothing dramatic happens in the next couple of weeks, 2019 will go down as a very good year for investments. Our broad-based investment approach has been rewarded and with our current portfolio orientation, we think we are well-prepared for the new year.

It's well known that memory often skips over unpleasantness, especially if the end result is a positive one. That selective recollection may well happen when looking back at the investment year 2019. Certainly, many asset classes delivered good performance, above all, of course, the stock markets. The Swiss Market Index SMI is 23% up, and in the US the S&P 500 index is up 25% for the year. Moreover, fixed-income and some alternative investments – gold for example – have also done well. This helped our blended investment strategies.

But when looking back at the 2019's solid returns we should remember that it was anything but a care-free year for investors. In particular, the unmistakable cooling off of leading economic indicators repeatedly sent ripples of recession fears through the markets. In addition, the Sino-American trade conflict and the unending Brexit saga repeatedly stirred up anxieties.

Both the US Federal Reserve and the European Central Bank reacted to flagging economic sentiment with interest rate cuts and new asset purchases. These efforts managed to calm many financial market participants and provided important stimulus to the economy. In addition, the Chinese authorities also opened the credit tap. This makes us confident that economic momentum is stabilising. However, as many nagging uncertainties still persist, we remain committed to our broadly diversified and risk-aware investment policy, making only minor technical adjustments.



Dr Felix Brill

Chief Investment Officer VP Bank Group

Low duration in bonds

In all reference currencies, the selected duration – the interest rate risk – is below the corresponding index benchmark. We remain underweight in government bonds and global bonds.

Gold is a core component

We see Gold as an important stabiliser in the current environment and give the precious metal the corresponding space in the portfolio.

Currencies mostly hedged

Developed market currencies are strategically hedged, but the USD is only partially hedged in EUR and in CHF.

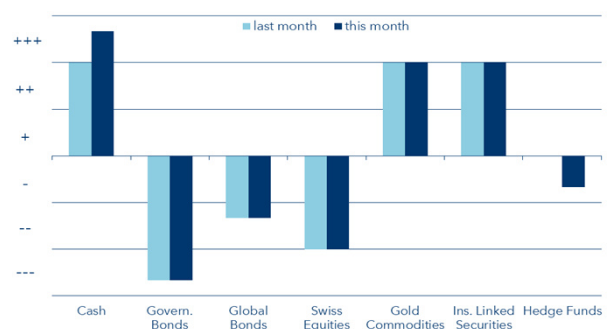
Caution in equities for now

We confirm the underweight in equities in the respective home market of the reference portfolios.

Equities enjoyed a good run



Tactical allocation



Basis: mandate CHF balanced

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