

A Question of Perspective

Tactical Positioning - October 2019

Weak economic data and worrying political uncertainties on the one hand; hope for government stimulus measures and supportive central banks on the other – in which direction the pendulum will swing in the next few weeks is far from clear. For us, risks currently predominate, which is why we confirm the broadly diversified, cautious portfolio composition.

Now it has caught up with the world's biggest economy. According to the US companies surveyed by the Institute for Supply Management (ISM), activity in both the manufacturing and the services sectors deteriorated significantly in September (see chart below). In particular, this leading indicator's recent decline in the manufacturing sector has alarmed financial markets just in time for the start of the fourth quarter. The reading was as bad as was last seen in June 2009, when it soon recovered as the US economy climbed out of the deep recession after the 2008 financial crisis. However, given the recent ISM-datapoints, it is not surprising that equity analysts have revised their profit expectations downwards yet again for companies in most regions and sectors. This obviously has a dampening effect on the potential for share price increases.

Weak economic data does not necessarily translate into losses on the stock markets. The most recent example of this may be the publication of the ISM services survey in early October. Despite an unexpected slump, the US stock market saw a significant upturn. One possible explanation: if the economic data is weak enough, new monetary or fiscal stimulus measures become more likely. Thus, bad data can suddenly become good news. This pattern is as well-known as it is unstable over time.



Dr. Felix Brill

Chief Investment Officer VP Bank Gruppe

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 do not hold gold for performance, but rather as a stabilizing element in the portfolio. We therefore confirm our overweight.

Currencies mostly hedged

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

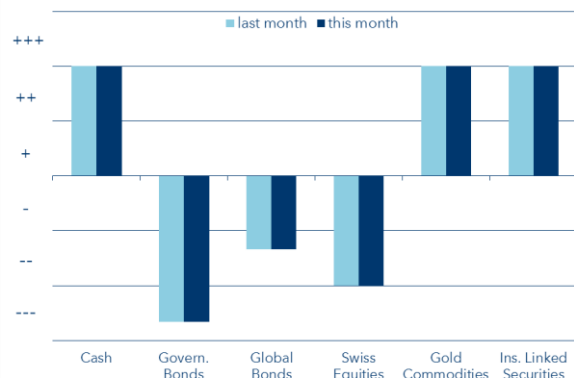
Caution in equities

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

Weak leading indicators



Tactical Allocation



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