

# Tactical positioning

August 2018 - market commentary

## Equity markets stabilizing

July has seen a recovery on the equity markets, with tensions regarding the international trade conflict shifting from Europe to China. We are maintaining a neutral position in equities and are still underweight in bonds. We are overweight in alternative investments due to our position in gold.

America's economic vigour compared with the rest of the world made itself felt in the 2nd quarter. GDP grew by more than 4% compared with Q1. The latest data have been slightly weaker, but economic momentum is still upwards. While the trade spat with Europe has quietened down, the conflict between China and the US threatens to hot up. Thus the inflation risks generated by escalating trade tensions have increased. This is one of the reasons why we have bought gold.

Equity markets have stabilized after a disappointing June. Second quarter corporate results have been positive on balance, though prospects have been partly overshadowed by the trade disputes. In Europe, recently hard hit cyclical sectors have reported respectable profits, and European markets also still benefit from very attractive dividend yields. Bond markets are expecting two further hikes in US interest rates, while the ECB has boosted European government bonds by announcing that it will not hike interest rates until after summer 2019. Corporate bond markets recovered in July following a sharp widening of credit spreads in the first half year.

Conclusion: Political risks continue to dominate the markets. We are maintaining a neutral allocation in equities and are underweight in bonds. Our allocation in alternative investments is overweight due to our position in gold



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### Asset Allocation

- Neutral in equities; underweighted in bonds
- Overweighted in alternative investments

### Bonds

- Government bonds are underweighted
- Global bonds are underweighted

Duration is being kept below benchmark in all reference currencies. We are underweighted in government bonds and global bonds and neutrally weighted in emerging market and corporate bonds. Inflation-linked bonds are being held as an additive.

### Equities

- Equities neutral

The tightening of US monetary policy increases the pressure on the emerging markets. The trade conflict with the US threatens to escalate.

### Alternative investments

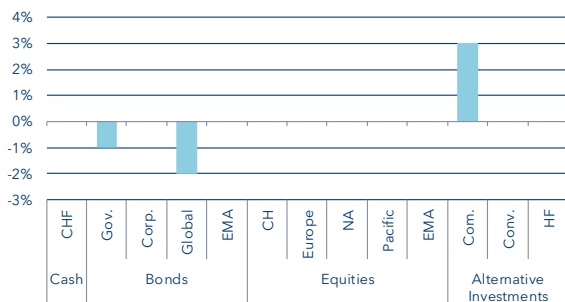
- Overweighted in commodities (gold)
- Neutral in convertible bonds and hedge funds

We take a favourable view of the current price levels. The geopolitical risks should benefit the future development of the gold price.

### Currencies

Due to risk considerations, we remain strategically hedged in developed country currencies, whereas USD is partly unhedged in EUR- and CHF-based mandates.

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