

# Tactical positioning

February 2019 - market commentary

## Central banks get cold feet

**To get right to the point, global economic risks have increased and not diminished. The economic slowdown has also been high on the agenda of the central banks. At least the financial markets are getting some support from the Fed.**

China is currently worrying us. The economic downturn is steeper than the official figures show. A broad range of alternative metrics indicate that all is not well in the Far East. Countries whose economies have a high dependence on China are suffering most. This includes Germany and subsequently the entire Eurozone. The measures launched by the Chinese government and the country's central bank promise improvements. But it will probably take a few more months before the fruits of these efforts can be harvested. We, in any case, are reckoning with a further deterioration in economic news before things get better.

Central banks are now offering support. Fed Chair Jerome Powell made it clear that the monetary guardians' weapons are on standby. On the stock markets, the "Powell-Put" was met with open minds. Stock markets responded to the Fed's altered wording with price gains. Not to appear mere passive observers, the ECB also did signal to offer support if the economic outlook deteriorates further. Beyond that, there are hopes that a solution can be found to the trade dispute between the US and China.

Meanwhile, equity analysts have revised their earnings expectations, sometimes significantly. The current price levels therefore already broadly anticipate lower global GDP growth rates ahead. However, as we believe that China's economic risks are not fully reflected in the financial markets, we are closing our overweight in emerging market bonds, initiated in October, after it posted pleasing and profitable performance.



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### Asset Allocation

- Neutral weight in equities
- Underweight in bonds
- Overweight in alternative investments

### Bonds

- Underweight in government bonds
- Underweight in global bonds
- Neutral weight in emerging market debt

We are closing our overweight in emerging market bonds. In all reference currencies, our duration remains below the respective benchmark level. We are underweight on government bonds and global bonds, neutral on corporate bonds and overweight on US dollar-denominated emerging market debt.

### Equities

- Neutral weighting for equities

### Alternative investments

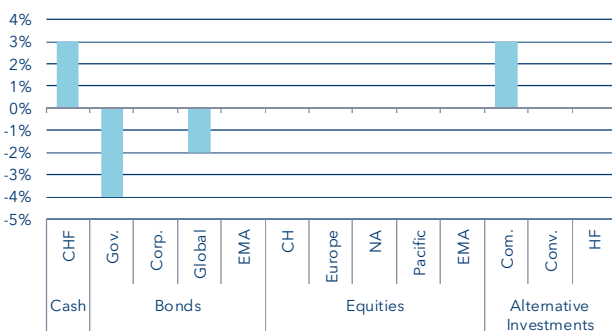
- Overweight in commodities (gold)
- Neutral in convertibles and hedge funds

Gold is attractive in the current market environment as a diversifying supplement in the portfolio.

### Currencies

Due to risk considerations, the currencies of the industrial economies remain strategically hedged. The US dollar is partially unhedged in EUR and CHF mandates.

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