

# Tactical positioning

January 2019 - market commentary

## Improvement in sight?

In our market commentary a month ago, we expressed our concern that the environment would be challenging beyond the turn of the year and vulnerable to sharp mood swings. Unfortunately, this proved to be even more pronounced than we had feared.

Stock markets came under pressure again just before Christmas, earning December 2018 a prominent place among the months with the biggest stock market losses in history.

The selloff halted in the first few trading days of the new year, at least for the time being, and some of December's losses could already be recouped. In addition, we see the significantly improved valuation picture as a positive. That, then, is the good news.

The bad news? We think the market environment will remain vulnerable to pronounced fluctuations in sentiment for the foreseeable future. Too many political issues—such as the trade dispute between the United States and China, the partial US government shutdown over constructing a wall on the border with Mexico, and the fraught dilemma of Brexit—remain unresolved. And too many leading economic indicators are now pointing to a further cooling of the global economy.

All in all, therefore, we consider it appropriate to align the equity ratio with the strategic target. In the case of fixed-income investments, given the decline in interest rates in recent weeks, we have meanwhile decided to sell inflation-protected bonds. In contrast, we maintain our positions in US dollar-denominated emerging market debt and in gold.



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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
- Overweight emerging market debt

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

Equity ratio is aligned with the strategic target.

## Alternative investments

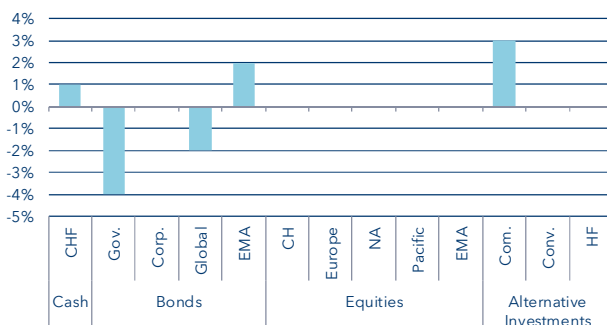
- Overweight in commodities (gold)
- Neutral in convertibles and hedge funds

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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