

Tactical positioning

May 2018 - market commentary

Outperformance of European equities

The decision to increase our European equity allocation in February has paid off: European markets performing significantly better of late compared to the rest of the world. With this in mind, we will be maintaining our overweight position in European equities for the next few weeks, while retaining our underweight position in bonds.

We increased our European equity allocation in February on the back of significant price falls, and have maintained this overweight position ever since. Above all, continuously high corporate profits, combined with attractive valuation levels, prompted us to increase our equity component. In line with this, we are maintaining our weighting.

The economic environment and thus also corporate profit momentum could prove decisive in terms of how the rest of the year plays out. As expected, the positive reporting season proved particularly beneficial for the equity market. In Europe, this was supported by a slight depreciation of the euro against the US dollar, and our overweight position in the greenback allowed us to profit from this development as well.

Conclusion: The economic momentum has weakened somewhat recently. The US represents the only market to enjoy continued economic momentum, thanks to the country's tax reform, which now appears to have been factored in. While corporate earnings for the first quarter were positive, we could still see a weakening here in the coming months. With this in mind, we are maintaining our current positioning.



Christoph Boner
Head of Investment Management

Asset allocation

- Overweight in equities; underweight in bonds
- Neutral in alternative investments

Bonds

- Underweight in government bonds
- Underweight in global bonds

Duration is shorter than the benchmark in all reference currencies. We are underweight in both government bonds and global bonds, while we hold a neutral position in corporate and emerging market bonds. We have added inflation-linked bonds.

Equities

- Overweight in European equities

The relatively attractive valuation speaks in favour of European equities compared to those in the US.

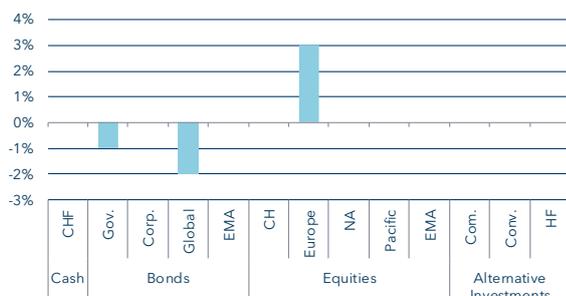
Alternative investments

- Neutral in commodities
- Neutral in convertible bonds and hedge funds

Currencies

We continue to engage in strategic hedging of developed-country currencies in order to mitigate risk. The US dollar is partly unhedged under EUR and CHF mandates.

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