

Tactical positioning

March 2019 - market commentary

Tailwinds for the financial markets

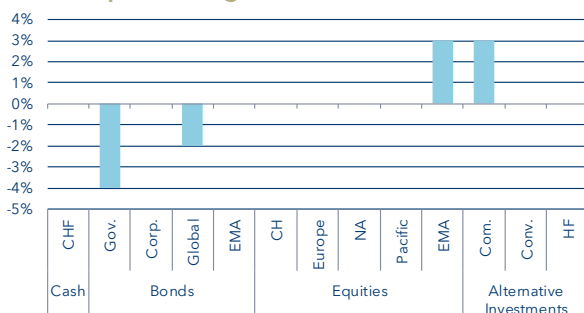
Despite economic risks, the financial markets have performed well thus far this year. In our view, the chances are good that the positive environment will continue in the coming weeks. This is supported not least by the new stimulus measures in China. Against this backdrop, we have decided to increase emerging market equities in the portfolio.

Stock markets took a breather at the beginning of March. That they ran short of breath is unsurprising, given the strong rally of the preceding weeks. We reckon, though, that enough air is still available for further price gains.

Monetary authorities have played their part in ensuring a good supply of oxygen for the stock markets. First, at the beginning of the year the US Federal Reserve clearly signalled its intention to take a break in the rate hike cycle. That said, we expect the Fed to resume rate hikes in the second half of the year, assuming the economic news continues to be good. In the short term, however, we are not worried that the Fed will alarm the markets with any unsettling communications. The ECB also warmed things up last week. For one thing, it promised that it will not touch key rates until at least the end of the year. And it also raised the prospect of another round of long-term refinancing operations, too. The new program will kick off in September. The message is clear: oxygen bottles are standing by for any emergencies.

Finally, there were positive signals from China. Comprehensive tax relief was announced at the National People's Congress. And that's not all. The signals indicate that a solution to the trade conflict with the US is within reach. In our view, all these developments should provide brisk tailwinds for equities, especially those of emerging markets.

Tactical positioning



Dr. Felix Brill
CIO VP Bank Group

Asset Allocation

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

Bonds

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

In all reference currencies, we remain below the respective duration benchmark. We are underweight in government bonds and global bonds while we are neutral in corporate bonds.

Equities

- Overweight in emerging markets

We now weight emerging market equities higher than in the strategic benchmark. Speaking for the overweight, among other reasons, we cite the tax concessions announced in China and the improved prospects for a solution to the US/China trade conflict.

Alternative investments

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

Gold remains attractive as a diversifier in the portfolio.

Currencies

Due to risk considerations, currencies of the industrialised economies remain strategically hedged. In EUR and CHF mandates, the USD is partially unhedged.

Important legal notices

This document has been produced by VP Bank Ltd (hereinafter referred to as the "Bank") and distributed by the companies of VP Bank Group. This document does not constitute an offer or invitation to buy or sell financial instruments. The recommendations, estimates and statements contained herein reflect the personal opinion of the relevant analysts of VP Bank Ltd on the date stated in the document and can be changed at any time without prior notification. The document is based on information which is believed to be reliable. This document and the estimates and assessments provided herein are prepared with the greatest care, but their correctness, completeness and accuracy cannot be assured or guaranteed. In particular, the information in this document may not include all relevant information regarding the financial instruments addressed herein or their issuers.

Further information on the risks associated with the financial instruments covered in this document, the proprietary trading of VP Bank Group, the handling of conflicts of interest in relation to these financial instruments and the distribution of this document can be found at https://www.vpbank.com/legal_notes_en.pdf