

# Tactical positioning

April 2019 - market commentary

## No time for complacency

**The returns delivered by financial markets since the beginning of the year have been pleasing. But I would not sit back and relax right now. For one thing, the recent inversion of the yield curve in the US has fuelled concerns about recession. Even if a recession is not imminent, the risk has grown. We increase the allocation in gold.**

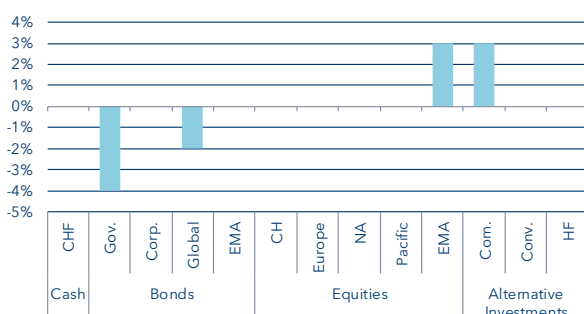
The economic data is sending mixed signals. Leading indicators in the industrial sector continue to point to a slowdown. Particularly in Germany, Europe's largest economy, new orders are still declining. On the other hand, the country's domestic economy is performing well. Hope is emerging in the Far East, where the fiscal stimulus in China is beginning to take effect, although this is not yet evident in the export figures for Europe.

On bond markets, the inversion of US interest rates, where short-term rates briefly moved higher than 10-year Treasury rates, sent an unsettling signal. Since yield-curve inversions have historically been reliable recession indicators, we are observing the further development of the economy with heightened vigilance. In any case, the central banks in the US and Europe are aware of the risks. Market participants in the US expect the Fed's next step to be a rate cut rather than a hike.

Equity markets have so far been unruffled. Valuations have risen since the beginning of the year. Due to the situation on the bond market, higher volatility is expected in the coming months. Unlike in developed markets, earnings expectations are rising in emerging market equities.

Furthermore, political developments such as Brexit, which may unfold without an agreement, or the trade conflict between the US and China, hover like Damocles' sword over financial markets. Not least, given this backdrop, we decided to increase the allocation of gold.

## Tactical positioning



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### 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

Fiscal stimulus measures could support emerging market equities, in our view.

### Alternative investments

- Overweight in gold
- Neutral in convertibles and hedge funds

We increase our allocation of gold. In times of uncertainty, gold offers hedging potential.

### Currencies

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

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