

# Tactical positioning

June 2018 - market commentary

## Profit taking on European equities

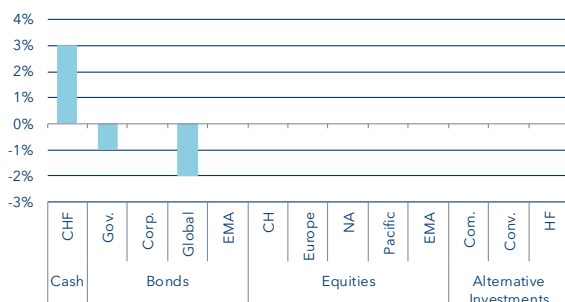
Earnings growth, high dividend yields and the depreciation of the euro are supportive factors for the European equity market, but recent political commotions and weaker macro data create headwinds. We are taking profits at the market's present level and reducing our overweight position in European equities to neutral. We remain underweight in bonds.

The continuing strength of corporate earnings and a relatively attractive valuation level are positive factors for Europe. The depreciation of the euro provides additional support. European share prices have recovered significantly since our buy decision in February and we are now taking the resultant profits.

We are particularly concerned about the weakening of the leading indicators and the widening of credit spreads. We are therefore adopting a more defensive position after the substantial gains achieved in recent weeks. Alongside the macro risks, considerable political uncertainty still exists. Above all, there are no signs yet of an easing of the trade conflict with the US.

Conclusion: The markets are currently in thrall to political risks, while macro data continue to weaken. We are taking profits on European equities after the substantial gains chalked up in recent weeks.

## Tactical positioning



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## Asset Allocation

- Neutral in equities; underweighted in bonds
- Neutral in alternative investments

## Bonds

- Government bonds are underweighted
- Global bonds are underweighted

Duration is being kept below benchmark in all reference currencies. We are underweighted in government bonds and global bonds and neutrally weighted in emerging market and corporate bonds. Inflation-linked bonds are being held as an additive.

## Equities

- Equities neutral

European share prices have recovered significantly since our buy decision in February and we are now taking the resultant profits.

We are particularly concerned about the weakening of the leading indicators and the widening of credit spreads. There are no signs yet of an easing of the trade conflict with the US.

## Alternative investments

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

## Currencies

Due to risk considerations, we remain strategically hedged in developed country currencies, whereas USD is partly unhedged in EUR- and CHF-based mandates.

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