

Tactical positioning

June 2017 - market comment



Weak US economic data only temporary

The latest figures for US economic growth were disappointing. Labour market data have softened, and confidence indicators have dipped. Bond markets have reacted to weaker macro numbers by pegging back yields, and the dollar has slipped in recent weeks. The equity market picture, however, remains unchanged. Improved earnings expectations and abundant liquidity have continued to support share prices. Our allocation remains unchanged: equities are overweight and bonds underweight.

Notwithstanding the recent lacklustre data, our assessment of the US economy is unchanged. We believe that the current weakness is only temporary. Capital spending, in particular, should gather momentum in the coming quarters. Job vacancies have recently risen, and the Fed's latest report concludes that the labour market situation is still tight despite the latest weak numbers. This suggests that private consumption will expand further and that the current dip in growth should soon be consigned to the past. Economic momentum in Europe is still vigorous, providing good support for the equity market.

We are sticking to our current allocation, with an overweight position in equities. Short-term consolidation phases are possible, but we see no prospect of a general change of trend. In the fixed income markets we still expect a gentle rise in yields. European bonds are likely to take their cue from the USA.

Christoph Boner
Head Investment
Management



Asset allocation

- Equities overweight; bonds underweight
- Alternative investments neutral

Bonds

- Government bonds underweight
- Global bonds underweight

Duration is being kept below benchmark in all reference currencies.

We are underweight in government bonds and global bonds and neutrally weighted in corporate bonds.

We hold a position in inflation-linked bonds.

Equities

- Eurozone equities overweight

In our view, the positive drivers predominate. Robust macro data and positive earnings revisions indicate further upside potential for equities. We are therefore overweighting the eurozone.

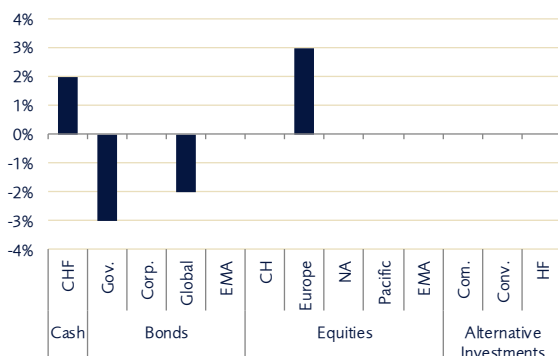
Alternative investments

- Commodities neutral
- Convertible bonds and hedge funds neutral

Currencies

We remain strategically hedged in developed country currencies in order to minimise risk. The USD is partly unhedged in EUR-based portfolios.

Tactical positioning



Important legal information



This document was produced by VP Bank AG (hereinafter: the Bank) and distributed by the companies of VP Bank Group. This document does not constitute an offer or an invitation to buy or sell financial instruments. The recommendations, assessments and statements it contains represent the personal opinions of the VP Bank AG analyst concerned as at the publication date stated in the document and may be changed at any time without advance notice. This document is based on information derived from sources that are believed to be reliable. Although the utmost care has been taken in producing this document and the assessments it contains, no warranty or guarantee can be given that its contents are entirely accurate and complete. In particular, the information in this document may not include all relevant information regarding the financial instruments referred to herein or their issuers.

Additional important information on the risks associated with the financial instruments described in this document, on the characteristics of VP Bank Group, on the treatment of conflicts of interest in connection with these financial instruments and on the distribution of this document can be found at https://www.vpbank.com/legal_notice