

France has chosen

Emmanuel Macron has triumphed in the French presidential election. This is also a victory for the EU. Equity markets had already climbed steeply in the run-up to the ballot, and profit-taking might now occur. In the medium term we expect share prices to post further advances, but the biggest gains have probably already happened. Our allocation is unchanged, with equities overweight and bonds underweight. We believe the USD has further upside potential against the EUR.

The polls got it right this time. Emmanuel Macron's election is important for the eurozone, but euphoria would be misplaced. The crucial question now is whether Macron's "En Marche!" movement can be successful in the upcoming parliamentary elections. Otherwise, his proposed reforms will be hard to achieve.

The fundamentals in the eurozone have hardly changed at all. The eurozone economy is still extremely buoyant. Purchasing managers indices climbed again in April. We see further upside potential and remain overweight in equities. Valuation levels are no longer historically cheap, but we still favour equities in preference to bonds.

Job creation in the USA has bounced back after a weak showing in March. The Fed has accordingly left its monetary outlook unchanged. The next interest rate hike should come in June. We expect yields to continue to rise. European bond markets are likely to take their cue from the USA.

Political risks persist in the medium term. Expectations regarding the new US administration look over-optimistic.



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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.

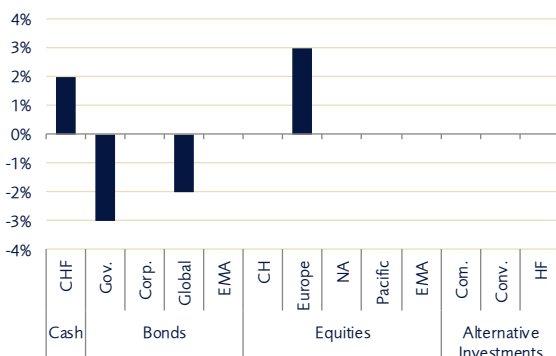
Alternative investments

- 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



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