

# Tactical positioning

November 2017 - market comment

## Equities neutral - bonds underweight

**The economic outlook could hardly be better. Current global economic developments are lending support to the stock markets. In our view, though, a valuation level has now been reached that leaves the door open for disappointments. We are reckoning with higher interest rates and a continuation of the consolidation in the equity markets.**

The economic recovery in Europe is still robust, and - unlike in previous years - the upturn is progressing synchronously across all European countries. The US economy is also developing favourably and the labour market there continues to improve: in October, more new jobs were created than expected and the unemployment rate is now only 4.1%. The increasing volume of new factory orders and a commensurate brightening of corporate sentiment continue to fuel hope that the economic tailwinds behind the world's largest economy will persist in the months and quarters ahead.

In our opinion, however, the upbeat mood in corporate America has already been largely discounted in the current share prices. The European equity markets have recovered sharply since September, so perhaps the year-end rally has already taken place. Overall, however, the environment for equities remains supportive. We reaffirm our neutral positioning in equities. As to the bond markets, we expect interest rates to continue their gradual rise. In our opinion, a Fed rate hike in December is basically a done deal.



**Christoph Boner**  
Head of Investment Management

### Asset allocation

- Equities neutral; 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

- Equities neutral

A historically high valuation level, especially in the United States, and lower expectations for corporate earnings in Europe have prompted us to adopt a more defensive positioning.

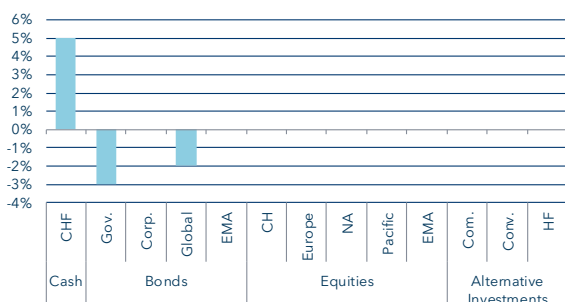
### Alternative investments

- 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.

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