

## Equity markets still steady – despite political risks

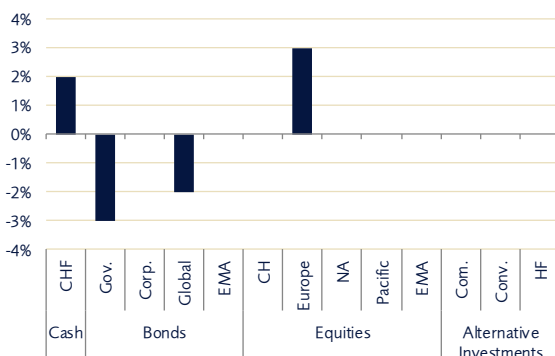
European equity markets are currently having to deal with multiple negative factors. North Korea poses a major political risk, and the euro is problematically strong. The weakness of the US dollar increasingly reflects a loss of confidence in the US administration. We reconfirm our existing positioning: overweight in European equities and underweight in bonds.

The forex markets appear to have lost faith in the US administration. Moreover, the Fed will not implement further interest rate hikes until US inflation shows a sharp and sustained acceleration. There is no sign of that happening yet.

The consolidation on European equity markets is understandable. We regard this as a pause for breath rather than a fundamental change of trend. Europe's valuation level is attractive compared with the USA. Earnings growth momentum has recently eased somewhat, but eurozone corporate profits are growing again for the first time in seven years, and that will remain a supportive factor for the time being.

Conclusion: We are sticking to our current allocation and remain overweight in equities. In the bond sector we expect a gentle rise in yields. European bonds can be expected to take their cue from the USA.

### Tactical positioning



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#### 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 dominate. Robust macro data and earnings growth 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.

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