



CITYWIRE

INVESTMENT

PRIVATE BANKING

CALLS

Introduction

The investment views of private bankers are often an important indicator of where market sentiment truly lies.

And although investment heads don't spend their days gazing into crystal balls, they still have to take a stance on how different asset classes will develop in the future.

In this report, we canvass the latest quarterly and monthly investment views from the CIOs and investment heads of wealth management divisions from 20 of Europe's biggest private banks.

In three sections of this publication, we present asset allocators' stances on equities, bonds and alternatives. After each section, we have compiled a verdict

outlining where the consensus falls and where the strongest feelings lie.

Last but not the least, we have mapped out the most frequently mentioned words in equities, bonds and alternatives, drawing a summary of where the views of CIOs align.

We hope this report will help you to find out what private banks are really thinking about the major asset classes and will give you an idea where the next contrarian bet might be.

MARGARYTA
KIRAKOSIAN,
CITYWIRE



2 Equities • Views

4 Equities • Verdict

5 Bonds • Views

7 Bonds • Verdict

8 Alternatives • Views

10 Alternatives • Verdict

11 Summary



PHILIPP BÄRTSCHI • BANK J. SAFRA SARASIN

The outlook for equities, including EM stocks, remains positive. Besides EM equities, has a positive stance on US equities. Prefers tech stocks and consumer discretionary.



HAN DIEPERINK • RABOBANK

Favours equities outside the US, especially French stocks and European financials. The case for investing in British assets is building. Also likes Asia.



YVES BONZON • BANK JULIUS BAER & CO

Positive on the asset class, which takes up 46% of the balanced portfolio. Late-cycle returns are strong, earnings peak is no cause for concern as returns are historically high.



MANUELA D'ONOFRIO • UNICREDIT

Neutral on equities. Moved neutral from overweight on European stocks and emerging markets. Upgraded US equity from underweight to neutral.



FLORENT BRONÈS • BNP PARIBAS WM

The bullish trend to continue in the medium term, volatility to remain. Preference for eurozone (cyclical sectors) and Japan. Neutral on the US and emerging markets.



MARK HAEFELE • UBS GLOBAL WM

Maintains overweight in global equities. Taking profits on overweight in Canadian against Swiss equities. Closed overweight on EM equities.



RICHARD DE GROOT • ABN AMRO

In favour of investing, no preference for developed or emerging markets. Within sectors prefers consumer discretionary, industrials and energy. Neutral on IT. Avoids telecoms, utilities and consumer staples.



ARNE HASSEL • BARCLAYS INVESTMENT SOLUTIONS

Equities remain attractive. Overweight developed markets, in particular continental Europe. Preference for industrials, technology and finance. Overweight emerging Asia.



CARLOS DÍAS NÚÑEZ • SANTANDER PB

Portfolios are based on local needs and preferences. For an average balanced portfolio in Europe 40% is allocated to equities.



BOB HOMAN • ING

Will make more room for value stocks such as utilities and telecoms closer to the end of the cycle. Growth shares preference will slowly decline.



FRÉDÉRIC LAMOTTE • CA INDOSUEZ WM

Small and mid caps, particularly in the US, are attractive. Continues to underweight bond-proxy stocks. Preference for cyclical space and value in Europe.



STUART PARKINSON • HSBC

Maintains a small overweight to global equities. Largest overweight is the US, with a focus on domestic strategies.



ENRIQUE MARAZUELA • BBVA

Overweight global equities with a preference for developed countries. European markets have greater potential for revaluation in the medium term.



CESAR PEREZ RUIZ • PICTET WM

Neutral on US equities but more bullish on less tech-exposed European stock markets. Asian equities appear attractive on a valuation basis.



STÉPHANE MONIER • LOMBARD ODIER PB

Maintained equity overweight and revised regional allocation by reducing US equities underweight relative to European and emerging markets.



CHRIS-OLIVER SCHICKENTANZ • COMMERZBANK

Remains cautious on the asset class over the summer. The dynamic recovery could falter. Scaled back exposure to neutral.



ALAN MUDIE • SOCIÉTÉ GÉNÉRALE PB

Upgrades US equities to neutral tactically, stays neutral on Eurozone and Switzerland. Chose to reduce overweight to Japan, stayed neutral on emerging markets.



MARKUS STADLMANN • LLOYDS BANK PB

Tactically neutral as global growth will continue but will be desynchronised. The favoured market is Japan with its strong corporate sector.



CHRISTIAN NOLTING • DEUTSCHE BANK WM

European equities should remain well supported by economic environment. Continues to favour Asia over Latam. Prefers cyclical over value, especially financials and IT.



MICHAEL STROBAEK • CREDIT SUISSE

Positive on the asset class. Prefers Swiss, UK and EM over European stocks. Favours Swiss small/mid caps and US growth names.

... IN THEIR WORDS

Stocks continue to outperform bonds, but it is a very narrow market in which the 10 largest tech stocks are responsible for the rises in both the S&P 500 and the MSCI World this year.



HAN DIEPERINK, RABOBANK

THE SO CALLED 'TRADE WAR' IS MORE MYTH THAN REALITY, ALTHOUGH CHINA SHOWS SIGNS OF SLOWING GROWTH.



MARKUS STADLMANN,
LLOYDS BANK PB

As we move closer to the end of the economic cycle, we will be making more room for value shares in our tactical asset allocation.

BOB HOMAN, ING



Given headwinds related to trade tensions, we favour a barbell strategy between defensive and growth stocks.

MICHAEL STROBAEK,
CREDIT SUISSE



Verdict

BY
MARGARYTA
KIRAKOSIAN

Most CIOs are positive on equities on the back of solid fundamentals, economic growth, positive earnings results and central banks' moderate tightening policies. Growth is largely favoured over value based on stronger company earnings too. However, views diverge regionally, as some consider US stocks too expensive – especially in the tech space – while others like them despite the high valuations. Trade tensions haven't spooked those looking towards emerging markets, where Asia is the overwhelming favourite.





PHILIPP BÄRTSCHI • BANK J. SAFRA SARASIN

Underweights the asset class. Favours investment-grade corporate bonds and eschew high-yield bonds. Tactical opportunities in local currency bonds.



HAN DIEPERINK • RABOBANK

Likes the capital securities of financials where valuations are compelling and fundamentals are strong with banks' capital levels at multi-decade highs.



YVES BONZON • BANK JULIUS BAER & CO

Neutral on the asset class that takes up 40% in a balanced portfolio. Rate hikes and liquidity withdrawals weigh on riskier segments.



MANUELA D'ONOFRIO • UNICREDIT

Underweight investment grade corporate bonds. Doesn't see value in European government bonds, maintains short duration. Moved underweight from neutral on EMD.



FLORENT BRONÈS • BNP PARIBAS WM

Still neutral on high yield in euros and dollars. Positive on the local currency EMD. The fall of bond yields in the eurozone is transitory.



MARK HAEFELE • UBS GLOBAL WM

Remains underweight euro high yield and high grade bonds. Reduced overweight in EM sovereign bonds in USD. Overweight 10-year US treasuries vs USD cash.



RICHARD DE GROOT • ABN AMRO

Remain out of favour. The time is coming to rebuild government bonds positions. Price volatility to continue, especially in European periphery.



ARNE HASSEL • BARCLAYS INVESTMENT SOLUTIONS

Underweight short-maturity bonds, investment grade bonds, developed government bonds. Overweight high yield and emerging markets.



CARLOS DÍAS NÚÑEZ • SANTANDER PB

Portfolios are based on local needs and preferences. For an average portfolio balanced portfolio in Europe, 38% is allocated to fixed income.



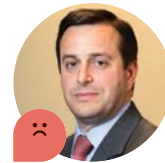
BOB HOMAN • ING

Continues to underweight bonds. Preference for bonds with a low interest rates sensitivity or short duration. Return expectations for EMD are moderate.



FRÉDÉRIC LAMOTTE • CA INDOSUEZ WM

Having been cautious on local EM currencies, the team lowered the outlook for USD EM credit. Positive on the dollar IG while it remains expensive in Europe.



STUART PARKINSON • HSBC

Small underweight in the asset class. More positive on the USD than on GBP market, euro market is least attractive. Cut back EMD exposure to neutral.



ENRIQUE MARAZUELA • BBVA

Cautious on fixed income as it doesn't offer any value to the investor. Maintains a neutral position in corporate credit, while EMD offers good profitability prospects.



CESAR PEREZ RUIZ • PICTET WM

Turned bearish on US high yield bonds and neutral on US Treasuries. Maintains a short-term neutral stance on emerging market debt, avoids low quality credit.



STÉPHANE MONIER • LOMBARD ODIER PB

Maintains pro-growth positioning and favours corporate over sovereign risk. Reduced corporate investment grade in euro and CHF portfolios.



CHRIS-OLIVER SCHICKENTANZ • COMMERZBANK

Corporate bonds are attractively priced again. The firm is holding back when it comes to high quality government bonds.



ALAN MUDIE • SOCIÉTÉ GÉNÉRALE PB

Still favours corporate hybrids in Europe, prefers investment grade bonds to high yield in the US. Stays prudent on EMD.



MARKUS STADLMANN • LLOYDS BANK PB

Overweight government bonds, in particular long duration US Treasury. Underweight both investment grade and high yield credit. Continues to reduce bond exposure.



CHRISTIAN NOLTING • DEUTSCHE BANK WM

Investment grade and emerging market debt still appeals, but is more cautious on high yield. The upward track of government bond yields won't be smooth.



MICHAEL STROBAEK • CREDIT SUISSE

Keeps short duration strategy, expects EM bonds to recover. Underweight government bonds and neutral on credit.

... IN THEIR WORDS

We maintain a cautious view regarding fixed income assets, which we believe do not offer any value to the investor.



ENRIQUE MARAZUELA, BBVA



AS EXPECTED, 2018 SO FAR DOES NOT RESEMBLE LAST YEAR WHEN IT COMES TO THE BOND MARKET.

YVES BONZON, JULIUS BAER



Market volatility has been increasing, and the use of core government bonds as safe havens could temporarily push down yields. It's two steps forward, one step back.

CHRISTIAN NOLTING, DEUTSCHE BANK DEUTSCHE WM



Verdict

BY
MARGARYTA
KIRAKOSIAN

The outlook for bonds is cautious but not negative. The CIOs anticipate that tightening is set to continue, with four hikes expected from the Fed. Although still unloved, government bonds are now considered potential diversifiers in case of future volatility. The outlook for credit is mixed, with some investors feeling positive while others are scaling back their exposure. The asset allocators agree that EMD has a solid long-term future, despite the current drop.



PRIVATE BANKING VIEWS



PHILIPP BÄRTSCHI • BANK J. SAFRA SARASIN

Positive on the asset class. Neutral on money market, positive on convertible bonds and commodities.



HAN DIEPERINK • RABOBANK

No positions in the asset class. Infrastructure investments are risky. Private equity has difficulty getting the money invested, and fees are too high.



YVES BONZON • BANK JULIUS BAER & CO

Alternative assets make up 6% of the allocation in balanced portfolios.



MANUELA D'ONOFRIO • UNICREDIT

Reduced exposure to alternatives. Strategic asset allocation to commodities/alternatives is 5.5%.



FLORENT BRONÈS • BNP PARIBAS WM

New opportunities are emerging in global macro, long/short segments and event-driven on the back of the current volatility.



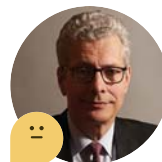
MARK HAEFELE • UBS GLOBAL WM

Investors looking for an alternative to their high grade bond exposure should consider a diversified hedge fund portfolio.



RICHARD DE GROOT • ABN AMRO

Private equity has been added for a small number of clients. Hedge fund allocation remains neutral, providing diversification for a potential increase in volatility.



ARNE HASSEL • BARCLAYS INVESTMENT SOLUTIONS

Underweight alternative trading strategies due to lack of tactical appeal. Real estate is used for diversification. Neutral on commodities.



CARLOS DÍAS NÚÑEZ • SANTANDER PB

Portfolios are based on local needs and preferences. For an average balanced portfolio in Europe, 22% is allocated to alternatives.



BOB HOMAN • ING

Alternatives are used as a diversifier and are not included in all portfolios.



FRÉDÉRIC LAMOTTE • CA INDOSUEZ WM

Big picture for precious metals remains positive. Growth in oil demand remains healthy, led by China and India. Base metals performed strongly, led by nickel and copper.



STUART PARKINSON • HSBC

Maintains overweight to gold. Within hedge funds, there are attractive opportunities in macro, equity long/short and multi-strategy funds.



ENRIQUE MARAZUELA • BBVA

No opinion on the asset class. Useful for forming well-diversified portfolios due to limited correlation with traditional assets.



CESAR PEREZ RUIZ • PICTET WM

Event-driven hedge fund managers should continue to benefit from rising opportunities in merger arbitrage.



STÉPHANE MONIER • LOMBARD ODIER PB

Hedge fund exposures are favoured over exposure to corporate investment grade in euro and Swiss francs.



CHRIS-OLIVER SCHICKENTANZ • COMMERZBANK

Real estate remains a conservative anchor and an overweight, and is partially used as a bond-replacement strategy.



ALAN MUDIE • SOCIÉTÉ GÉNÉRALE PB

Variable bias funds look attractive, as well as event-driven strategies. CTAs are good for diversification. Mildly bearish on gold.



MARKUS STADLMANN • LLOYDS BANK PB

Tactically overweight, as global macro funds are finding rich pickings. Energy commodity funds are favoured.



CHRISTIAN NOLTING • DEUTSCHE BANK WM

Diversification will be important in this late-cycle environment, and alternative investments may be able to help hedge portfolios. Positive on discretionary macro hedge funds.



MICHAEL STROBAEK • CREDIT SUISSE

Positive on commodities given good growth, neutral on global real estate. Neutral view on precious and industrial metals.

... IN THEIR WORDS

Verdict

BY
MARGARYTA
KIRAKOSIAN

Volatility is back, and diversification seems to be the name of the game. This is the consensus among those CIOs who use hedge funds as part of their strategic allocations. Currently, event-driven and global macro strategies are in the spotlight. The view on real estate is mainly neutral. Concerns about global trade dampen the outlook for metals, while some asset allocators consider the oil price to be tight.



As a less accommodative monetary policy environment in Europe nears, we have reduced corporate investment grade in our euro and (HF) portfolios in favour of hedge fund exposures.

STÉPHANE MONIER, LOMBARD ODIER



New opportunities in global macro and long/short segments will emerge due to the expected return of inflation, rising interest rates and the current rise in volatility.

FLORENT BRONÈS, BNP PARIBAS



HEIGHTENED M&A ACTIVITY MEANS WE EXPECT EVENT-DRIVEN HEDGE FUND MANAGERS TO CONTINUE TO BENEFIT FROM RISING OPPORTUNITIES IN MERGER ARBITRAGE.

CESAR PEREZ RUIZ, PICTET



Summary

