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| **Getting ready to change course – Luca Paolini, Pictet Asset Management** |
| Die Pictet-Gruppe | 2. Mai 2018 |

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“The global economy is changing gear and investors need to be prepared for markets to react as this unfolds,” says **Luca Paolini**, c**hief strategist** at **Pictet Asset Management**.

“It’s still a little bit too early to call time on the equity market rally, but the outlook for bonds is improving. We are therefore moving to neutral positions across asset classes.”

“As a result, we’ve increased our allocation to bonds, prompted by a steady rise in US 10-year Treasury bonds yields at a time when there are worrying signals about the momentum of global economic growth.”

“That’s not to say we expect economies to roll over – but that the gap between hitherto very bullish sentiment surveys and more moderate underlying economic data is closing.”

“This could signal that the two are coming back into synch again, or simply that growth momentum has peaked.”

“If the latter is the case, then there’s reason to expect the Fed to rethink the pace of tightening. The rise of US 10-year T-bonds yields above 3 per cent is already starting to be felt by some interest-rate sensitive sectors of the economy.”

“The US government’s fiscal spending programme is likely to mitigate some Fed tightening, but won’t reverse it entirely. If the Fed does recalibrate, we think the five-year part of the Treasury curve is most compelling.”

“The best value in the fixed income markets remains emerging market local currency debt followed by US Treasury bonds.”

“Within developed equity markets we prefer energy stocks which should draw strength from rising oil prices.”

“Whilst we are still underweight defensive stocks, this is an area we may look to add to if and when weakness in global economic growth persists.”

“Some cheap cyclicals like financials and materials are currently more attractive but are becoming less compelling based on their relative valuation to defensives.”

“At a country and regional level, we prefer the Euro-zone to the more expensive US market and see likely Euro weakness as a catalyst for outperformance.”

“We still like emerging markets in the longer term but remain neutral on emerging market equities due to strengthening headwinds.”

**-Ends-**

## Note to Editors

The Pictet Group is a partnership of six owner managers, with principles of succession and transmission of ownership that have remained unchanged since foundation in 1805. It offers only wealth management, asset management and related asset services. The Group does not engage in investment banking, nor does it extend commercial loans. With CHF 509 billion in assets under management or custody at 31 March 2018 (USD 528 billion, EUR 429 billion, GBP 376 billion), Pictet is today one of the leading Europe-based independent wealth and asset managers.

Headquartered in Geneva, Switzerland and founded there, Pictet today employs more than 4,200 people. It has 27 offices in: Amsterdam, Barcelona, Basel, Brussels, Dubai, Frankfurt, Geneva, Hong Kong, Lausanne, London, Luxembourg, Madrid, Milan, Montreal, Munich, Nassau, Osaka, Paris, Rome, Singapore, Stuttgart, Taipei, Tel Aviv, Tokyo, Turin, Verona and Zurich.

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At 31st March 2018 Pictet Asset Management managed EUR 162 billion in assets, invested in equity and bond markets worldwide. PAM has seventeen business development centres worldwide, extending from London, Brussels, Geneva, Frankfurt, Amsterdam, Luxembourg, Madrid, Milan, Paris and Zurich via Dubai, Hong Kong, Taipei, Osaka, Tokyo and Singapore to Montreal.