PICTET 1805

Pictet Asset Management increases European exposure to full overweight and downgrades Pacific ex-Japan

Pictet Asset Management

Die Pictet-Gruppe | 5. August 2015

Kontakt
Oliver Möller
Leiter Unternehmenskommunikation
Pictet & Cie (Europe) S.A.
+49 69 79 500 930
omoeller@pictet.com

London/Frankfurt, 5. August 2015

"We keep our preference for Japanese and European stocks, but we upgrade the latter to a full overweight. The Pacific ex-Japan region is downgraded on account of the slowdown in China, which could become a drag on its Asian trading partners" says Luca Paolini, Chief Strategist at Pictet Asset Management.

"The allure of European stocks has increased now that Greece and its creditors are progressing towards a new bailout deal that should keep the country in the euro zone. As the uncertainty surrounding Athens has lifted, a more positive light is shining on the region while valuations have become more reasonable following the correction of the past few months.

"Economic growth is resilient, led by a recovery in debt-laden countries such as Spain and Italy, which has made up for economic weakness in Germany. This is supporting corporate earnings in the euro zone. Earnings are expected to grow 7.7 per cent this year but our models suggest they could accelerate even further. Much of the recovery has been attributable to strong household spending, reflecting improved consumer confidence. Business spending growth remains muted but the European Central Bank's latest bank lending survey is encouraging with reports that credit standards on loans to companies have continued to ease, and that a net 13 per cent of banks reported an increase in demand for corporate loans up from 1 per cent in the previous quarter. Our proprietary monetary conditions indicator shows that credit conditions in the euro zone are at their most stimulative in at least 20 years. These improvements suggest the ECB’s monetary easing policies are succeeding.

“Signals have become more mixed for the short-term trajectory of Japanese stocks. The impact of the Bank of Japan’s liquidity injections seems to be fading, and exports are losing momentum. However, favourable structural trends continue to paint a positive long-term outlook for Japanese corporate earnings. The reform policies of Prime Minister Shinzo Abe, aimed at improving corporate governance and encouraging shareholder-friendly behaviour, have the potential to raise the country’s return on equity.

“Stocks in the Pacific ex-Japan region are cut to underweight as Asia’s export hubs are being negatively affected by China’s slowdown.

“Elsewhere, emerging markets valuations are attractive but the deterioration in earnings growth – the trigger for last month’s downgrade of the asset class to underweight - remains a concern. A likely rate hike in September or October from the US also raises the prospect of heightened volatility for emerging stocks.”

“With worries about the future of the Chinese and Greek economies having inspired a rally in government bonds in recent weeks, we have decided to scale back our exposure to European sovereign debt from overweight to neutral on valuation grounds. The move has been accompanied by an upgrade of European high-yield bonds to neutral.
We also retain our overweight position in US dollar emerging market debt.”

-Ends-

Notes to the Editor

The Pictet Group

Founded in 1805 in Geneva, the Pictet Group is one of the premier independent asset and wealth management specialists in Europe, with EUR 403 billion in assets under management and custody at 30th June 2015. The Pictet Group is owned and managed by seven partners with principles of ownership and succession that have remained unchanged since foundation.

Based in Geneva, the Pictet Group employs more than 3,700 staff. The Group has offices in the following financial centres: Amsterdam, Barcelona, Basel, Brussels, Dubai, Florence, Frankfurt, Hong Kong, Lausanne, London, Luxembourg, Madrid, Milan, Munich, Montreal, Nassau, Paris, Rome, Singapore, Turin, Taipei, Tel Aviv, Osaka, Tokyo and Zurich.

Pictet Asset Management ("Pictet AM") includes all the operating subsidiaries and divisions of the Pictet group that carry out institutional asset management and fund management such as Pictet Asset Management SA, a Swiss corporation registered with the Swiss Financial Market Supervisory Authority FINMA, Pictet Asset Management Limited, a UK company authorised and regulated by the Financial Conduct Authority, and Pictet Asset Management (Japan) Limited, a Japanese company regulated by the Financial Services Agency of Japan.

At 30th June 2015, Pictet AM managed EUR 146 billion in assets, invested in equity and bond markets worldwide. Pictet AM has seventeen business development centres worldwide, extending from London, Geneva, Frankfurt, Amsterdam, Luxembourg, Madrid, Munich, Milan, Paris and Zurich via Dubai, Hong Kong, Taipei, Osaka, Tokyo and Singapore to Montreal.