

# Press release

Amsterdam, 27 June 2016

## **ABN AMRO Private Banking: Brexit no reason to sell equities**

The UK's decision to leave the EU is no reason for ABN AMRO Private Banking to make any drastic changes to its equity policy. 'It's senseless to sell equities at fire-sale prices amid the commotion,' says Didier Duret, Chief Investment Officer at ABN AMRO Private Banking. 'It is mainly driven by political lack of visibility right after the vote to leave the EU. Visibility will come as the UK and EU leaders have to agree on a workable road map for the UK to exit. '

Duret: 'The consequences of the Brexit decision will probably only become clear in the long term. There's no point in adjusting the equity portfolio at this point, even given the many uncertainties at play. Plus, prices already plummeted the day after the referendum. We expect corporate profits to rise again in the year ahead.'

### **Overweight cash and slight overweight in equities**

The bank has taken a series of steps to reduce risk such as a reduction in equities (now slightly overweight) in April, a reallocation of European equities into US equities and an increase in the cash position and a reduction of peripheral bonds.

The market conditions are volatile as the exit might stay chaotic with no resolution with a recession starting to be priced in. The political leaders will define the way forward in the coming days. ABN AMRO attributes more chance to an orderly exit than a disorderly scenario. It is the bank's recommendation for the moment to wait for political clarification before action and redeploying cash into risk assets or rebalance assets.

### **Active duration policy**

With bond yields at extremely low levels, ABN AMRO Private Banking is maintaining a heavily underweight position in bonds. Given the uncertain situation, the private bank expects bond markets to remain volatile for some time and is therefore pursuing an active duration policy within its (underweight) position in government bonds. 'If interest rates rise, we will reduce the duration of the portfolio, as shorter durations are less sensitive to rate increases than are longer durations. If interest rates fall, we will do the opposite.'

### **Spanish bonds sold**

ABN AMRO Private Banking has slightly reduced its position in government bonds, mainly by selling Spanish bonds, and has increased its already overweight position in high-grade European corporate bonds.