

ABN AMRO Private Banking increases exposure to equities and growth stocks in its Q2 2013 investment outlook, foreseeing a stronger US dollar and a decline in gold

ABN AMRO Private Banking builds on its previous overweight equities position in *Staying the course* – its new investment outlook for the second quarter of 2013 – published today. The bank also expects the US dollar to continue rising, while gold could keep trending lower this quarter and is foreseen to drop to USD 1,400 by year end.

The private bank increased the equity exposure of its balanced model portfolio to 44% (from 40%), by trimming bonds to 44% (from 45%) and hedge funds to 5% (from 8%). Property remains at 5%, commodities at 2% and cash at zero.

Didier Duret, Chief Investment Officer of ABN AMRO Private Banking, said:

“Opportunities in the world of equities are increasing, while they are shrinking in fixed income. Despite the recent rise in equity markets, we believe an enormous gap exists between the apparent bullish consensus on equities and effective low positioning in equity markets by pension funds and private investors. Our confidence is underpinned by the growing market resilience to bad news and we also see a positive correlation between rising stock markets and the US dollar.”

Within equities, the private bank remains overweight Emerging Asia and Brazil, neutral Europe, but stays underweight US and Japan. In terms of sectors, Industrials and Healthcare are kept overweight, while typically defensive sectors such as Telecoms and Utilities remain underweight. The bank also recommends looking beyond high-dividend stocks into growth companies.

Masters of manufacturing II is the equity theme for the second quarter and builds on the previously observed and accelerating automation trend. The theme highlights the competitiveness challenge for companies in fast-growing economies with increasing labour costs, which should benefit electronics, machinery and software companies. These include Cisco, ASML, Volkswagen and Gildemeister.

ABN AMRO remains underweight fixed income and government bonds, but continues to see value in Asian corporate bonds. Yield opportunities exist in selected Spanish and Italian bonds, as well as in the Utilities and Telecoms sectors. In general, investors are advised to take profit on longer maturities and to shorten the duration of portfolios to five years or less – with hedging advised via diversified funds of funds and long/short fixed-income funds.

The US dollar and emerging-market currencies are favoured, with the EUR/USD pair expected to remain stable at 1.30 for the quarter. Gold is predicted to decline further this quarter and beyond, reaching USD 1,400 by the end of this year and possibly falling further to USD 1,000 by the end of 2015. A stronger USD will add pressure to oil prices, with an average USD 105 Brent oil price expected in 2013.

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