



Investment Strategy

Global economy gains momentum

Investment Strategy
& Portfolio Expertise

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The ABN AMRO Investment Committee continues to prefer equities over bonds. Within alternative investments, real estate and commodities are favoured, while a neutral stance is taken toward hedge funds. For clients with US-dollar portfolios, it is suggested that they consider hedging euro-positions, to protect against further weakness in the euro.

Equities buoyed by fundamentals

Improving macroeconomic conditions are supporting equity markets, combined with an upward trend of earnings revisions. Market events, such as the election of Donald Trump and the Italian referendum, have been received positively by markets. And it appears obvious that investors are taking comfort in the improvement in underlying fundamentals. Central banks also remain accommodative. Even when interest rates are raised off their current lows, rising rates will be coupled by improving economic growth.

Rising interest rates largely priced-in to bond market

Bond markets have been negatively affected by the rate hike in the US, including Fed Chair Janet Yellen indicating a further

three hikes in 2017. Much of this was already priced-in to bond markets. Keeping a low sensitivity to interest rates in the bond portfolio remains a priority. Inflation expectations remain below what the Fed is targeting. Rate hikes in the US will have far reaching and global effects on the bond market.

Global economy gaining momentum

A number of positive factors are supporting the global economy, and momentum is increasing. The negative spill-over to the rest of the economy from very low oil prices has reversed. Moreover, monetary policy continues to be accommodative worldwide and Chinese policymakers have been successful with targeted stimulus measures. The overall picture for 2017 includes higher growth globally and somewhat, but not significantly, higher inflation. One of the key questions for next year are the concrete effects of political change in the US and Europe.

For more information on our investment views, see the [Annual Investment Outlook, Growth Connectors in 2017](#).

Global Investment Committee

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