



Investment Strategy

# Reduce exposure to emerging-markets bonds

Investment Strategy  
& Portfolio Expertise

1 February 2017

No changes were made to the overall asset allocation at the meeting of the Global Investment Committee on 26 January 2017.

The committee is maintaining its positive view on equities, its cautious stance toward bonds and its large position in cash. Within alternative investments, ABN AMRO remains positive regarding commodities and real estate, with a neutral stance toward hedge funds.

Within the bond portfolio, the decision was taken to signal to clients that, as applicable, exposure to emerging-markets bonds should be reduced.

## Narrowing yield differences drive decision to reduce emerging-markets bonds

Emerging-markets debt yield differences have returned to the lows from before the US presidential election. The GIC recognized that the reward for the risk in emerging-markets bonds has become less attractive, considering that several risks can cloud the horizon. The decision was therefore taken to suggest that clients still holding emerging markets debt

consider reducing their positions. Clouding the outlook for emerging-markets debt could be the expected rate hikes by the US Federal Reserve, rising Treasury yields and the potential for outflows from the region, considering the risks of protectionism or geopolitical risks.

A more in-depth document describing the International Fixed Income team's view on emerging-markets bonds will be published later this week.

Global Investment Committee

Didier Duret, Chair

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