

# Positive environment for equities

24 May 2017

In the last few days, markets in the US have corrected, as the troubles around the Trump administration have increased. This issue was discussed at the 18 May meeting of the ABN AMRO Investment Committee. Despite a jump in market volatility, it remains at a relatively low level. No reason was seen for changing the current asset allocation. Equities continue to be favoured over bonds. The view on real estate is also positive and commodities are avoided. A neutral stance is taken toward hedge funds.

## Fundamentals “trump” politics

Macroeconomic and company fundamentals remain solid. Over the next few days more will be known if the market correction is more than just the pricing out of the “Trump premium” from markets. In US bond markets, the response to the Trump difficulties was reflected in a 10-basis point decline in ten-year Treasury yields, as investors sought safe-haven assets.

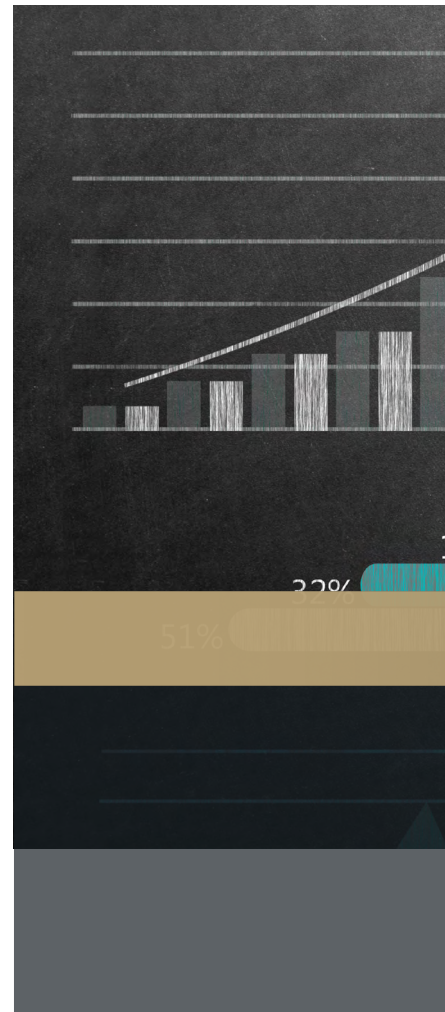
Outside of the US politics-induced correction, equities continue to be supported by a synchronised global upturn, low and only softly rising interest rates and projected double-digit earnings growth. New cash is suggested to be invested in European or emerging-markets equities.

Bond markets remain under pressure, as bond yields are expected to move higher. Bonds with “carry,” i.e. higher interest rate margins or coupons, are preferred. Real estate continues to offer positive total returns, but the asset class is expected to lag equities. In currency markets, the US dollar is now expected to weaken versus the euro and British pound through the end of 2018.

## Global Investment Committee

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