

Asset allocation

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July sees market highs

Global equity markets – as well as Gutmann Aktienstrategie (equities strategy) – marked new all-time highs in July. But not all regions posted uniform gains: the US, for example, hit new records while Asia got under downward pressure over the past month. The Chinese government has announced strict regulations for the private tutoring industry. As a result, many exchange-listed firms operating in this area have been severely battered.

A look at divergent performance numbers shows once again that diversification makes sense, has a stabilising effect and is profitable. In our asset management portfolios, 10 percent of the equities portion is invested in Asia. We cover this theme through the best outside funds. We cannot predict, of course, for how much longer the Chinese equities market will remain under pressure. In a world in which attractively priced growth stocks are becoming increasingly rare, though, we believe that holding small positions in this region will continue to make sense.

The unbeatable leader this year is the US stock market. Since the pandemic, the bull market has been driven by companies in the US digital technology sector. For this reason, the digitalisation theme has also been the performance engine within Gutmann's equities strategy. As previously set out, we use a variety of strategies for our equity investments. The most important one, which is applied to 70 percent of all equities in the portfolio, is Gutmann's equities strategy (Gutmann Aktienstrategie), which has yielded very good results this year.

In the bond markets, the European Central Bank (ECB) meeting was the highlight of the month. In an extensive statement – as is typical of central bankers – ECB president Christine Lagarde ruled out a quick end to the ultra-loose monetary policy. Low and negative interest rates will thus have to be reckoned with for yet some time.

All these developments have been anticipated by inflation-linked bonds. We increased allocations to this bond segment from 10 to 13 percent of the entire bond portfolio already back in January this year. We have now taken profits and reduced their weighting again to 10 percent.

The financial markets' response to the ECB's statements was, overall, muted, while concerns about a challenging autumn due to corona were more emotional. This rise in investors' risk sensitivity was reflected in fresh movements in the major government bond markets on both sides of the Atlantic, with bond prices going up and yields down. The primary market is meanwhile in the summer doldrums.