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Political turmoil and economic uncertainty have grown – time for a risk adjustment of the portfolio

The trade discussions between the USA and China are proving erratic and increasingly unpredictable. The negative effects on global trade have become clear and an uneven development is emerging in many economies with a prospering domestic sector and service industry and a recessionary development of the industrial sector. The trade conflict or war is causing uncertainty, which is making investment decisions difficult and delaying them.

The monetary policy in all the key economic regions is responding with even cheaper money, although the benefits of this policy are questionable in view of the current low interest rate level. It therefore comes as no surprise that fiscal policy is gaining interest as an instrument for reviving the economy and even Germany is discussing an injection of 50 billion euros. Experience shows that government programmes need time to take effect and that they normally do this when they are no longer required.

The current economic uncertainty could continue for some time. A (successful) conclusion of the trade talks would relieve the situation, although this could drag on until the presidential elections in the autumn of 2020. There are also various other political developments underway that are prompting investors to exercise restraint. The weariness surrounding Brexit developments, the uprising in Hong Kong, the hostilities between South Korea and Japan and the skirmishes in the Gulf of Oman are parts of a package of political and economic uncertainties.

In view of this, we have decided to reduce the equity component in the portfolios and instead assume a position in precious metals as these are currently fulfilling the function of a crisis barometer and display good prospects technically.

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