






Current views at a glance







KEY

-  Positive
-  Positive/neutral





-  Neutral
-  Neutral/negative
-  Negative

-  Up from last quarter
-  No change
-  Down from last quarter









Equities

UK		–	Ongoing concern over Brexit suggests favouring large-cap equities as higher overseas earnings will benefit from weaker sterling.
European		–	Post-brexite challenges remain with a weak financial sector potentially constraining growth.
North American		–	Earnings expectations lowered, but the market is likely to be more resilient.
Japanese		–	Stronger yen will weigh on foreign earnings, while domestically Abenomics has not produced the growth or increase in inflation as desired.
Asia Pacific		▲	Slower interest rate cycle in the US and better relative growth momentum will be more supportive to Asian equities.
Emerging markets		▲	Despite a boost from weaker currencies, domestically there are still many challenges, and externally a difficult outlook for commodity markets.

Fixed income (bonds)

Government		–	Core inflation is rising in the UK and US, with continual volatility in bonds expected.
Investment grade		–	Credit spreads provide some pick-up in yield but we prefer short-dated bonds.
High-yield		–	Spreads have tightened giving potential for setback, but yields are still attractive (on a relative basis).
Inflation-linked		–	Domestic inflationary pressures are rising (UK and US), while commodity inflationary impact is turning positive.





Alternatives

Absolute: equity		–	Increased volatility and dispersion should provide opportunities.
Absolute: fixed income		–	Lower liquidity and flatter rate profiles reduces the attractiveness of many strategies.
Absolute: macro		–	Increased volatility across many asset classes should counter flatter rate cycles.
Commercial property (UK)		–	Post-Brexit concerns have resulted in the marking down of property but income characteristics are still attractive.
Uncorrelated infrastructure		–	Uncorrelated income continues to be attractive and in demand.
Precious metals		–	Gold is attractive as a diversifier and as portfolio insurance.
Industrial metals		–	Ongoing excess supply is likely to weigh on prices for some time.
Energy		▼	Oil continues to be volatile as politics and supply concerns dominate the market.

Cash

		–	Cash has defensive and opportunistic qualities in uncertain and volatile markets.
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Currency vs. £

US\$		–	We are neutral on the US dollar overall however there is potential for further weakness in sterling.
€		–	Post-Brexit concerns and the trade deficit weigh more on sterling than euro.
¥		–	Abenomics continues to struggle although in the short term the yen could benefit from US election uncertainties.
Asian currencies		–	A dovish Fed tightening cycle may reduce pressure on Asian currencies.

Source: Cazenove Capital Management, at 30th September 2016. The value of an investment and the income from it may go down as well as up and investors may not get back the amount originally invested.

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