









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		–	Caution over Brexit. We favour large-cap equities as higher overseas earnings will benefit from weaker sterling.
European		▼	Supportive domestic demand but boost from the European Central Bank actions will take time as structural headwinds remain.
North American		–	Earnings expectations lowered, but higher wage costs would temper earnings growth.
Japanese		–	Stronger yen will weigh on foreign earnings, while domestically Abenomics has not produced the growth or increase in inflation as expectations desired.
Asia Pacific		–	Asian manufacturing countries benefiting from lower commodity prices but excess manufacturing capacity remains a headwind.
Emerging markets		–	Domestically there are still many challenges and we remain negative due to the still difficult outlook for commodity markets.

Fixed income (bonds)

Government		–	Core inflation rising in the UK and US, with continual volatility in bonds expected.
Investment grade		–	Credit spreads look attractive but prefer short duration.
High-yield		–	Spreads attractive, especially in the US, but we are mindful of liquidity constraints.
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 attractiveness of many strategies.
Absolute: macro		–	Increased volatility across many asset classes should counter flatter rate cycles.
Commercial property (UK)		–	Recent capital increases (yield compression) not expected to continue although income characteristics still attractive.
Uncorrelated infrastructure		–	Uncorrelated income continues to be well supported.
Precious metals		▼	Gold is attractive as a diversifier and as portfolio insurance.
Industrial metals		–	Ongoing excess supply likely to weigh on prices for some time.
Energy		–	Technological improvements in marginal producers is likely to support current supply for longer than expected and weigh on prices. The cost of buying and holding oil outweighs forecast price returns.

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 but expect further weakness in sterling.
€		–	Brexit concerns and the trade deficit weigh more on sterling than euro.
¥		–	Brexit concerns to weigh on sterling in the near term.
Asian currencies		–	Dovish Fed tightening cycle may reduce pressure on Asian currencies.

Source: Cazenove Capital Management, at 30th June. 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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