

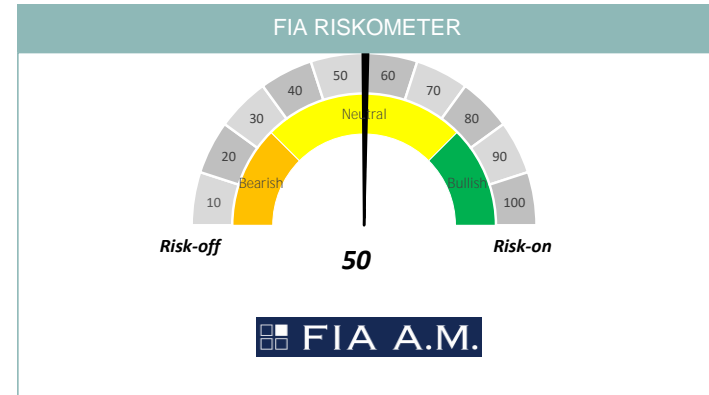


# FIA ASSET MANAGEMENT - OUTLOOK Q1 2020

December 2019

MARKET IQ 2020

Asset Class		Positioning							
		Change	Underweight		Neutral		Overweight		
CASH	Money Market		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
FIXED INCOME	Govies	Safe Havens	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
		Peripherals & EM	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
		Infl. Linked	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Credit	Investment Grade		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
		High Yield		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
		Green Bonds		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
		EM		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Convertibles			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
ABS		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
EQUITIES	Developed	U.S.		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
		Europe		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
		U.K.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
		Japan		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
	Developing	China		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
		Asian EM (ex-China)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
		LatAm		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Frontier Markets		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
FOREX	USD		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
	EUR		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
	GBP		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
	JPY		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
	CHF		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
	CNY		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
REAL ASSETS	Gold	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
	Crude Oil		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
	Real Estate		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
LIQUID ALTERNATIVES	Bonds	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
	Equities		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		



- KEY TAKEAWAYS
- We expect more risk to the upside, given the positive evolution of geo-pol. issues
  - Macro data still suggest caution, but Central Banks should remain supportive
  - Inflation and wages levels remain key indicators to watch carefully
  - Political agenda remains quite busy in 2020, with US elections and Brexit in focus
  - Trump will make any effort to push markets upward before US elections
  - Two main threats to consider are the outcome of the impeachment against Trump
  - We favor equities over bonds, but with a balanced mix of these two asset classes
  - Within bonds we favor EU peripheral bonds and other higher yield strategies
  - Within equities, we prefer US and EM to Europe and Japan
  - We like thematics like infrastructures and healthcare on a long-term perspective

## GEO-POLITICAL AGENDA AND MACROECONOMICS

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- Geo-political events will shape investors' sentiment in 2020, with **Brexit** and the **U.S. Presidential elections** as key catalysts
- A **hard Brexit** should hurt GBP and push UK inflation upward, with BoE needing to take action
- U.S. President D. Trump, who is currently under **impeachment**, will make any effort to **push markets to the upside**, keeping unemployment low and pushing FED governors to be **more dovish**
- We think that a **positive evolution of the trade war** is possible given that it is Trump's interest to make China purchase U.S. agricultural products: in fact, farmers represent a good portion of Trump's voters
- In Europe, **ECB is expected to be supportive**, with rising inflation its main goal
- By the way, macroeconomic data suggest to be cautious, as **growth is cooling down** on a global scale and **inflation seems to be subdued**

## MONEY MARKETS AND BONDS

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- We **underweight cash**, as riskier asset classes are proving to experience positive momentum
- Risk sentiment does not justify any reason to remain allocate to this category, especially given the current **low yield environment**
- With regard to bonds, we shift toward **longer durations**
- Among Sovereign bonds, we favor **EU Peripherals** which can deliver superior yields compared to safe havens, with a reasonable risk level
- Within credit, we remain **bullish on high yield and convertible strategies** given their tendency to be more equity-like
- We still see upside potential in thematic bonds like green and social bonds on a long-term horizon

## EQUITIES

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- We prefer **US** and **EM** stocks compared to Europe and Japan
- U.S. **President D. Trump** will make any reasonable effort to sustain markets performances ahead of elections. We expect him to keep on urging the **FED to be more dovish** and to reach a sort of **agreement with China** about tariffs
- We think that, on the long-term, EMs represent an appealing investment given the higher growth expected and the **increasing transparency** of financial markets within these Countries
- Europe is still under pressure for Brexit and **growth perspectives remain low**. By the way, some opportunities within the **value investment universe** may deliver interesting returns
- Japan's growth remains subdued and the **sales tax hike** may represent a threat to internal consumerism, while the potential Yen appreciation can drag down Japanese exports

## CURRENCIES

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- We think that EUR will remain weak compared to other currencies, as C. Lagarde's main goal remains **core inflation at 2%**, while decreasing unemployment, especially in Peripheral Economies
- The **greenback** should have less strength than 2018 and 2019, unless a spike in US inflation pushes the FED to turn more hawkish
- GBP's destiny remains linked to the kind of agreement that UK will reach with EU for **Brexit**. Of course, a hard Brexit can badly hurt the GBP and lead to strong inflation, which will ultimately require the BoE to take action on interest rates
- With regard to Yen, a recent **reduction on the net positions of Large Traders** reported by the CFTC seems to indicate investors being less bullish on this safe haven, at least in the short term

## ALTERNATIVE INVESTMENTS

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- Alternative strategies remain a good source of **decorrelated returns** and may deliver positive alpha in many cases
- Nevertheless, we think that in the current market environment it would be better to get **beta exposure**, preferring long-only vehicles
- Real Estate and Infrastructure investments may deliver interesting returns given the **low interest rates** and the **high leverage** involved in these kind of investments
- Gold should be penalized by the greater «risk-on» sentiment by investors and a **lowering inflation**
- Crude oil may benefit from a positive evolution of the trade war, but obviously it remains subjected to **OPEC's decisions** with regard to output production

# ASSET ALLOCATION AND FIA RISKOMETER

Asset Class		Change	Positioning						
			Underweight	Neutral	Overweight				
CASH	Money Market		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Govies	↑	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FIXED INCOME	Safe Havens	↑	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Peripherals & EM	↑	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inf. Linked		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Investment Grade		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	High Yield		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Credit	Green Bonds		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	EM		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Convertibles		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	ABS		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
EQUITIES	U.S.	↑	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Europe	↑	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	U.K.		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Japan		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Developing	China		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Asian EM (ex-China)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	LatAm		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Frontier Markets		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FOREX	USD		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	EUR		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	GBP		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	JPY		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	CHF		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
REAL ASSETS	Gold	↑	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Crude Oil		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Real Estate		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
LIQUID ALTERNATI	Bonds	↓	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Equities		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>







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