

Geopolitical shifts towards multipolarity

Recently, the geopolitical shifts towards multipolarity have become more pronounced and visible. This is most evident in the US as well as NATO, where the China relationship is increasingly strained.

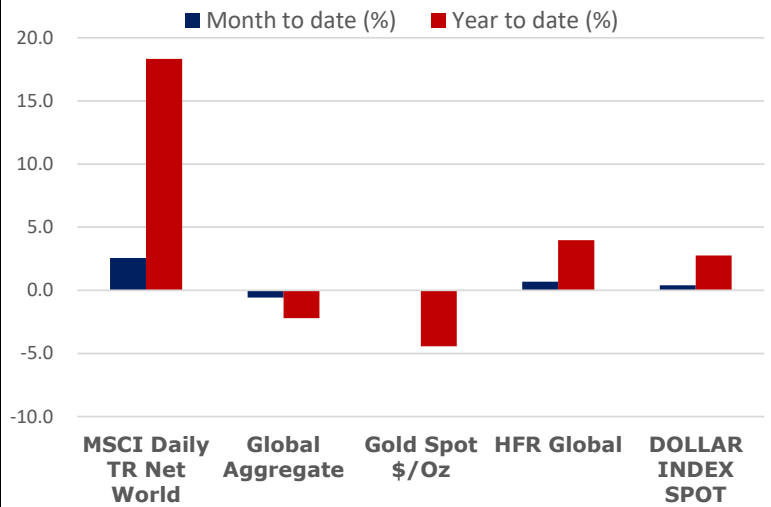
We believe Swiss companies are well placed to benefit from mounting political stress. US-China relations have taken a turn for the worse, further undermining the trust between the administrations. **The long-term implications of the heightened US concern about the rise of China will likely result in reduced business activity between these two giants.** "Strategic competition" is how the US views its relationship with China. We do not believe this will change any time soon. The US has stated it will address its relationship with China from "a position of strength" and work closely with allies and partners to defend their interests and values. The US administration has stated it will "advance our economic interests, counter Beijing's aggressive and coercive actions, sustain key military advantages and vital security partnerships, re-engage robustly in the UN system, and stand up to Beijing when PRC authorities are violating human rights and fundamental freedoms. When it is in our interest, the United States will conduct results-oriented diplomacy with China on shared challenges such as climate change and global public health." **It is our opinion that the much more assertive and aggressive US-China policy may put at risk some trade activity between China the US and other NATO member states.**

Our macroeconomic and markets outlook is largely unchanged. While there now seems to be more concern about the growth and earnings outlook, we remain of the view that **economic activity in key advanced economies will remain robust with inflation risk remaining on the upside and sticky.**

As such, we remain constructive on key advanced economies, keep our reflation conviction and remain with our risk-on positioning in our portfolios. We hold core government bonds at underweight while holding overweight allocation to TIPS, high yield and select emerging market hard currency bonds. We remain underweight in emerging market local currency bonds and equities. Our equities allocation remains overweight with the US as our preferred market followed by the EU, Switzerland, and the UK. We also keep our overweight into gold and continue to look for gradual USD strength.

Our investment themes have expanded to include our Swiss-China Partnership theme (chart at right).

MARKET PERFORMANCE

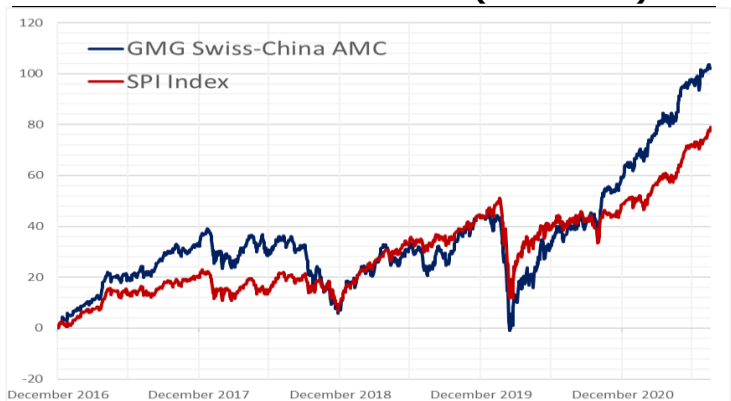


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Cash		○
Fixed Income	Sovereign	●
	Sovereign Inflation Linked	●
	Investment Grade Corporate	○
	High Yield Corporate Bond	●
	Emerging Market Debt Local	○
	Emerging Market Debt Hard	●
Equity	US	●
	EU	●
	Swiss	●
	UK	●
	China	●
	Emerging Markets	○
	Commodities	Gold
Currencies	USD	●

View circles: Green is overweight, White neutral, Red underweight relative to benchmark.

GMG Swiss-China Certificate (back-test)



source: GMG Financial, Bloomberg data as at 30/08/2021

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