

# Strategy update

Entering bear market



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Private Wealth Management  
Zurich, 10th January 2016





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## Asset Allocation Model

Model indicated long-term sell signal in October when Europe confirmed the US sell signal

Due to favourable Q4 seasonality, hedges were only implemented end of December / first days of January

World markets have entered a bear market (major correction) and capital protection will be key

Valuation	Momentum Model: Buy					Momentum Model: Sell					Momentum Model: Neutral				
very high	P	C	C	B	B	C	C	C	C	C/B	C	C	C	C/B	C/B
high	P	P	C/E	B	B	C	C	C	C/B	B	P	C	C/B	C/B	C/B
neutral	E/P	E/P	E/B	E/B	E/B	C	C	C	C/B	B	E/P	C/E	C/B	B	B
low	E	E	E/B	E/B	E/B	P/E	C/E	C/E	C/B	C/B	E/P	C/E	E/B	E/B	E/B
very low	E	E	E	E	E/B	E	E	E/B	E/B	E/B	E	E	E/B	E/B	E/B

very low   low   neutral   high   very high   very low   low   neutral   high   very high   very low   low   neutral   high   very high

Volatility

Stoxx   S&P   MSCI Emerging Markets

E = Equity, High Yield Bonds

B = Barrier

P = Protection / Participation / Hedge funds

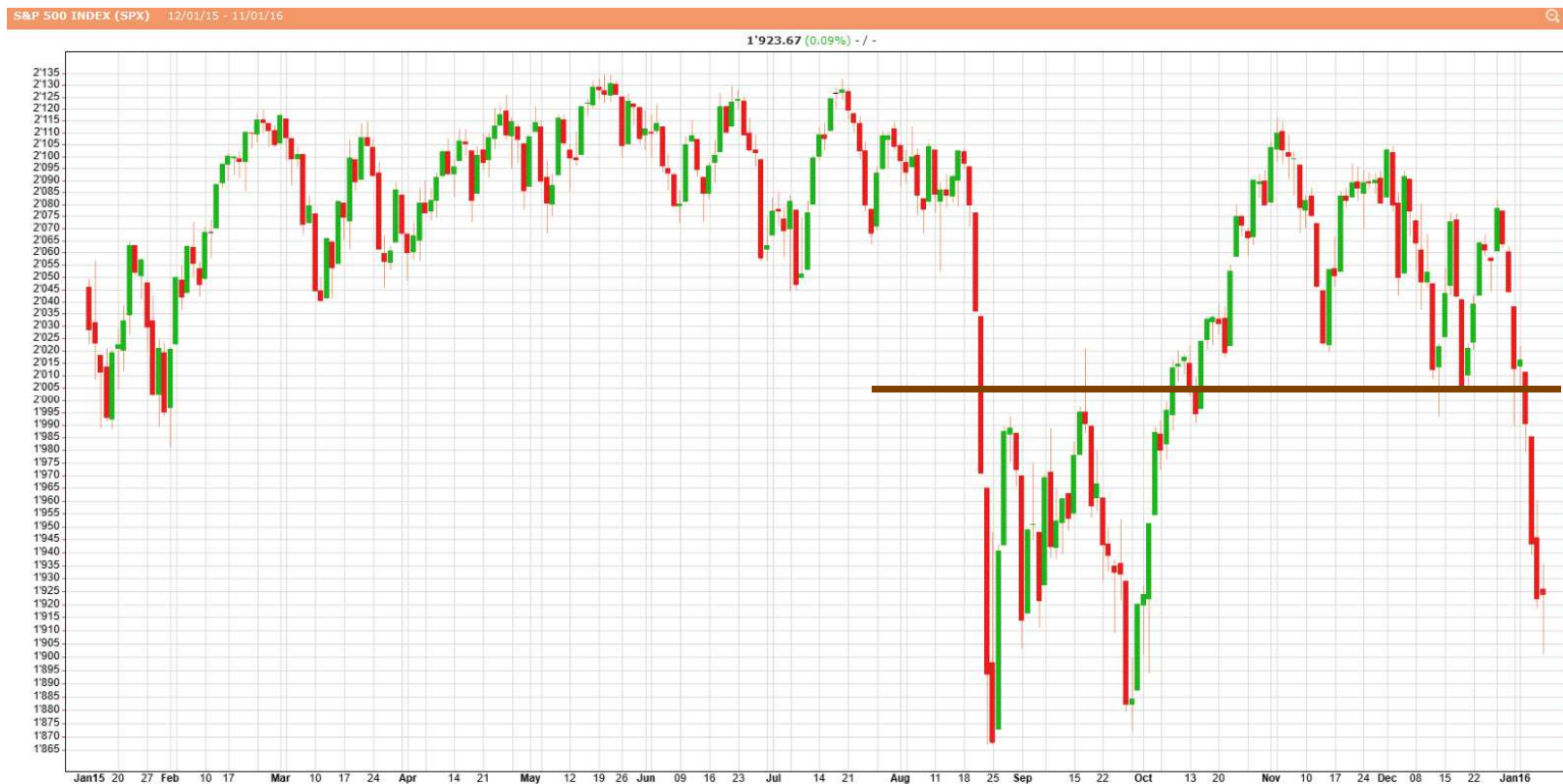
C = Cash / Quality bonds



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## How to play the bear market (1)

- 1) Define when to give up the bear market assumption
  - I. if S&P breaks above 2'010
  - II. if asset allocation model gives a buy signal



Source: Swissquote



## How to play the bear market (2)

2) Define a possible downturn target

Based on valuation, a S&P level of 1'550 or 20% downside seems reasonable (see slide 7)



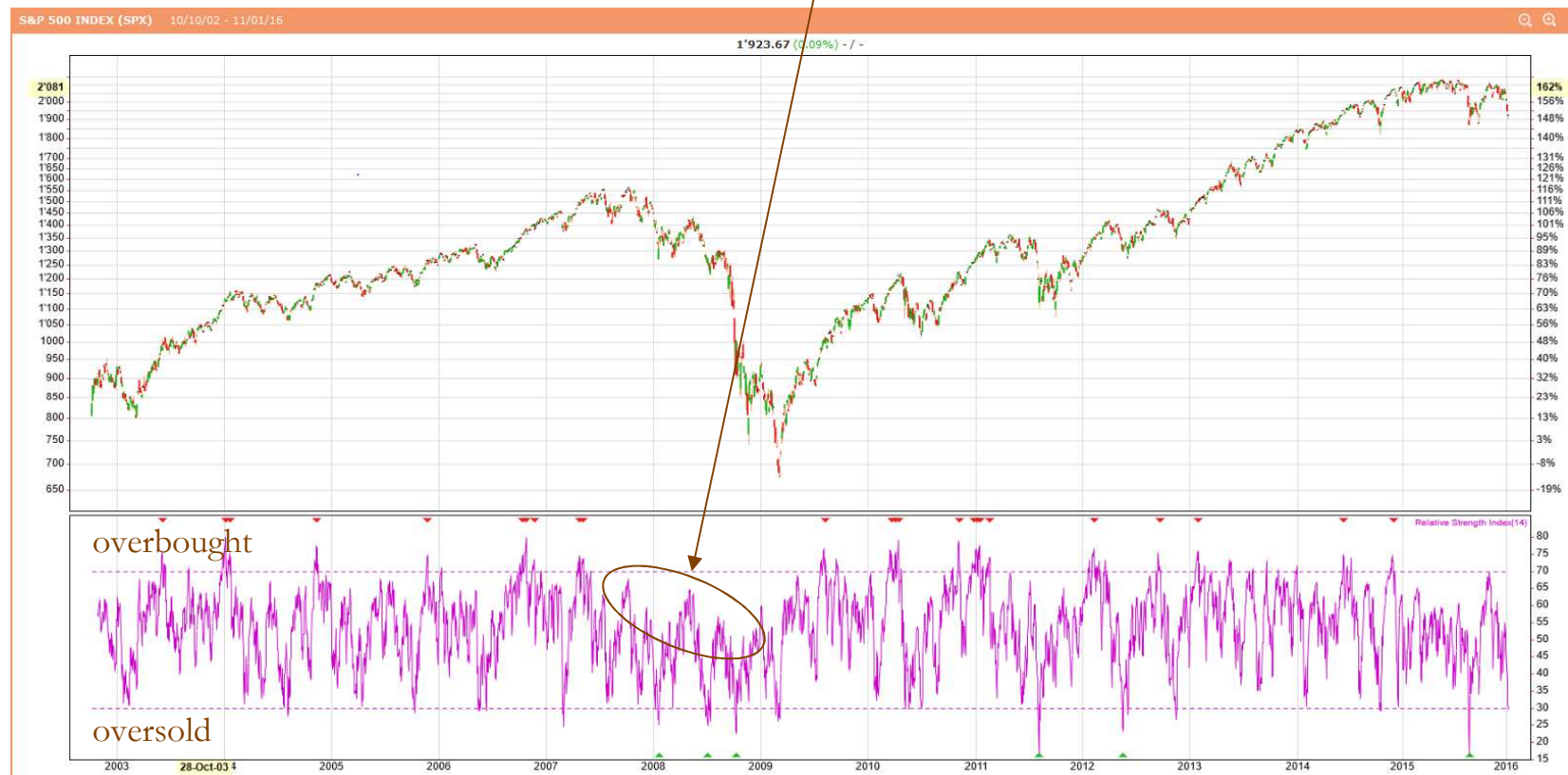


## How to play the bear market (3)

3) Sell into rallies

Timing: usually market does not get overbought anymore

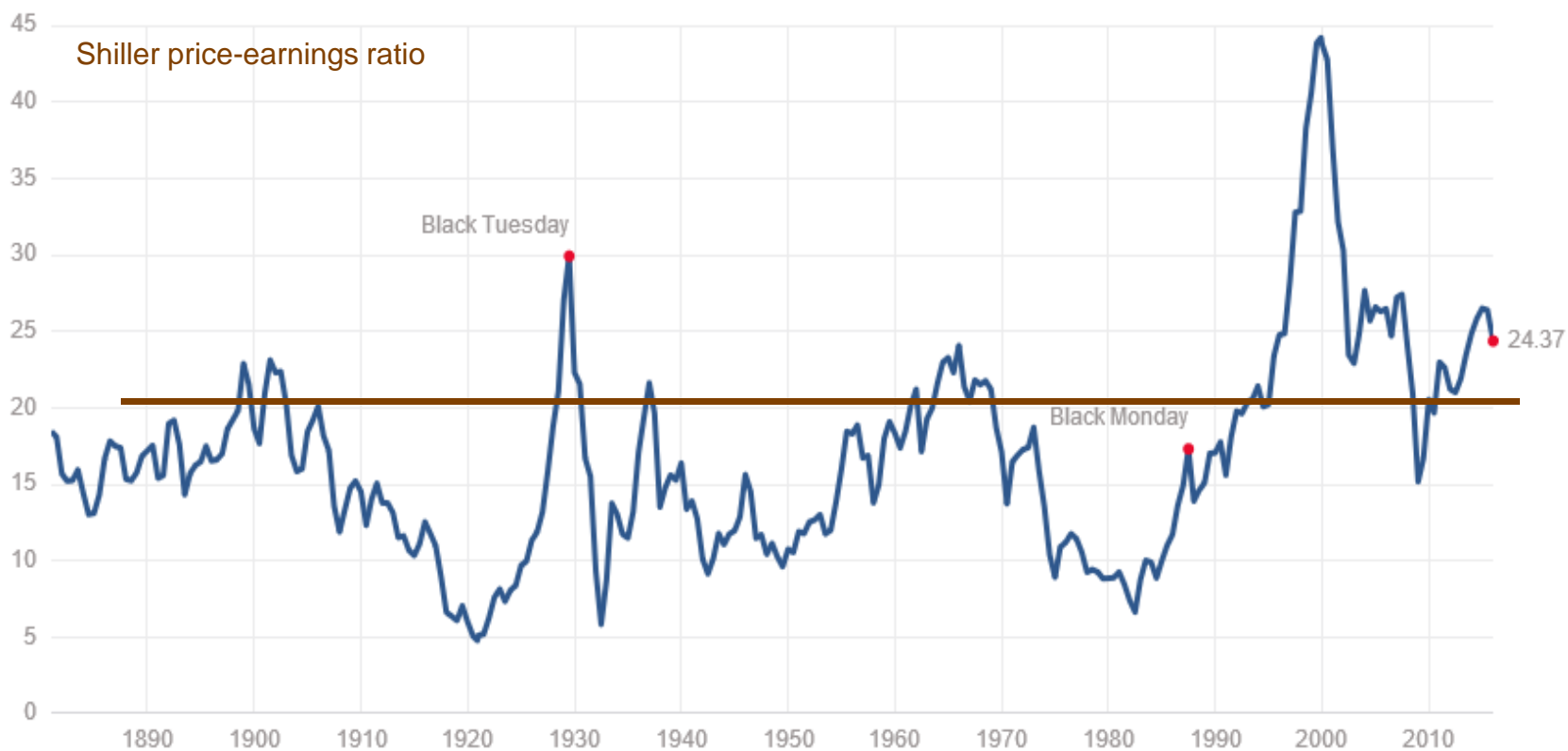
4) Buy back only when the market is oversold





## Valuation S&P

The brown horizontal line corresponds to a S&P level of 1'550 which we mentioned on slide 5  
That level would still be expensive in historical context

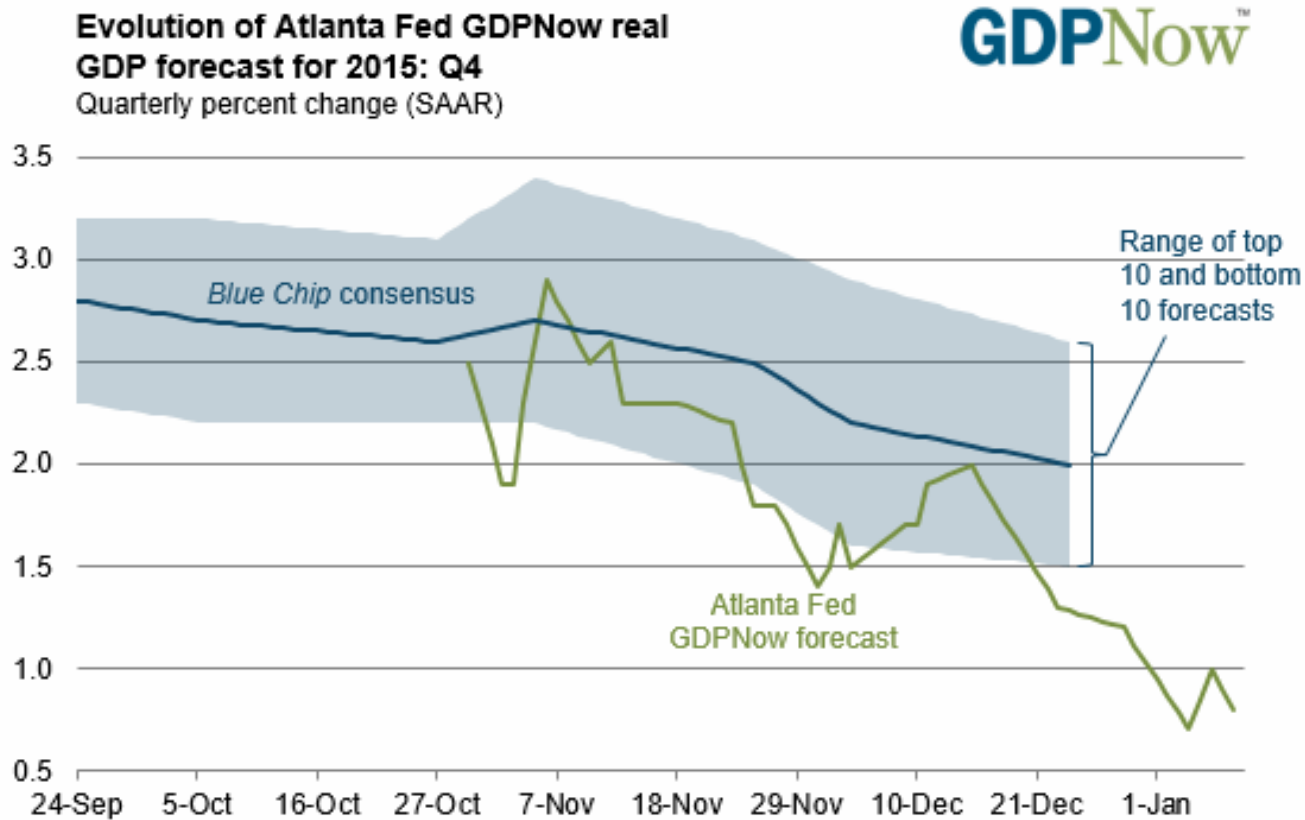






## Economic slowdown

Atlanta FED estimates for US Q4 growth have collapsed from 3% mid November to 0.7% now  
 Analysts seem to be way too optimistic which lays the ground for disappointments







## If history repeats...

“Sell in May and go away” usually not a good strategy in a US election year

“Buy in May and stay”?



Data: 1897-2011, 28 Presidential cycles



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## Strategy implementation

- About 50% hedged
- Increase hedge to 80-100% into first significant rally
- Reducing **Alternative Investments** further to increase flexibility and buying power
- Buy **Structured Products** into further spiking volatility
- Buy **Emerging Market equities** into further plunging markets
- **Gold Mining stocks:**  
Increase position to about 5% should current levels break to the downside
- **High Yield Corporate bonds:**  
Increase positions into spiking corporate bond yields



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**Thank You for Your Attention!**

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