

Media release

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Sarasin CIO offers 10 thought provoking surprises for 2010

Looking forward, Bank Sarasin Chief Investment Officer Burkhard Varnholt served up some food for thought – forecasting 10 surprises for 2010. These surprises are intended to provoke discussion, and not to serve as predictions.

Burkhard Varnholt, Chief Investment Officer

“While forecasting surprises is, of course, an exercise in self contradiction, pondering the unexpected can help us avoid the mistake of uncritically extrapolating the past into the future. It helps to think in scenarios rather than rigid patterns. Our clients expect us to think critically and creatively, and then to respond with recommendations, products and services. We have had some success in this regard – last year we were named the world’s “Best Private Bank for Portfolio Management” jointly awarded by The Banker and Wealth Professional Management in the Global Private Banking Awards 2009.”

10 Surprises Forecast in 2010

1. Stocks perform much better in 2010 than expected. While chronic structural problems continue to delay recovery of the G4 economies, stocks boom particularly in dividend- and growth-rich sectors such as infrastructure, renewable energy, water and sustainable real estate.
2. Growth disparities and political differences increase pressure on the US Dollar pegs in Asia, stoking inflation and discontent. Asian currencies appreciate broadly for the first time.
3. The price of gold climbs to a peak of US\$1,500 per ounce.
4. Rather than further writedowns, some commercial banks revalue their loan portfolios upward on the back of fewer defaults.
5. Asia and Latin America experience the highest economic growth rates globally fuelled by surging domestic demand, infrastructure expansion and robust exports. Africa also records strong growth.
6. A structural increase in demand for government bonds in the G4 countries leads to flatter yield curves at low interest rates. Deflationary concerns spark a frantic search for income producing investments.
7. Major countries plan a hike in the retirement age. Since the change increases economic growth potential, stock markets respond positively to the news.
8. While prices for fossil fuels fall due to global improvements in energy efficiency, prices for agricultural goods reach record highs.
9. Africa ranks among the winners not just on the football field, but on the stock market.

10. A popular uprising in Iran overthrows the government, inspiring political and economic hope far beyond central Asia.

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