

## Media Release

Basel, 6 April 2009

# Sarasin's Strategy Outlook: Investor Sentiment Brightening in Response to Unprecedented Global Policy Responses

**In its latest Strategy Outlook, Sarasin notes that, despite healthy scepticism, investor sentiment is improving based on the perception that the unprecedented global fiscal and monetary stimulus will impact real assets. Sustained government action is sending a strong signal to investors.**

Three factors have combined to boost sentiment. First, banks around the world expect to be profitable in 2009, albeit before extraordinary items and write-downs. Second, quantitative easing (printing money) and direct purchases of bonds by central banks in the US, UK, Japan, and Switzerland, have sent strong reflationary signals to the market. Third, there is a sense that the rate of decline in markets may be lessening, supported by rallies in commodity markets, emerging market equities, cyclical stocks, and US housing starts, which were stronger in February 2009 than at any time since July 2003.

### **Guy Monson, Chairman of the Investment Policy Committee of the Sarasin Group**

"Given that current economic policies can be expected to engineer a massive resurgence of inflation, we believe that the impact will probably be better news for equities in the long term than for bonds, which explains recent upward market movements."

Despite understandable caution among investors, Sarasin draws attention to a global equity market rally in nine of the 10 trading days from 10 March 2009, with extraordinary gains in US and European bank stocks, mining stocks and emerging market equities, alongside tentative signs of narrowing corporate bond spreads. A 20% leap in oil and copper prices in March, plus a weaker US Dollar, paints a brighter picture of improved sentiment. The immediate impact of quantitative easing is to underwrite the bond market at extremely low yields. Governments' dissaving (a term which emerged in the late 1930s) will offset private savings; government employment will offset private unemployment, and private savers will be encouraged to take risk. This is the plan to cushion the economic contraction.

### **Burkhard Varnholt, Chief Investment Officer of the Sarasin Group**

"While the long-term consequences of these government policies are unknown, they carry significant risks of a dramatic return of inflation and a multi-year bear market in bonds. But for the time being, we can expect policy makers to keep the presses printing."

Despite universal gloom, Sarasin points to tentative signs of emerging stability in US housing starts, Purchasing Manager Indices and emerging markets. The dramatic collapse in world trade has depleted global inventories so much that when demand stabilises, there is scope for an increase in production.

### **Global investment strategy implications**

Sarasin favours continuing to hold a core of high quality global equities, deliberately underweighting core financial stocks, policies which, despite the extraordinary downturn in February, have been rewarded in March 2009.



Similarly, portfolios have benefited from returns in China and the Gulf markets which have been strong and have been supplemented by a rally in the frontier markets. Sarasin expects to add increased exposure to these markets over multi-year periods.

Sarasin continues steadily to increase holdings of emerging market equities from the very low levels at the year's outset, and remains broadly neutral in terms of currency weighting. Given the major capital 'supply shock', related to government issuance, sovereign bond durations will be shortened in Q2 2009.

Liquidity remains a key criterion for Sarasin, with portfolios remaining materially underweight in hedge funds, private equity, smaller companies, and other illiquid assets.

**For more information please contact:**

Benedikt Gratzl, Head of Corporate Communications, Media Relations  
Telephone +41 (0)61 277 70 88 e-mail: benedikt.gratzl@sarasin.ch

Harald Melzer, Corporate Communications, Media Relations  
Telephone +41 (0)61 277 70 48 e-mail: harald.melzer@sarasin.ch

**Sarasin – [www.sarasin.com](http://www.sarasin.com)**

The Sarasin Group has its roots as a leading Swiss private bank. As an international financial service provider committed to sustainability, the Group is now represented in 19 locations in Europe, the Middle East, and Asia. By end of December 2008 it managed total client assets of CHF 69.7 billion and employed around 1,500 staff. Its majority shareholder is the AAA-rated Dutch Rabobank.

**Bank Sarasin & Co. Ltd – [www.sarasin.ch](http://www.sarasin.ch)**

Bank Sarasin is a leading Swiss private bank whose many years of banking experience has made it consciously opt for sustainability as a key component of its corporate philosophy. It provides a high level of service and expertise when acting as investment advisor and asset manager for private and institutional clients. Within Switzerland, Sarasin has offices in Basel (head office), Geneva, Lugano, and Zurich. Bank Sarasin & Co. Ltd is listed on the SIX Swiss Exchange.