
Press Release

Amsterdam, 13 December 2011

ABN AMRO sees investment opportunities beyond eurozone recession in 2012

ABN AMRO Private Banking predicts a eurozone recession next year whatever the outcome of the current financial crisis, forecasting negative GDP growth of -0.8% against a market consensus of 0.6% in its Q1 2012 Investment Outlook report titled '*Rising to the Challenge*'.

However it believes global recession will be avoided by positive impetus from fast growing countries in Asia and Latin America, as well as modest economic growth in the US. The bank does not see a significant threat from inflation and forecasts lower rates in most countries than consensus estimates.

Despite downgrading its overall equity allocation to Underweight in early November, the private bank remains Overweight in North America, EM Asia Pacific and EM Latin America equities and also in selected high grade credits.

It also recommends defensive sectors including consumer staples, telecoms and healthcare – the latter due to an established link between increased 'wellness' spending and changes in economic conditions. Estee Lauder, L'Oréal, Allergan and Weight Watchers are expected beneficiaries.

The bank's balanced model portfolio moves to 30% cash, 28% bonds, 34% equities and 8% alternatives, with allocations driven by risk profile rather than return expectations.

Didier Duret, Chief Investment Officer of ABN AMRO Private Banking, said: "The tremendous challenges facing policy makers and high market volatility require prudent and vigilant asset allocation. We keep a close watch on growth signals in the US and Asia – and their positive implication for the private sector."

The bank is Underweight in government bonds due to the divergence and downward trend in most sovereign credit ratings, but remains positive on selected covered and inflation-linked bonds. Investment grade corporate bonds of companies with solid revenue growth and strong free cash flow are seen as strong portfolio building blocks. New EMU fiscal controls are expected to herald Eurobonds.

For currencies, the bank sees the USD supported by its safe-haven appeal and resilient growth. An escalation in the eurozone crisis could also accelerate downside risk for the Euro. The bank moved Underweight in commodities in the last quarter and awaits more solidly grounded fundamentals.

The bank has marginally trimmed its alternatives allocation, but remains broadly positive on commercial property (particularly in North America) and small/ medium secondary private equity funds. It remains Neutral on hedge funds, although positive on the outlook for CTA (Commodity Trading Advisors), and Relative Value strategies.

To receive a copy of the Investment Outlook or for further information please contact:
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