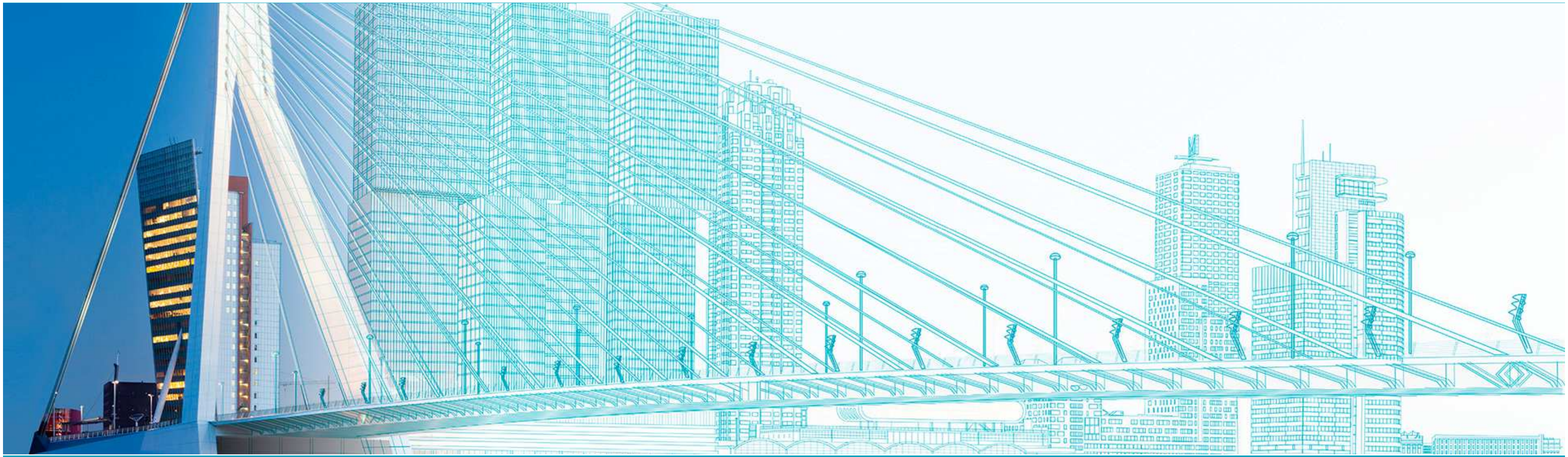


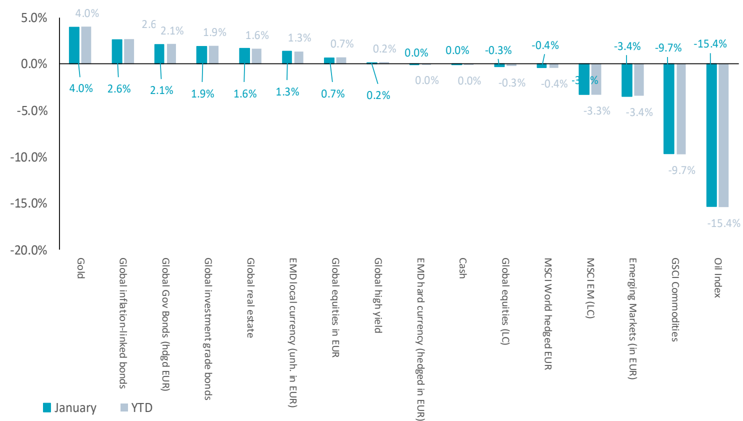
Multi-asset market outlook

For professional investors
February 2020

ROBECO

General overview

January: Oil was the biggest loser this month



Source: Bloomberg, Robeco

Positions: We are turning more cautious

	Portfolio	Benchmark	Active
Equities Developed Markets	25.00%	25.00%	0.0%
Equities Emerging Markets	5.00%	5.00%	0.0%
Real Estate Equities	5.00%	5.00%	0.0%
SPX (US Equities)	0.00%	0.00%	0.0%
STXE 600 (EUR) Pr (Europese aand	0.00%	0.00%	0.0%
Nikkei 225 (Japanese equity)	0.00%	0.00%	0.0%
Commodities	5.00%	5.00%	0.0%
Global treasuries	27.50%	27.50%	0.0%
German Treasuries	-5.00%	0.00%	-5.0%
US Treasuries	5.00%	0.00%	5.0%
Japanese Treasuries	0.00%	0.00%	0.0%
Investment Grade Corp Bonds	20.00%	20.00%	0.0%
European Corporates	0.00%	0.00%	0.0%
US Corporates	0.00%	0.00%	0.0%
High Yield Corp Bonds	0.00%	5.00%	-5.0%
Emerging Market Bonds LC	5.00%	5.00%	0.0%
Cash	7.50%	2.50%	5.0%
EUR/USD	0.00%	0.00%	0.00%
EUR/JPY	0.00%	0.00%	0.00%
EUR/GBP	0.00%	0.00%	0.00%

Source: Robeco

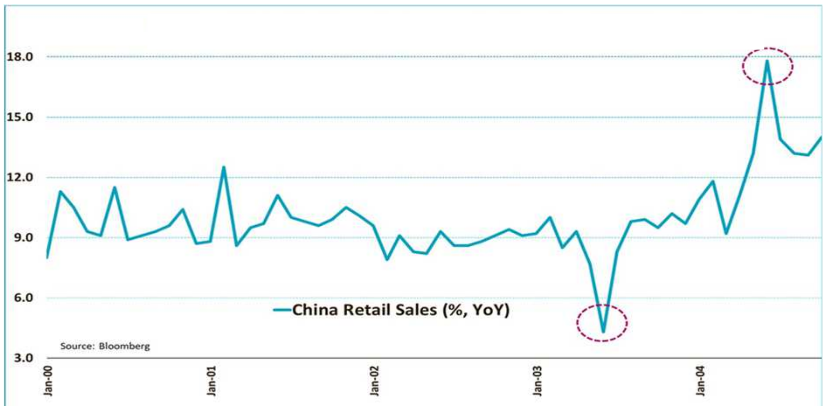
- The year 2020 got off to a good start. The long anticipated signing of the trade agreement between China and the US finally took place, and leading indicators and the inventory cycle continued to signal that the economic environment is improving. In the second half of January, however, these signals of reflation (increasing global growth towards trend) were completely overshadowed by concerns over the coronavirus outbreak. Despite desperate measures by the Chinese authorities, the outbreak is currently still not under control. As long as we haven't passed the peak in infections, uncertainty will remain about the macroeconomic consequences. Fortunately, the Chinese government already implemented a comprehensive package of measures to support the domestic economy.

- Our base case remains reflation, and we expect the global economy to accelerate towards trend. We don't consider the coronavirus to be a shock that breaks the underlying recovery. In an environment of accelerating growth and ample liquidity, equities managed to set new highs, despite accrued valuations. Relative valuation vis-à-vis bonds is still favorable. A risk to equities is a later peak in the coronavirus contamination rate than the market currently expects.

- Partly in view of these risks, we made some changes to the portfolio. We have closed our overweight in equities, commodities and our long EUR versus USD position. We increased our exposure to bonds through buying US Treasuries. We also added a regional trade in bonds, where we are long on 10-year Treasuries against bunds.

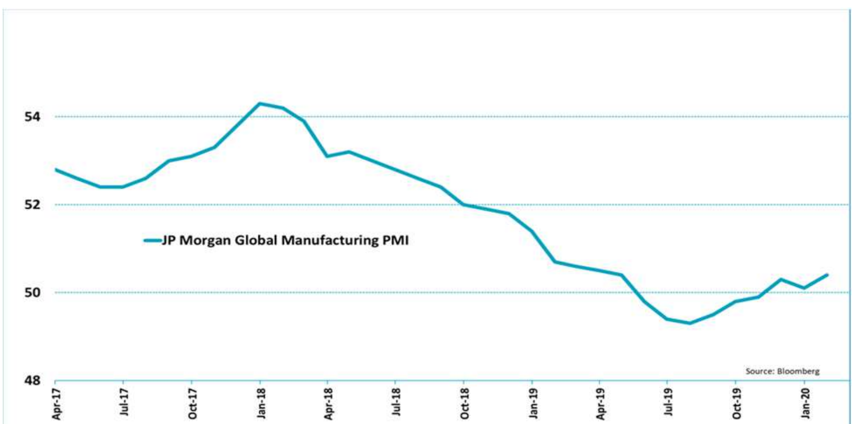
Theme of the month: It's too early to be too gloomy about stocks (I)

China: Retail sales during and after the SARS outbreak



Source: Bloomberg , Robeco

Global Manufacturing PMI: a tentative recovery



Source: : Bloomberg , Robeco

- An unexpected and unfortunate outbreak of the coronavirus puts pressure on the sustainability of the increase in global growth momentum. The fact that the uptick in momentum had only just started makes it relatively vulnerable to any negative shocks. In addition, the significant amount of uncertainty related to containing the virus as well as its economic impact requires an appropriate cautious stance on risky assets. 'Appropriate', however, does not imply getting too gloomy too early, as other factors remain positive for risky assets, and for equities in particular.

- China has taken sometimes drastic measures to contain the virus, which are also likely to impact Chinese growth, and therefore global growth. It is the combination of a growth shock in China – by far the most important country in terms of share of global GDP growth – with the uncertainty of how long and how deep this shock will be that made us erase our overweight to equities in our Multi Asset funds. However, this does not mean we have become outrightly negative on equities.

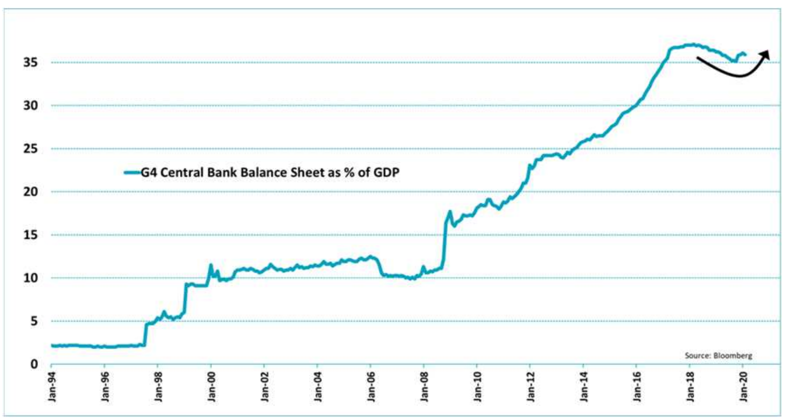
- First, when compared to 'similar' events, economic activity that is lost during a viral outbreak is largely recouped once it is contained. For example, during the SARS outbreak in 2003, Chinese retail sales growth briefly halved before making a strong comeback after the virus was brought under control. Other parts of the economy such as construction were hit as well, but they also recovered once the spreading of the virus started to decline. We expect a comparable pattern this time.

Theme of the month: It's too early to be too gloomy about stocks (II)

MSCI World Index: Earnings per share

Source: Refinitiv Datastream , Robeco

G4 central bank balance sheets: Liquidity provision is increasing again



Source: Refinitiv Datastream , Robeco

- Second, the global economy showed numerous signs of improvement prior to the outbreak. One example is the global manufacturing PMI, which rose to 50.4 in January, its highest level since April 2019. The ISM Manufacturing Index is also back above 50, following a much bigger-than-expected rise in January. The Citi Global Economic Surprise Index has turned positive and risen to its highest level in almost two years. Roughly halfway through the US reporting season for the fourth quarter of 2019, earnings surprises are the strongest they have been in the last three quarters, with sales surprises the most upbeat in the last four quarters. Earnings revisions have improved significantly on the outlook of better global growth. Earnings revisions in emerging markets are now higher than in the US, suggesting earnings momentum is broadening.

- And let's not forget central bank policy. While bigger central banks like the Federal Reserve and the European Central Bank (ECB) have signaled that their policy is appropriate right now, that policy remains extremely accommodative. Their willingness to increase stimulus is high if a negative shock like the coronavirus were to endanger the global economy. The Chinese central bank already injected a massive amount of liquidity once markets reopened after the Chinese New Year. Global liquidity remains enormous, and will continue to grow for now.

- Overall, given the fact that events such as the coronavirus tend to have a temporal rather than a structural impact on growth and earnings, we refrain from becoming outrightly negative on equity markets.

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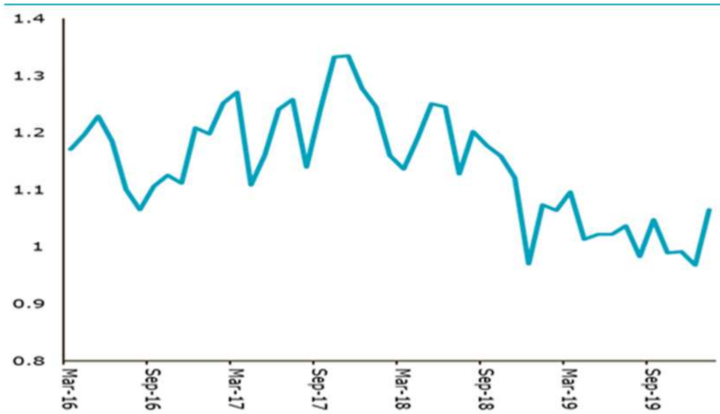
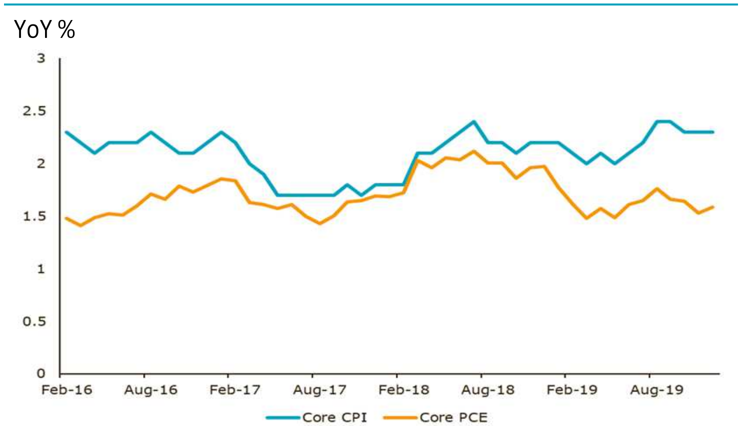
United States

ISM new orders to inventories ratio: First uptick in four months



Source: Bloomberg, Robeco

Inflation: The Fed's preferred inflation gauge remains firmly below 2%



Source: Bloomberg, Robeco

- We think that the Fed is on hold for the foreseeable future. Two small changes were made that further underline this. The outlook for the consumer sector was downgraded, and the Fed made clear that the goal of monetary policy is to support inflation getting back to its symmetric target of 2%. This makes it clear that both inflation, and expectations for it, must rise above 2% for the Fed to feel comfortable that increases are indeed sustainable. The goal is to prevent consistently low expectations dragging down actual inflation rates, and with it, interest rates.

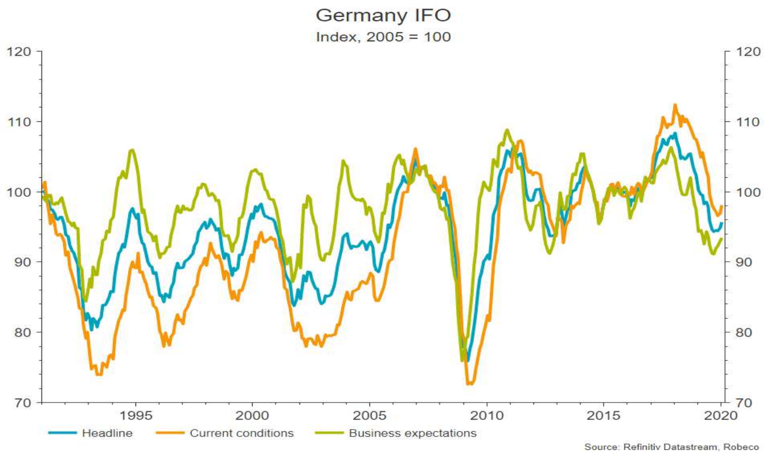
- A big positive is that the ISM manufacturing index is again above the important 50 threshold. This is the first time this happened since July 2019. Also, the ISM new orders to inventory index has started to increase for the first time in three months. The housing market continues to improve, and the consumer continues to be in good shape.

- Non-farm payrolls decelerated, but unemployment remains extremely low, and consumer confidence is still high. The latest consumer conference board survey also reported that a majority of consumers still indicate that jobs are plentiful.

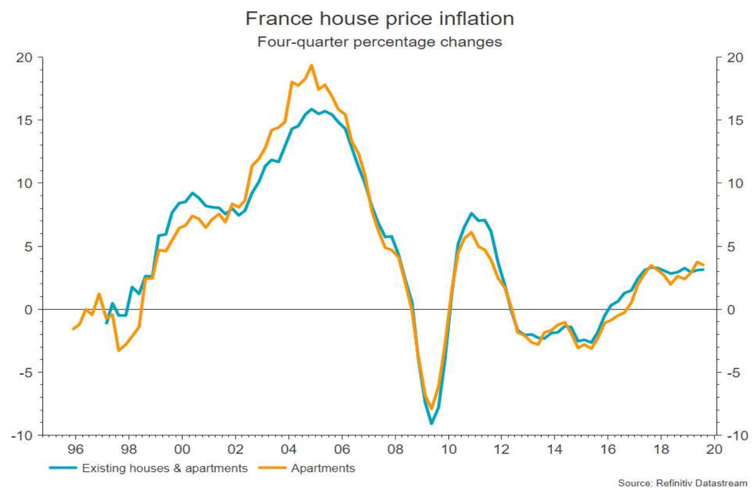
- We are optimistic that the recovery will continue. The coronavirus outbreak, however, does bring with it uncertainty, as it is unclear how large the impact will be on business and consumer sentiment. We will monitor developments closely for any clues that we might need to revise our moderate optimistic view.

Europe

German producer sentiment appears to have bottomed



House prices continue to drive the wealth effect

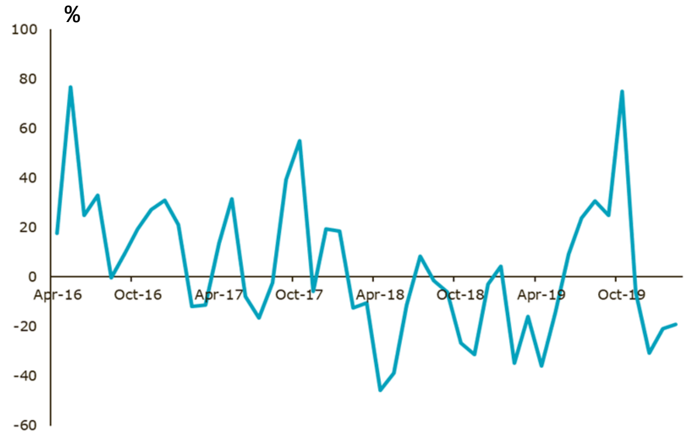


More leading indicators are signaling that the manufacturing recession in the Eurozone is ebbing. The European Commission's industrial confidence indicator increased from - 9.3 to - 7.3 in January, while in Germany, the declining IFO business confidence reading appears to be bottoming out. Pessimism for the near-term outlook among German producers has declined, and capacity utilization has increased from 82.6% to 83.1%. Also, German services activity strengthened in January, as the market PMI rose to 54.2 from 52.9 in December, making lagging spillover effects from the manufacturing malaise to services activity less likely. The German economy is still grappling with lower export demand from China, stricter emissions requirements, and the transition to electrical vehicles in the car industry. Germany produced 4.7 million cars in 2019, the lowest level in 23 years. The second and third-largest Eurozone economies, France and Italy, reported negative Q4 GDP numbers, with total Eurozone GDP growth just 0.1% in Q4.

For the broader Eurozone, a sluggish return to growth is to be expected. Low interest rates, strong labor markets and house price appreciation underpin consumption. In Italy, the ruling PD party was victorious in the Emilia Romagna regional elections, and has solidified the position of the current government. Greece has turned the corner with Fitch upgrading Greek sovereign debt to BB with a positive outlook. President Macron will likely prevail with his reforms in France. Inflation has ticked up to 1.4% from 1.3% in December, but is still below the current ECB inflation target. We expect the ECB to remain on hold, as the risks to the outlook are balanced. Ongoing domestic-led reflation mitigates the potential negative impact of the coronavirus on the European economy.

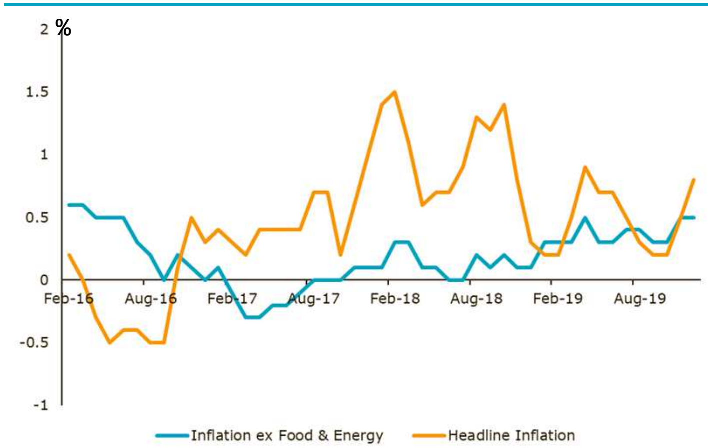
Japan

Japanese economic surprises remain negative



Source: Bloomberg, Robeco

Inflation is still far below the target



Source: Bloomberg, Robeco

- In line with market expectations, the Bank of Japan (BOJ) decided to maintain its current policy setting. Inflation is still sluggish and far below the BOJ stability target, though the cost/benefit trade-off of further easing continues to deteriorate. Ultimately, we think the BOJ will gradually move away from its current policy stance centered around negative interest rates and yield curve control. The negative impact of these policies is being felt more and more by the financial sector.

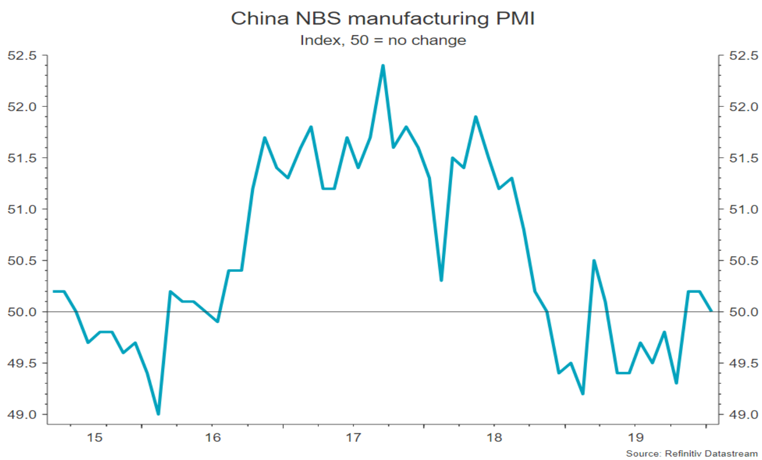
- Growth will be supported this year by fiscal stimulus. In Japan and other Asian countries, there is a bottoming out of falls in exports of technology products: this is normally an early indicator that the economy is improving. The latest industrial production numbers and retail sales, however, paint a sober picture. Also, there has been no improvement in the economic surprise index.

- The Japanese economy is still recovering from the effects of the US-China trade war, the domestic VAT hike, and the damaged done by typhoons. The coronavirus might just be one shock too many. The channels through which this will most probably impact the economy are export, tourism, supply chain disruptions and declining business and consumer confidence.

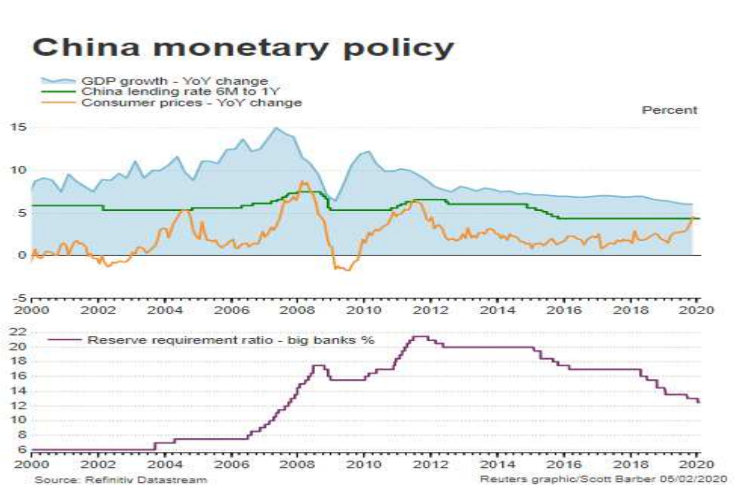
- The inflation index excluding both energy and fresh food – the gauge preferred by the BOJ –came in at 0.5% on a yearly basis and remains far below the target of 2.0%.

China

Manufacturing PMI: Holding steady in January



People's Bank of China: Expect more easing



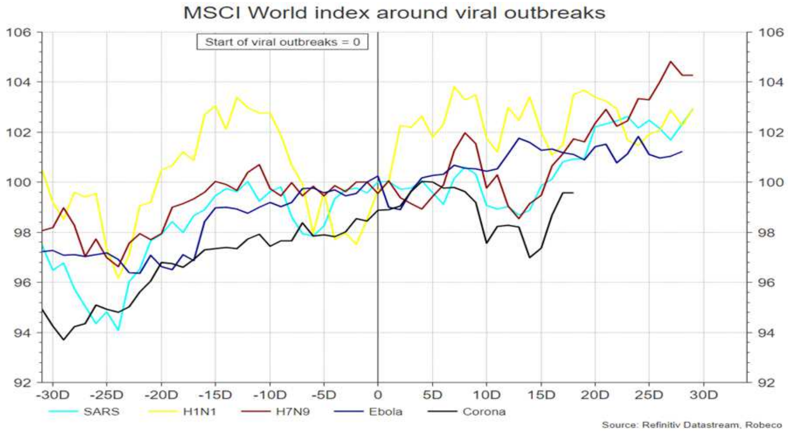
- The ink of the Phase One US-China trade deal was barely dry when the Chinese economy was faced by a new threat. The sudden emergence of the coronavirus has the ability to cause a negative demand shock and potential disruption to global value chains – the very risks that the trade truce had aimed to prevent.

- The Chinese economy had shown signs of stabilization going into the Chinese New Year. The January manufacturing PMI survey, which was held largely before the outbreak, showed that Chinese manufacturing was neither contracting nor expanding at 50.0. With the Chinese factory shutdown prolonged in an effort to stop the virus spreading, the impact on demand and eventually the supply side of the Chinese economy could be material. In the Hubei area, around 40 million people are now in lockdown. Infection growth rates outside China do not seem to be accelerating, but as the contagion has not yet peaked, it is too early to assess the full economic impact. Estimates about the drag on economic growth should be interpreted with care, but the consensus expects a hit to Chinese output in Q2, followed by a swift rebound. The overall impact is expected to account for around 0.25% of Chinese GDP in 2020, due to policy stimulus being ramped up in response.

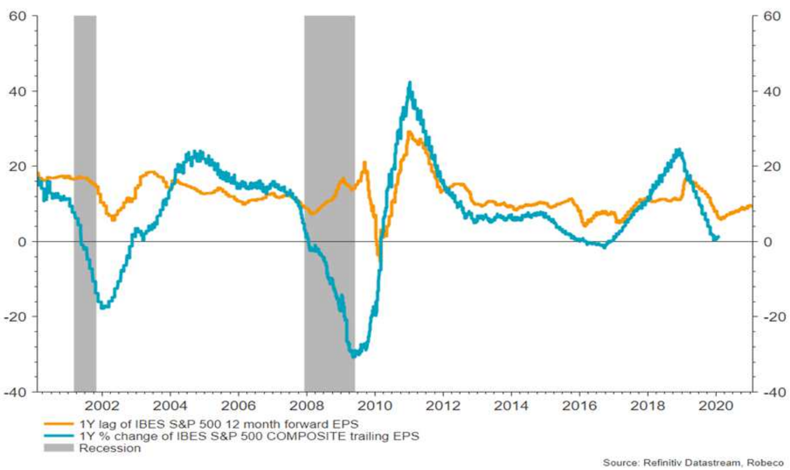
- The People's Bank of China has provided a substantial amount of liquidity via reverse repos, while cutting the OMO rate by 10 bps. These actions suggest more is to come to mitigate the fallout from the coronavirus on the domestic economy. Further rate cuts are likely.

Equities (I)

History often rhymes, but the SARS analogy may be flawed



Earnings: Close to bottoming out?



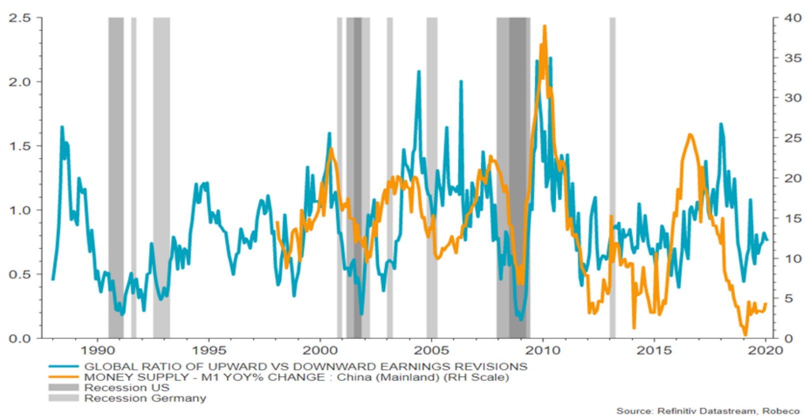
- Themes always ebb and flow in financial markets, and January delivered another example of changing tides. After ending 2019 on a high note, equity investors started 2020 in bullish mode. Sentiment soured, however, after China reported the first victims of the deadly coronavirus in the city of Wuhan and Hubei province.

- Immediate measures taken by the Chinese authorities will depress near-term growth. As it is uncertain when the outbreak will peak, uncertainty needs to be priced in by equity investors. The closure of Chinese production facilities beyond 10 February – when the Chinese government intended to reopen industrial complexes – would likely be negative for markets. A relief rally would be postponed, and next to demand side effects, the effects of disruption to global supply chains need to be factored in.

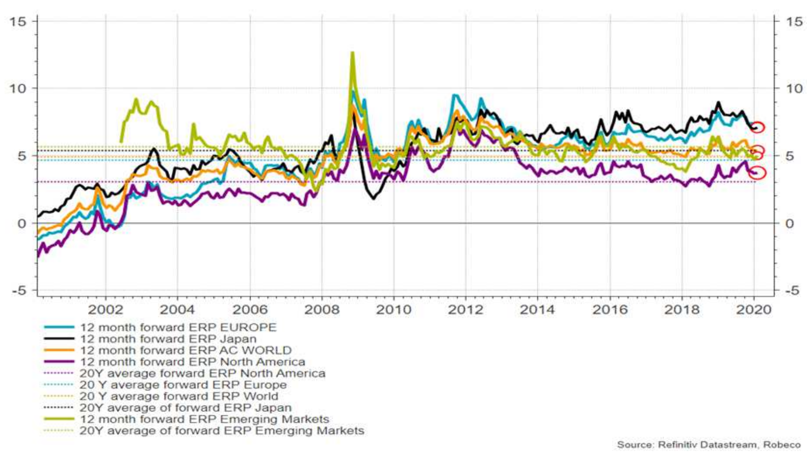
- As China is the powerhouse of emerging markets, the MSCI EM Index has lagged developed markets since the outbreak. History often rhymes, but the comparison that is often made with the SARS virus of 2003 might be flawed. The Chinese economy now carries a lot more weight in the global economy than it did in 2003, making any prolonged slowdown in China more detrimental for the global growth outlook. As we say in our theme of the month, It is too early too be too gloomy, however. China has not only undertaken restrictive measures, but has also embarked on policy stimulus. The central bank has pumped a substantial amount of liquidity into the market, and will likely pursue further rate cuts.

Equities (II)

Expanding money growth in China normally coincides with upward EPS revisions



Equities are still relatively attractive compared to bonds



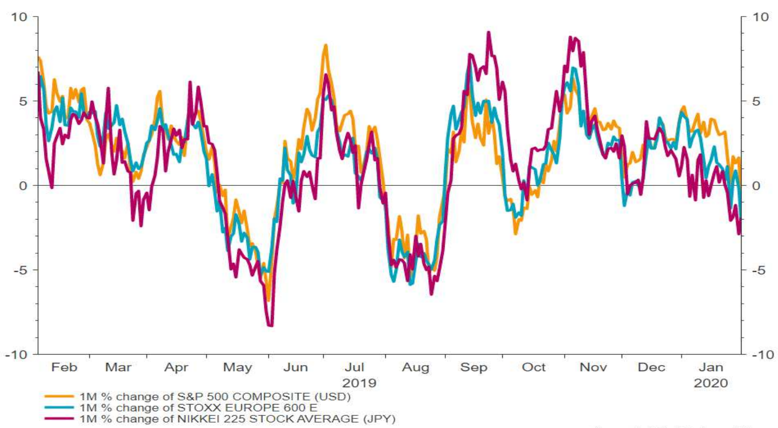
- Moreover, the decline that has been seen in earnings growth is bottoming out. Reported Q4 earnings have surprised to the upside. With 585 companies having reported so far, 98% of US tech companies beat earnings expectations. EPS growth for the S&P 500 year-on-year growth is 7.9%, and regions outside the US are also posting positive earnings results. The return of global earnings growth into positive territory underpins our base case. We expect growth to return to below, but close to, trend levels in 2020. We also think that we haven't yet seen the highs in the equity market for this bull run.

- We expected global earnings to trough in Q2 2020, though an earlier bottoming out would be a welcome sign of the underlying resilience of the global economy. The coronavirus can be seen as potentially changing the reflation path, but without endangering reflation itself. Leading indicators in the manufacturing sector point to a further expansion of industrial activity. In the meantime, dovish central banks provide support, and China is willing to ramp up stimulus to stem social unrest as the fallout of the coronavirus becomes more visible.

- As we said before, bull markets typically die from euphoria. Widespread euphoria is not present, as financial markets have to cope with another source of uncertainty. Nevertheless, we have adopted a more cautious stance, as we have changed our equity allocation from overweight to neutral. We believe that the coronavirus poses a near-term challenge for the global economy until the outbreak is known to have peaked.

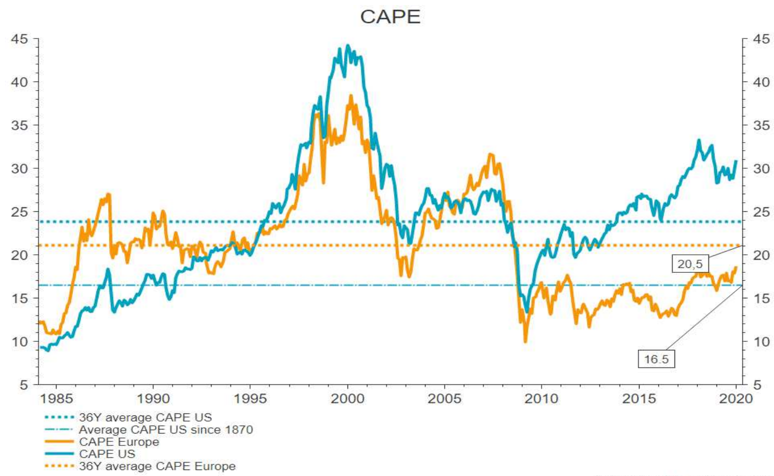
Developed Market Equities

Developed market equity: Momentum turns negative



Source: Refinitiv Datastream, Robeco

Equity valuation: Levels are trending up



Source: Refinitiv Datastream,Robeco

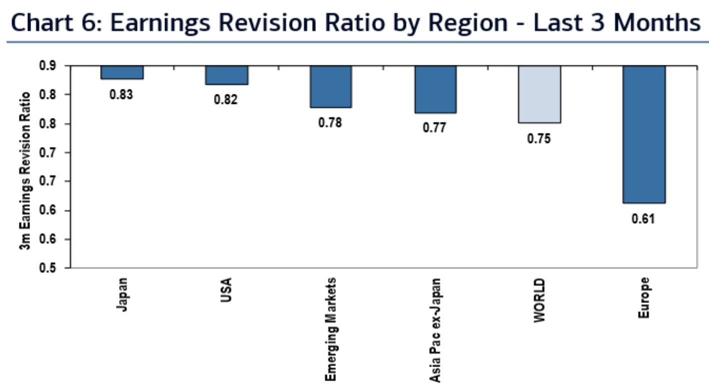
- Developed equity markets started the year on a high note, as a trade deal signed between the US and China combined with receding hard Brexit fears were causes for optimism.

- Developed equity short momentum turned negative in the course of January as the coronavirus started to make headlines. Monthly momentum of equity returns in local currency showed that S&P 500 equities lost 0.2%. European Stoxx600 equities lost 1.2% in local currency. Returns in Japan lagged other developed markets, with the Nikkei 225 index down 1.9% in January. The long momentum signal (12M-1M) in local currency for the S&P 500 remains very positive, and now stands at 19.5%. The long-term signal for the Eurostoxx 600 is also quite strong at 15.9%. Japanese equities' long momentum slightly lags the other developed regions, but still stands at a more than decent 13.9% return on the 12M-1M metric.

- Equity valuations show that 2019 saw strong multiple expansion, even on a CAPE basis. The US Shiller CAPE is now 30.9 – that is 50% above its 36-year average and 87% above the long-term average observed since 1880. It portrays a mixture of a low discount rate environment, confidence in the 'Trump put', and market optimism about future earnings capacity of US corporates. Despite stretched US valuations and pockets of exuberance (Tesla mania), it is still too early to state that we have reached the euphoria stage of this bull market. Also, in Europe the CAPE has now shifted above its 36-year average at 18.7. We currently have no preference for a particular developed equity market region.

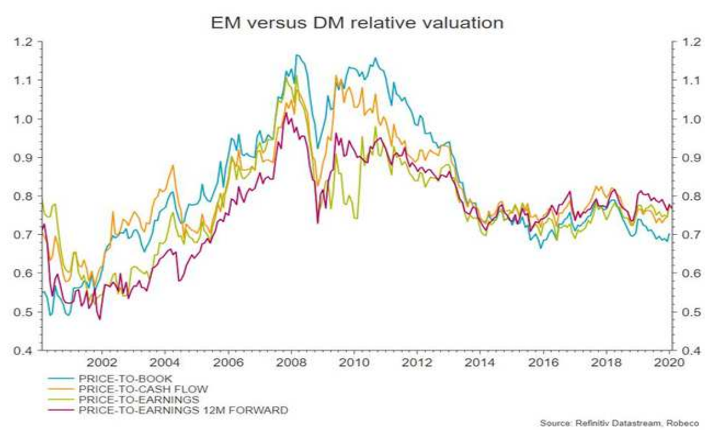
Equities: Emerging versus Developed

Emerging market equities: 2019 performance



Source: BofA Global Quantitative Strategy, MSCI, IBES

Emerging versus developed markets: Valuation



Source: Refinitiv Datastream

- After a solid start of the year, things quickly turned south for emerging markets after the outbreak of the coronavirus in China. The MSCI Emerging Markets Index (in euros) plummeted 3.4% in January, with only commodities doing worse among the major asset classes.

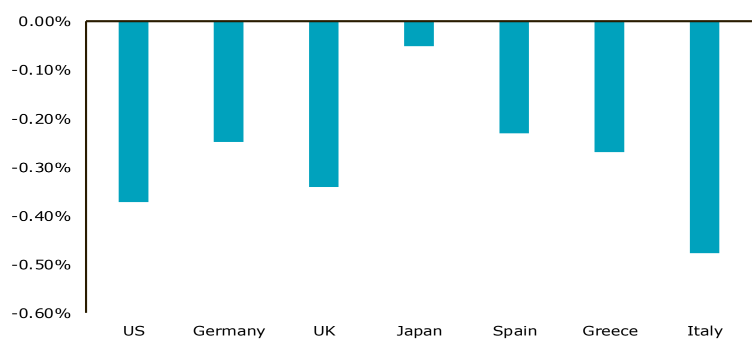
- As the virus originated from China, emerging equities bore the brunt of the sharp, but also brief, turn in sentiment. As cities are quarantined and the Chinese New Year holidays are extended, the outbreak of the virus will have a noticeable impact on short-term GDP growth. Given their strong ties with China, the equity markets of many other emerging economies in the region were also pressured lower. As long as the number of coronavirus cases keeps rising, and economic activity remains seriously disturbed, it is uncertain how large the impact will be.

- The positive thing for emerging markets is that prior to the outbreak, things were just starting to look brighter. Economic momentum in China and other emerging countries was improving, and earnings development was turning positive. Earnings revisions have climbed higher in recent months, with emerging markets moving up the ladder relative to other regions.

- Given the relative vulnerability of emerging markets to the economic impact of the coronavirus, we are neutral on emerging equities. However, improvement of economic and earnings momentum does not make it opportune to implement an underweight at this point in time.

AAA Bonds (I)

10-year yield: bond markets pricing in a major impact on global growth



Source: Bloomberg & Robeco

Economic surprises are still positive

Source : Bloomberg & Robeco

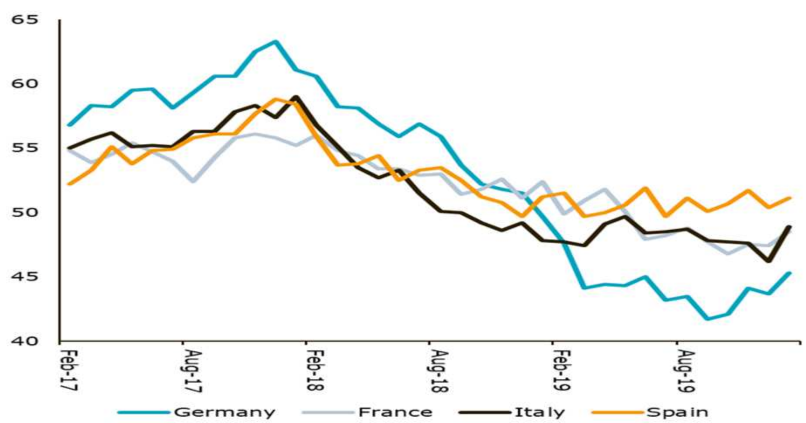
- As the coronavirus began to grab the headlines, financial markets started to wobble. This is completely understandable, as it is difficult to determine what the ultimate impact of the virus will be. Of course, history can gives us clues, but circumstances differ. For instance China, was a much smaller player on the world stage when the SARS virus held the world in its grip in 2003. Also at the time of SARS, equities were in the final stages of the bear markets of 1999/2000. This time around, quite a few equity markets were hovering around their all-time highs.

- So, given the uncertainty, it should not be a surprise that government bonds had a very good month. Yields dropped across the board as investors moved their money into safe havens. The tentative signs of an improving economic environment that slowly started to dominate the narrative in recent months were quickly dismissed.

- The data flow was not too bad and had a generally positive drift. For us, an important signal that the recovery is indeed chugging ahead is that the latest US ISM manufacturing index not only increased, but also moved past the important 50 threshold for the first time in six months. Also, economic surprises are positive, indicating that expectations are too low. The economic picture in Europe also continues to gradually and steadily improve.

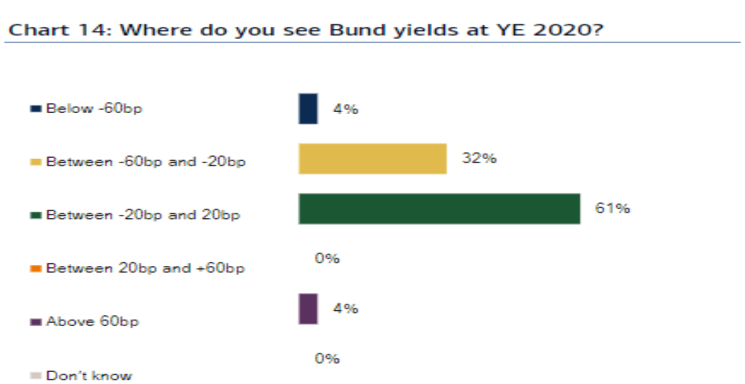
AAA Bonds (II)

European PMI: looks like it has bottomed out



Source: Source: Bloomberg & Robeco

German 10-years: quite a few market participants expect a higher Bund yield



Source: BofA Global Research FX and Rates Sentiment Survey

- Economic surprises are positive and the manufacturing purchasing managers indexes for the major European economies all showed improvement.

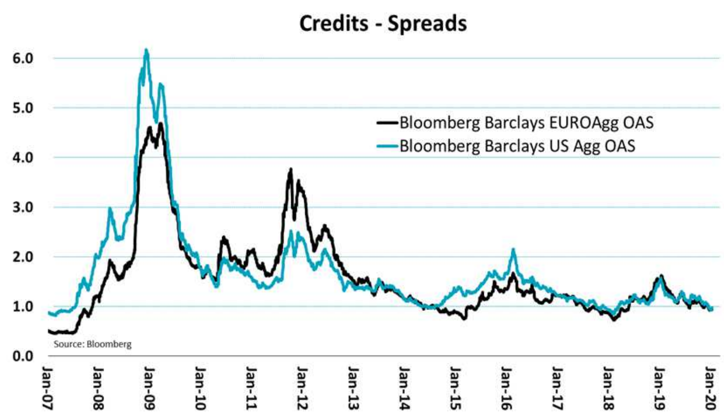
- It is uncertain what the impact of the coronavirus outbreak will be on the global economy. The sheer size of the Chinese economy implies that drastic measures that impact Chinese growth should be felt globally. Bond markets seem to share this view, as they look to be pricing in a sizeable negative impact on confidence and global growth.

- Our base case remains that the economic numbers will continue to improve. The uncertainty, however, has increased due to the coronavirus outbreak. While we think that bonds are still expensive given where we are in the cycle, we did temporarily shift to a small overweight in US Treasuries to cushion against the negative fallout from the risk-averse phase triggered by the coronavirus outbreak.

- We also added a position to the portfolio, in which we are long 10-year US Treasuries and short 10-year German bonds. We think this position has the ability to do well in both risk-off and normal periods, as we think Bunds are way too expensive. The ECB is one of the central banks that has the least policy flexibility. If developments take a turn for the worst, then the Fed has more room to cut rates. If the recovery continues, we think 10-year German Bunds have much more room to rise.

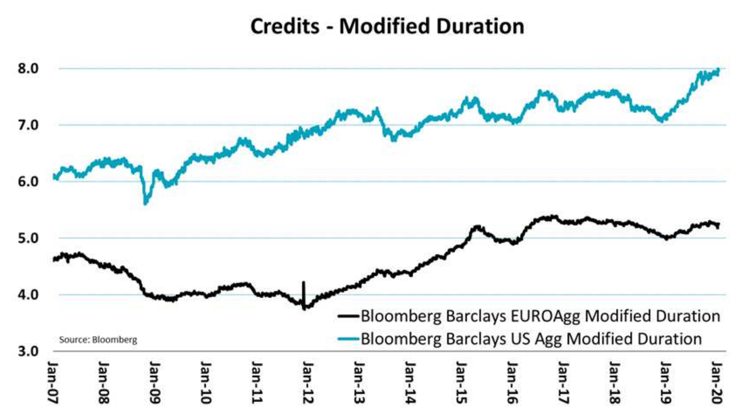
Investment Grade Credits

Credits: Spreads in the Eurozone and US



Source: Bloomberg, Robeco

Credits: Duration in the Eurozone and US



Source: Bloomberg, Robeco

- Global investment grade credits had a strong start to the month as bond yields around the global fell sharply in reaction to the coronavirus outbreak in China. Spreads were little changed from the close of 2019 and remain below 100 basis points in both the Eurozone and the US. The yield on Eurozone credits has dropped to 0.35%.

- It was the duration factor that helped credits outperform most asset classes except for government bonds. As the chart on the bottom left shows, duration has increased steadily over the course of the last 10 years or so. Duration is above five years in the US and close to eight years in the Eurozone. This means that, especially for Eurozone credits, the risk distribution has shifted towards duration and away from credit spreads. With the latter already really tight, and our expectation that bond yields will gradually start to rise as the economy recovers, the upside for credits seems limited.

- Central banks, however, remain a positive factor, as they still provide large amounts of liquidity. This is most pronounced for European credits, which the ECB will continue to buy until inflation expectations normalize. This, as we know, could take a while given current levels.

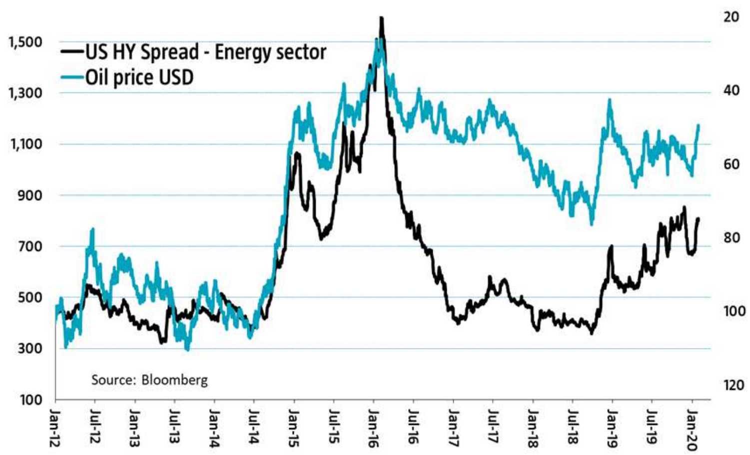
- We are neutral on investment grade credits and have a small preference for Eurozone credits relative to US credits. The reason is that hedging costs are still relatively high, and the ECB will remain a marginal buyer for the foreseeable future.

High Yield

Global high yield: Spread

Source: Robeco & Bloomberg

Energy spread and the oil price



Source: Robeco & Bloomberg

- Global high yield bonds seemed largely unmoved by the outbreak of the coronavirus and realized a positive return of 0.2%. Obviously, this was driven by the fall in bond yields around the globe, as sentiment quickly deteriorated. Spreads did widen, but the move was relatively benign. At the end of January, the spread on global high yield averaged 468 basis points.

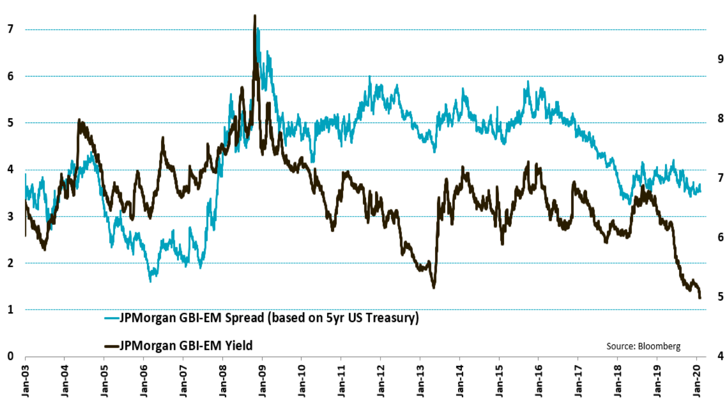
- In the first week of 2020, issuance of high yield bonds was extremely high. The fact that these large amounts were easily absorbed by the market – despite the gradual increase in leverage – indicates that demand for high yield remains extremely firm.

- In addition, the recent sell-off in oil prices seems to have had a limited effect on spreads of high yield energy companies. Yet, US shale gas producers that often have lower credit ratings remain heavily dependent on oil prices.

- While recent high yield resilience points to strong technicals, we stick with our underweight for now. Spreads have widened, but not to the levels at which we would become more constructive on the asset class. Both yields as well as spreads are low. The dispersion between cheaper CCCs but very rich BBs remains a negative as well. If the cycle turns, there is virtually no place to hide, except for those bonds that have the highest risk of defaulting.

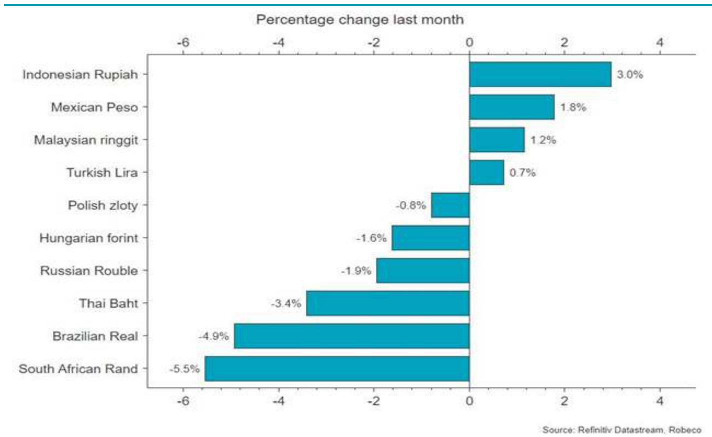
Emerging Market Debt

Emerging market debt in local currency: Spread and yield



Source: Bloomberg, Robeco

Emerging market currencies against the euro

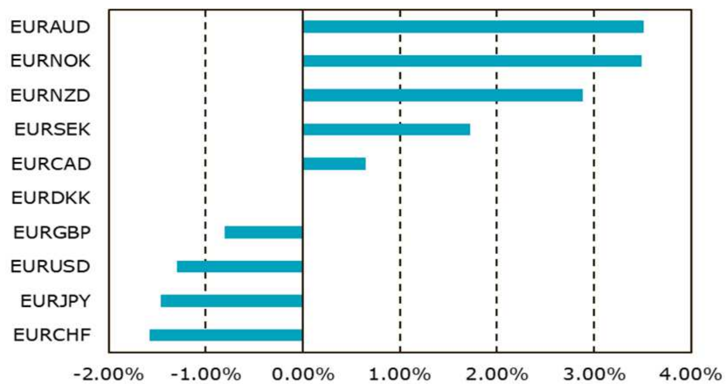


Source: Thomson Reuters Datastream, Robeco

- Local currency emerging market bonds started the year on a positive note, returning 1.3% in January. A sharp decline in global bond yields pushed down the average yield on local currency emerging debt to an all-time low of below 5%. Spreads, as we have seen in the last couple of years, did not change all that much.
- Compared to other fixed income asset classes, the outlook for local currency emerging market debt is relatively upbeat. Yields have room to come down further, especially now that inflation in emerging countries is converging towards developed market inflation.
- Having said that, with the yield-to-maturity dropping below 5%, valuation is becoming less attractive, especially compared to equities, where a return of earnings growth should make stocks more attractive.
- Idiosyncratic risk will impact the performance of the overall asset class from to time, but apart from some smaller usual suspects, we believe an improvement in the global economic cycle will continue to make investors more forgiving as they search for yield. Obviously, the sudden outbreak of the coronavirus is a wild card.
- We remain neutral on local currency emerging debt. Compared to other fixed income classes, EMD looks relatively attractive, though valuation has become somewhat stretched.

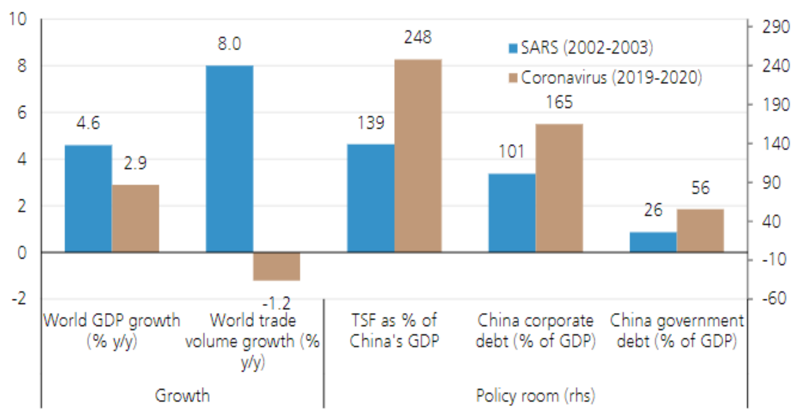
FX (I)

EUR/USD: 2019 was a low-volatility uneventful year



Source: Bloomberg, Robeco

Different starting points: SARS versus the coronavirus



Source: Haver, Bloomberg, CPB, IMF,UBS

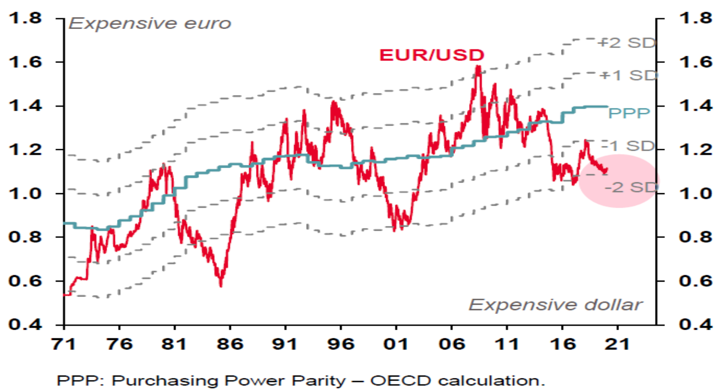
- It should not come as a surprise that safe haven currencies were the best performers in January. The coronavirus abruptly changed market sentiment. Optimism about the tentative signs of recovery was quickly replaced with uncertainty about the impact of the outbreak on global growth. While it's not the first time that a virus outbreak has grabbed the attention of markets, it still remains extremely difficult to predict the impact it will eventually have on markets and economic growth.

- The worse-performing currencies were the more cyclical ones. Amongst those, the commodity currencies were hit the hardest. As the virus originated from China, a major marginal importer of commodities, commodity currencies came under pressure. As it isn't unreasonable to expect, their respective economies felt a bit of downward pressure.

- The million-dollar question of course is: how will the virus outbreak impact the outlook, and how long will it dominate the headlines? After a severe risk-off wave during the close of Chinese markets due to the Chinse New Year holidays, their reopening was a catalyst for a rebound in markets globally. Important in this regard was the supporting measures taken by the Chinese authorities. Not only was a substantial amount of liquidly provided, but rates were lowered, and the yuan was fixed below 7.00 to the US dollar. These are all clear signals that the Chinese authorities stand ready to provide support.

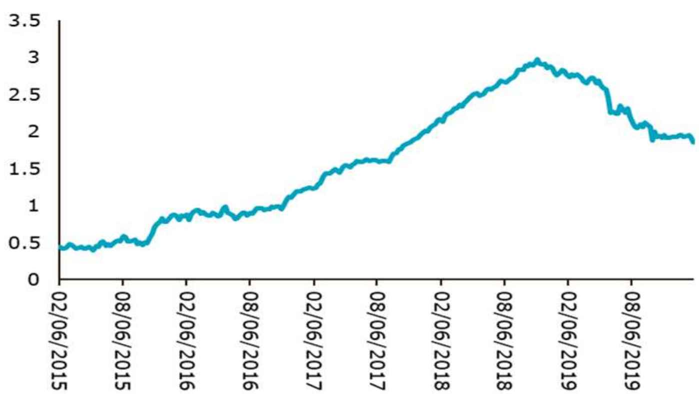
FX (II)

The US dollar is extremely expensive



Source: : Societe General

1-year interest rate differentials of the USD vs EUR: the USD loses support



Source: Bloomberg, Robeco

- Our base case remains that we are late cycle. Normally in this part of the cycle, the US dollar starts to weaken. With the Fed further down the monetary cycle than the ECB and the Bank of Japan, it is more likely that interest rate differentials will start to work against the greenback. The dollar is also expensive on several metrics. On a purchase parity basis, the dollar is currently almost two standard deviations from fair value, something that has happened only five times over the past 50 years. Last but not least is the US government's continuous efforts to weaken the dollar. Beside the by now familiar tweets by President Trump, the Commerce department can now go after countries that are deemed to be currency manipulators. However, all of the above is completely irrelevant if a risk-averse episode is triggered, as is currently the case with the coronavirus. The dollar remains a safe haven currency.

- On 31 January, the UK left the European Union. After the December 2019 general election, markets breathed a sigh of relief, as there was finally clarity on Brexit. Now, attention is slowly turning to how the UK envisages its future in the world. One thing is certain, and that is that negotiations with the EU are not going to be easy, now that PM Johnson has made it clear that alignment with EU rules will end after the talks. He is even willing to revert to WTO rules for trade to make this possible. We think sterling is trading at the high end of its range.

- Due to the risk-averse mood in the markets due to the coronavirus, we closed out our overweight EUR position against the USD.

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