# Multi Asset Views – July 2023 transcript

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## The economy surprises with its resilience

The real economy has been surprisingly resilient in the last few months. It's particularly the case in the United States. We've been talking about a recession for months and it's still not coming. So is the bond market wrong? As you know, the US Treasury yield curve is deeply inverted, which has historically been a very good signal of recession, but with not such a reliable lag.
So is it wrong this time? If you take the Atlanta Fed GDP tracker, which is a good summary of all the data we have to track the real activity in the United States, it's currently at 2% annualized. That's pretty good and nowhere near a recession level. It's even more surprising on the US labor market. The last print in May was above 300,000 new creations.

## A surge in equities creates vulnerabilities

The silver lining is that risky assets, in particular equities, have gone already quite far, integrating in their price a lot of those good news. We find that that's particularly the case in Europe, where news has been a bit mixed lately, to be honest, and therefore we've decided to move our underweight in equities to Europe. The other region that proved challenging is Asia, and therefore we've closed our overweight emerging equities because the recovery in China has been disappointing of late.
For example, the steel production currently in China is below what it's been on average over the past five years at this point in time.

## Still interest in the bond market

Still in the emerging markets, we keep our overweight on that in fixed income. More generally, we actually believe it's a good point for portfolios to lengthen their duration, meaning their interest rate sensitivity. To put it very simply: bonds offer a good diversification in a multi-asset portfolio today.
To summarize, we're a bit cautious on our risk appetite, but not very far off our strategic asset allocation in our portfolios. Our strong bets is in terms of regions. We clearly favour the US large caps to the detriment of Europe and US small caps.

Source: AXA IM as of July 2023