

## ***Looking beyond currency in the search for good opportunities***

*The experts are divided on the benefits of "emerging" currencies.*

If the euro is getting stronger, are there opportunities for currency diversification that would allow investors to act with at least some degree of prudence? It's never easy for investors to find their way through the currency maze. However, if the strength of the euro were to continue with the election of Emmanuel Macron to the Élysée Palace (which remains to be seen), then investors would need to take the resulting scenarios into account when managing their money.

The current scenario is clearly of interest to people investing right now, but they also need to look to the future. According to Peter Rosenstreich, head of Market Strategy at Swissquote: "We'll see a short-term consolidation for the euro, before a new rise over the long term. We have more than one reason to believe that the movement in rate differential expectations can only be good news for the euro". And how is the euro faring right now? Luca Riboldi, Chief Investment Officer at Banor SIM, explains: "We're very cautious on diversification in non-euro currencies. With the exception of the dollar, which if the euro were to strengthen should fall towards 1.12 against the European currency. This obviously refers to a situation where Marine Le Pen doesn't win the election in France, otherwise it's more likely that we'd see a move towards parity. Finding a currency with an upside vis-à-vis the euro seems particularly difficult to me right now. In the last 12/13 months the emerging currencies have performed well. But for that very reason we think they've exhausted their potential. At present, the UK pound doesn't seem particularly attractive and we're not too keen on the yen, given that the Japanese central bank holds one of the firmest stances on quantitative easing".

As regards emerging currencies, however, Rosenstreich explains: "For the next three months the notable reduction in volatility and the marked improvement in the economic conditions of the emerging markets' fundamentals offer a clear signal to increase our positions in that asset class. In that context, we prefer the Indian rupee". Someone else taking a positive view of the emerging currencies is Federico Garcia Zamora, a Standish asset manager specialising in debt and emerging currencies. He says: "We believe that the emerging currencies at present offer good investment opportunities. At the end of 2016 Mexico was one of the worst-performing currencies at the global level, in view of the commercial and immigration policies on President Trump's agenda. But we believe that the movement was excessive and the currency could regain ground. Both Russia and Brazil experienced a currency collapse in 2014/2015, followed by high inflation. But both countries now seem attractive for

investors interested in local currencies, not least given the ground they've gained in the last six months".

Sergio Bertocini, Strategist at Amundi SGR, is looking to Europe: "In our currency portfolio, in addition to the US dollar we're taking a positive view of Nordic currencies like the sek and nok (Ed's note: the Swedish and Norwegian kroner), which remain attractive not just in terms of valuation but also thanks to the support they receive from monetary policy".

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