Wealth Q&A: Zucker moves out of emerging stocks

Tara Loader Wilkinson

22 Feb 2011

Olivier Zucker, founder and managing director of Zucker & Co Investment Advisors, tells Financial News why he prefers equities in developed markets over those in emerging economies.

Financial News: What is one of your favourite themes at the moment?

Olivier Zucker: Over the past 12 months, the outperformance of emerging-market equities over developed-market equities has been one of major trends contributing to positive portfolio returns. Now, although we remain overweight equities, we have temporarily shifted focus from emerging market to developed market equities.

FN: Why is this?

OZ: Momentum indicators play a big role in our investment approach and for this reason we tend to be very exposed to emerging markets. But short-term inflation worries, adverse currency movements and the necessity to reprice geopolitical risk are disrupting the long-term trend in emerging-market equities, although we do expect to return to this position later in the year. Overall, we are not concerned with valuation levels and think they are consistent with continued global GDP growth.

FN: Can you talk about your favourite developed regions?

OZ: Looking at developed market equities and recent macroeconomic releases from the US, Germany and Japan, we are increasingly confident that economic growth will surprise to the upside and lead to higher investment and consumption spending. Japan particularly has been left behind since the start of the global equity rebound in 2009 and we believe that this market has significant potential to catch up. We believe the main catalysts for this will be less pressure on the currency to strengthen, a rebound in industrial production and the impact of stronger growth in the US.

FN: What about specific sectors?

OZ: On a global basis, our preferred sectors in developed market equities are energy, industrials and technology. The sectors we prefer least are utilities, telecoms and health care. The one sector we continue to stay away from is financials, and wholesale banks in particular. For us, the wholesale banks are still too opaque to understand and the regulatory environment seems to continue to move against them.

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