



Nordic Managers React to ECB Rate Decision

Stockholm (HedgeNordic) - On Thursday, the ECB cut rates for the first time since 2016 in an effort to stimulate economic growth. The interest rate on the deposit facility will be decreased by 10 basis points to -0.50%, whereas net purchases will be restarted under the Governing Council's asset purchase programme (APP) at a monthly pace of €20 billion as from 1 November.

In an immediate response to the rate decision European bonds and gold rallied. The Euro dropped slightly against the US dollar. We asked Nordic fund managers and allocators to share their views on the decision and what to expect from central banks going forward.

Was the decision in line with your expectations?

Eric Strand - Fund Manager, AuAg Fonder: Yes, this is a typical action when a central bank president hands over to the next.

Jonas Olavi - Nordic Head of Asset Allocation, Alfred Berg: The ECB decision was in line with my own and the market's expectations.

Sean George - Fund Manager, Strukturinvest: The QE program was slightly smaller than we expected and its starting slightly later also. That being said all

tools are activated and they can be increased if needed.

Will it affect your portfolio positionings, if so, in what way?

Eric Strand - Fund Manager, AuAg Fonder: CBs actions does not change the underlying problems in the world so it should not affect a portfolio positioning - but managers are forced to act as the market will act before and on news. To be on top of that game you have to have your own view and if it is different than what the market is expecting there are possibilities to take positions beforehand. More often than not I just leave this as to what it is...

Jonas Olavi - Nordic Head of Asset Allocation, Alfred Berg: The decision will not affect how we position our portfolios, they are already positioned for continued lower rates, but also in line with the expected positive effect on growth that these measures aim to address.

Sean George - Fund Manager, Strukturinvest: We were very long CSPP bonds* in our portfolio, which has worked since inception, but in the past few weeks they have been very painful. We have been positioned for this outcome since June.



left to right: Eric Strand, Jonas Olavi, Sean George

What do you expect from central banks going forward, how do you position accordingly?

Eric Strand - Fund Manager, AuAg Fonder: The Federal Reserve should get our interest rates down to ZERO, or less, and we should then start to refinance our debt." (Twitter Trump)

With negative rates, governments and central banks are not solving the debt problem of the world but exacerbating it. By trying to solve a debt problem with more debt, the problem will grow exponentially before it implodes.

Gold is the only currency, along with silver, that does not require a counterparty signature. No one refuses Gold as payment to discharge an obligation. Credit instruments and fiat currency depend on the credit worthiness of a counterparty. So with a world situation, similar to an accident waiting to happen, it is an exciting time to now launch the new fund AuAg Silver Bullet (the only fund in Europe focusing on Silver Miners).

Jonas Olavi - Nordic Head of Asset Allocation, Alfred Berg: I expect more central banks to follow in ECB's footsteps in order to support economies in countries where growth prospects have deteriorated on the back of the current slowdown in global economic activity.

Sean George - Fund Manager, Strukturinvest: More dovish, and more QE. As stated above we have the trade on.

** Investment grade euro-denominated bonds issued by non-bank corporations established in the euro area were defined as eligible assets for regular purchases under the corporate sector purchase programme (CSPP).*

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