

# Asset Allocation & Business Cycle

2 Days

## COURSE OVERVIEW

Understanding how economic fundamentals influence the returns from bonds and stocks in a changing global environment is essential in determining an optimal portfolio asset mix. This course looks at asset allocation in the context of both business cycle dynamics and structural changes in the world economy, including changing patterns of inflation/deflation, shifts in productivity growth and the impact of asset price bubbles and busts.

The program will provide an understanding of how bonds and stocks respond to changes in the economy and economic policy. Participants will learn how different asset classes behave over the long term and during the economic cycle. They will learn how to recognize the phases of the cycle and to assess the risks approaching turning points.

## LEVEL

Intermediate

## WHAT WILL I GET OUT OF IT?

By the end of the course participants will be able to:

- Bridge the gap between modern portfolio theory and practical portfolio construction
- Apply traditional and modern core-satellite allocation to refine investment management process and design new investment solutions
- Understand the role of tactical adjustments and techniques to add value to clients' portfolios
- Understand and apply economic analysis to pre-empt the turning points of business cycle

## WHO'S IT FOR?

- Investment officers
- Asset managers
- Investment strategists
- Private bank relationship managers
- Hedge fund managers

## COURSE CONTENT

### Long Term Asset Performance

- Sources of betas
- Risk premia and performance
- What we can learn from historical statistics

### Asset Allocation and Portfolio Structure

- Matching asset classes with wealth levels and income needs
- Factors affecting asset allocation decisions
- Role of modern portfolio theory in practical portfolio construction
- Proper understanding of correlation matrix and diversification benefits
- Traditional and modern core-satellite allocation

### Monetary Policy and Asset Allocation

- How central bankers think
- How monetary policy affect bond markets
- How stock markets react to interest rates and bond yields
- Yield curve dynamics and inversion of yield curve

### Bonds and Stocks in the Business Cycle

- Understanding business cycle
- How asset classes behave during business cycle
- Recognizing cycle turning points
- Proper interpretations of economic indicators
- Sequential linkages between indicators

### Tactical Adjustments in Bond Market

- Switching decisions in terms of:
  - Credit risk
  - Duration
  - Issuer sector

### Tactical Adjustments in Stock Market

- Switching decisions in terms of:
  - Betas
  - Styles
  - Industry sectors

### Structural Changes in the Economy

- Inflation vs. deflation
- Productivity shocks: Are they real and how to they affect stocks and bonds
- Importance of bubbles in the modern economy