

# Press Release



## Low growth and political uncertainties will hold sway in 2012

30 January 2012

***With recessionary pressures weighing on most developed markets and a soft landing scenario in the emerging markets, Allianz Global Investors (AllianzGI) expects an extension of the low interest rate environment.***

***In its latest Global Strategic Outlook, AllianzGI also sees different political uncertainties across all regions adding to bouts of risk aversion followed by increased risk appetite.***

Key findings:

- Developed countries will struggle on the cusp of recession, whilst emerging markets will benefit from increasing domestic demand.
- No quick fix solutions for eurozone to be expected, but ECB likely to play a more active role in the medium term.
- With low interest rates to remain, investors should pay attention to real returns.
- Investors should pay attention to quality companies with sustainable cash-flows: stocks with high dividends and corporate bonds.

Commenting on its latest Global Strategic Outlook, **Andreas Utermann, Global Chief Investment Officer at Allianz Global Investors, said:**

“We expect interest rates in the Eurozone to start to come down further, whilst rates in emerging markets are likely to continue on a downward trajectory. In the US, the UK and Japan, we expect the policy of extremely-low interest rates to continue in the foreseeable future. In Europe, we remain cautious on sovereign bonds at current yields. Even if nominal return may turn out to be positive, we expect real – i.e. inflation-adjusted – returns to be disappointing.

“The headwinds, which drove the reversal in stock prices in 2011, are likely to stay with us, at least in part, in the coming months, and could continue to weigh on equities in 2012. In particular, we expect markets will continue to price in the continuation of the debt crisis for longer still. A lasting rebound in equity markets can only take place if a credible solution to the European Monetary Union debt crisis is nearing and/or economic data point toward a stabilization in economic activity. With economic activity slowing down globally and moderate equity returns, investors should look at stocks with relatively high dividends and pay-out ratios as dividend payments should offer some protection in the current environment. Regionally, we currently prefer US to European equities.”

Emerging markets remain strategically important and Allianz Global Investors expects a soft landing scenario for the slowdown in economic activity. The reasons for the relative optimism are the negative real interest rates, the rather low level of total indebtedness and strong underlying demand. AllianzGI's relative optimism is largely influenced by the moderate valuations and the growth potential of China.

.../more

**Andreas Utermann, continued:**

“Our positive view on emerging markets leads us to a strategically positive view on the emerging markets assets, be they equities, bonds or currencies, valuations notwithstanding.

“In conclusion, investors didn’t like the environment in 2011 and won’t like 2012 either. We expect bouts of risk aversion followed by increases in risk appetite, all against a backdrop of relatively low growth and great political uncertainties in all regions such as the US election, Eurozone fiscal-consolidation ratification concerns, and geopolitical risks in Iran, North Korea or North Africa. Countercyclical and long-term-oriented investment behaviour will be imperative for market participants.”

- Ends -

**Notes to editors**

The Global Strategic Outlook is published quarterly.

**For further information please contact:**

Stefan Lutz, Telephone +49 69 26314276, Email: [stefan.lutz@allianzgi.de](mailto:stefan.lutz@allianzgi.de)

Marc Savani, Telephone +49 69 26314206, Email: [marc.savani@allianzgi.de](mailto:marc.savani@allianzgi.de)

Emma Taylor, Telephone +44 20 70651526, Email: [emma.taylor@allianzgi.co.uk](mailto:emma.taylor@allianzgi.co.uk)

**About Allianz Global Investors**

Allianz Global Investors, an integral part of Allianz SE’s asset management business, is a trusted partner for clients across all major asset classes and regions. AllianzGI’s teams can be found in 19 markets worldwide, with a strong presence in the US, Europe and Asia-Pacific. With approximately 650 investment professionals and an integrated investment platform, AllianzGI covers all major business centers and growth markets. Its global capabilities are delivered through local teams to ensure best-in-class service. Generating an information advantage is fundamental to AllianzGI’s investment philosophy and is achieved via specialized in-house research teams across the globe. AllianzGI provides one-stop solutions for complex client needs bringing together proven competencies in investment strategy consulting and analytics, risk management as well as pension investing and related-vehicles.

**Disclaimer**

Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors may not get back the full amount invested.

The views and opinions expressed herein, which are subject to change without notice, are those of the issuer and/or its affiliated companies at the time of publication. The data used is derived from various sources, and assumed to be correct and reliable, but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or wilful misconduct.

This is a marketing communication. Issued by Allianz Global Investors Europe GmbH, a limited liability company incorporated in Germany, with its registered office at Mainzer Landstr. 11-13, D-60329 Frankfurt/Main, authorized and regulated by Bundesanstalt für Finanzdienstleistungsaufsicht ([www.bafin.de](http://www.bafin.de)).