J.P. Morgan Asset Management

Olivia Mayell – Navigating late cycle with a macro approach

- We target cash +7% annualised with less than 10% volatility over the medium term, gross of fees. Since inception of the Global Macro strategy in November 2012, the macro, focused and flexible approach that the fund adopts has been honed and proven its ability to deliver its medium-term performance objective. We would want to deliver to target or close each year but we are risk takers (up to 10% vol annualised over the medium term) so will have fluctuation in the shorter term numbers
- Over the medium term, we have demonstrated a low correlation to traditional assets and other multi-asset funds, highlighting the fund's ability to deliver a differentiated return profile
- We do that by taking our best thinking around the macro environment and distilling that into a set of macro themes. The investment team implements these themes through focused strategies and can very flexibly adjust portfolio exposures when the macro landscape and market environment are shifting
- This is a liquid strategy. We could sell everything in this portfolio tomorrow and not move the market: assets such as government bonds or S&P futures
- We want to ensure some degree of asymmetry – good upside for limited downside. While we aim to limit downside participation, we expect some periods of negative return, but we aim to limit the magnitude and frequency of such returns through our research-orientated, dynamic investment approach
- Today, our top down view on the world is that domestic growth data in the US looks solid just slightly below trend
- Recession risk is lower than the market is pricing. In general, global growth remains on track, we have got a fairly supporting Central Bank policy, but we are monitoring for trade tensions and a number of other metrics and indicators, which at the moment remain relatively robust
- That said, the current trade tensions are meaningful. This is about establishing a new paradigm, where we have to work out how not just Donald Trump but the West in general, is going to respond to China, and establish a fair playing field when it comes to trade and technology
- Trade tensions have an impact on capital expenditure. An escalation of trade tensions and persistent uncertainty could lead to delays in investment decisions and capex plans, impacting business confidence
- Developed market central banks are moving further in dovish direction, pre-empting trade related shocks