Money managers doubtful on equities: Towers Watson

By Editor Test *Tue, Feb 21, 2012*

The economic recovery remains "as elusive and fragile as ever," said Towers Watson global investment committee chairman Robert Brown.

Institutional fund managers responsible for some $8trn (€5.6trn) expect lower equity returns this year than last across all major markets, according to 114 respondents to a recent Towers Watson survey.

- The US was viewed as the best equity market to invest in, with predicted returns down two percentage points to 8%.
- Chinese prospects declined from 10.5% to 7.8%.
- Australian stocks were expected to see the third-highest returns – despite also witnessing the sharpest fall in predicted returns, from 10% in 2011 to just 7% this year.
- Compared with 2011, equities within the European single currency were only expected to return one percentage point less, down from 7%.
- Expected Japanese returns saw a comparative drop to 5%.
- Equity volatility of 15% to 25% was expected in most markets, with the most stable year-on-year returns predicted for the euro-zone and Japan.

The Western world's rising debt burden and lower growth prospects (thanks to structural reform and austerity measures) were cited as reasons for pessimism. The economic recovery remained "as elusive and fragile as ever," said Towers Watson global investment committee chairman Robert Brown.

Fund managers identified the growing involvement of politics in the financial world as their biggest concern. They did not expect problems in Greece and Portugal, including possible defaults, to spread to other countries.

Towers Watson warned investors not to let the recent rally give them a false sense of confidence. "The move into positive territory for many markets this year is helpful, but largely reflects central bank liquidity and may not prove sufficiently sustainable to justify a strategic move back into risk assets or indicate a cyclical recovery," Brown said.