



FUND VIEW- Pioneer cuts high-yield and emerging mkts bonds

LONDON, July 27 (Reuters) - Pioneer Investments said on Monday it had cut its most aggressive bets on credit markets because prices were now reflecting a rapid return to sustained world growth rather a more likely slow, sub-par recovery.

In its latest Global Markets Strategy report, Pioneer said it had reduced its asset allocation to emerging market debt and U.S. high yield corporate bonds to neutral and used the proceeds to lock in juicier government debt yields in developed markets.

The global asset management arm of Italy's Uncredit said it remained underweight government debt despite adding to its position. It stayed overall neutral on equity, with overweight positions in U.S. and emerging market stocks.

"We closed our high-yield exposure, including emerging market bonds, thus our strategic corporate holdings are now entirely investment grade," Pioneer, who had 160.3 billion euros of assets under management at the end of June, told clients.

"We used the proceeds to purchase government bonds, whose yields rose sharply in anticipation of a rapid economic recovery and are now better value."

SLOW AND PAINFUL

Pioneer said it believed the worst was now over in the current economic recession and it retained a global overweight position in so-called "risky" assets.

But it said the recovery would be slow and stuttering.

"After the credit crunch, households are unlikely to resume their past shopping habits very soon and will save more, as the unemployment figures rise," it said. "This will keep GDP growth below trend even when the recession ends."

"We believe that our long-held overexposure to the riskiest part of credit markets can be wound down," it added.

The asset manager said it removed its overweight position to emerging market bonds despite rising commodity prices boosting to the public finances of commodity exporters.

"We are less comfortable with areas such as Eastern Europe, whose problems are not solved. The condition of the financial sector is still in the spotlight, and costly measures to sustain it cannot be overlooked."

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