Stay invested and carry on
Global Market Outlook

This commentary reflects the views of the Wealth Management Group of Standard Chartered Bank

December 2013
Overview

Macro: 2013, Year of Transition
- Recent data reaffirms the outlook for 2013 to be a ‘Year of Transition’ towards stronger growth in 2014, led by Developed markets
- EM concerns remain
- B.R.I.D.G.E. investment framework helped by Fed inaction thus far

Equity: Europe and US preferred
- Strengthening growth, a lack of inflationary pressures and receding tail risks likely to support equities
- Equities still cheap relative to government and high yield bonds
- DM preferred on a 6-12m basis, led by Europe and the US

Bonds: Still underweight
- Retain longer term outlook for US Treasury yields
  – Remain Underweight on a 12 month basis
- US and Europe HY preferred within USD portfolios, but moderate returns expected
- Keep maturity profile in USD portfolios short

FX: Fed delays USD modest appreciation
- Delay in Fed tapering has weakened the USD, but is expected to form a base going forward
- Asian currencies have seen pressures decline, but this may prove temporary once tapering comes back on the agenda
- CNY likely to remain stable
- AUD expected to weaken long-term
Equities outperform – our key OW

2013 YTD asset market performance

Year-to-date Total return performance of different asset classes

- Cash losing purchasing power
- Equities have performed strongly
- Bonds hit by rising yields, HY outperforms
- USD gradually gaining against most currencies

Global equities have led the way higher

Cash = JP Morgan Cash Index
Equity = MSCI AC World Daily TR Index
Bonds = CITI BIG Index
Commodities = DJ UBS Commodities Index
USD = DXY Currency
Asian FX = ADXY Index

Source: Bloomberg, Standard Chartered
As of 21 November 2013
### B.R.I.D.G.E Framework

**Good year-to-date performance**

*Year-to-date total return performance of difference themes within BRIDGE strategy*

<table>
<thead>
<tr>
<th>Overweight Assets</th>
<th>Diversified Income Basket</th>
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<tbody>
<tr>
<td>Global Equities</td>
<td>19.6%</td>
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<tr>
<td>+ High Dividend Yield Equities</td>
<td>17.8%</td>
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<tr>
<td>+ Asia Local Currency Bonds</td>
<td>-2.9%</td>
</tr>
<tr>
<td>+ Global High Yield Bonds</td>
<td>6.9%</td>
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**Trade closed on 20 June 2013**

<table>
<thead>
<tr>
<th>Underweight Assets</th>
<th>G3 IG Bonds</th>
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<tbody>
<tr>
<td>-12%  -7%  -2%  3%  8%  13%  18%</td>
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**Source:** Bloomberg, Standard Chartered

*Income basket is equally weighted performance of global high dividend yielding equities (MSCI ACWI High Dividend Yield USD), Global HY bonds (BarCap Global HY TR USD) and Asian local currency bonds (BarCap Asia Local Net TR USD, until 20 June). Asia local currency bond performance after June 20 is not excluded.*

- **Strong performance of equities, our key call for 2013**
- **High dividend stocks continued to perform well**
- **Asian local currency bonds – strong 2012 performance partially offset by weakness in 2013**
- **US high yield favoured in bonds**

**B.R.I.D.G.E. framework has had a strong H1 2013**
## Asset Allocation summary

### Tactical Asset Allocation - December 2013 (12M)

All figures are in percentages  
Currency: USD

<table>
<thead>
<tr>
<th>Summary</th>
<th>View vs. SAA</th>
<th>Conservative</th>
<th>Moderate</th>
<th>Moderately Aggressive</th>
<th>Aggressive</th>
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<td>Hedge FoF/CTAs</td>
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<td>13</td>
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Source: Standard Chartered
US stocks continue to climb the wall of worry

*S&P 500 index*

- **US Quantitative Easing (QE) 1**
- **US (QE) 2**
- **Operation Twist**
- **US (QE) 3**

9.9% record high unemployment
Bailout on Greece, Ireland, Hungary
Double dip recession worries

US debt ceiling debate
US (QE) 2 Operation Twist

US Predesidential elections
S&P downgrades US credit rating

Growth impact of mandatory spending cuts
US government partial shutdown

Fed tapering concerns
Yellen nominated as Fed chair

As of 21 November 2013

*Highlighted areas refer to periods of Quantitative easing by the Federal Reserve*
Europe likely to continue out-performing as economy emerges from recession and profit margins expand

Source: MSCI Europe, Bloomberg, Standard Chartered
As of 21 November 2013
Global Market Outlook

Macro: Still A Year of Transition
US: Still in recovery mode

Forward-looking indicators still strong

- Manufacturing weakness was an area of concern
- Recent data hints suggests a much brighter outlook for both manufacturing and service sectors

Source: Bloomberg, Standard Chartered
As of 21 November 2013

Soft patch likely to be temporary
US: Labour market remains relatively robust

Average job creation has started to pick up again

US nonfarm payroll 3mma vs. Initial jobless claim 4wmma

- Job creation still running above our 2013 forecast of 175k a month
- Initial jobless (benefit) claims have risen in recent times due to temporary factors
- Wages are starting to pick up very slightly

Source: Bloomberg, Standard Chartered
As of 21 November 2013

Trend improvement in labour market likely to continue
US: Housing key to the economy

Homeowners with negative equity decline

% of residential properties where the size of mortgage is greater than the value of property

- House prices remain in an uptrend, reducing negative equity significantly
- Rising mortgage rates a headwind, but lending standards are easing
- Signs of stabilisation in housing market after Q2/Q3 slowdown

Fed is likely watching housing developments very closely

* Q1 2013 and Q4 2012 were revised

Source: Corelogic, Standard Chartered
As of 21 November 2013
Interest rates expected to remain low for a long time

Fed has managed to bring expectations lower

Eurodollar 90 day futures

- Fed is very keen for tapering not to be seen as tightening
- Forward guidance has been key to this effort
- Tapering may be accompanied by a reduction in the unemployment rate threshold for rate hikes

Source: Bloomberg, Standard Chartered
As of 21 November 2013

Short term interest rates likely to be stable through 2014
European recovery continues

European companies looking to increase capital expenditure

- Fundamentals in the periphery are also improving
- ECB cuts rates in the face of falling inflation
- Bank lending remains weak, although there are signs that this is going to improve gradually in the coming 6-12 months

Shift from recession into modest growth very important

Source: Bloomberg, Standard Chartered
As of 21 November 2013
Japan – A new source of growth?

Japanese companies accelerate investment spending

*Japan Tankan business conditions, Manufacturing and Non-manufacturing (% y/y)*

- Data continues to show recovery extending
- Planned April consumption tax remains the key concern

How the economy deals with sales tax hike in Q2 2014 will be critical test
Performance of the economy in Q2 2014 onwards key

1997 experience highlights risks from consumption tax hike

Japan Real GDP recovery (from 1Q 1997 to 3Q 2000)

- More aggressive central bank and offsetting fiscal measures means this time is expected to be different.

Source: Bloomberg, Standard Chartered
As of 21 November 2013

The moment of truth for Abenomics?
China recovery remain tepid

US businesses have been more upbeat on prospects than China since 2009

US ISM and China PMI Manufacturing new orders indices

- China data has stabilised, but has not impressed
- Growth expected to be in the 7-8% range for 2014
- Central bank expected to retain a tight rein on credit growth

China hard landing risks reduced, but strong recovery unlikely
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<td>10%</td>
<td>50%</td>
<td>30%</td>
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1. **Strong growth**
   - US economy rebounds strongly as consumers give into pent-up demand.
   - Europe introduces a significant policy response which allows the core economies to rebound in H2.
   - China experiences a V-shaped recovery.

2. **Transition to stronger growth**
   - The US weakens into Q1, but then rebounds strongly into the second half of the year to over 3% growth.
   - Europe remains in recession in Q1, but then recovers gradual in H2.
   - Asia continues to recover, initially led by China and then the US.

3. **Muddle through**
   - The US economy continues to grow by around 1.5-2.5% through H2.
   - Europe remains in a slow burn recession.
   - China expected to stabilise around 7.5-8.0% growth.

4. **Global recession**
   - Policymakers fail to offset the deleveraging forces and the world heads into recession.
   - The credibility of the single currency comes under huge scrutiny and the economy weakens sharply.

**Source:** Standard Chartered

**2013: Transition to stronger growth most likely**
Global Market Outlook

Bonds: Continue favouring corporates
The year so far for bonds

High yield continues to outperform

Year-to-date performance

- DM High Yield has been top performer YTD
- G3 government and Asia IG bonds have weakened
- Clipping coupons likely to remain the main theme for the rest of this year

Source: Citigroup, Barclays Capital, JPMorgan, Bloomberg, Standard Chartered
As of 21 November 2013

Citi World BIGUSD, Barclays Global HY TR Unh USD, JPM EM Global IG, JPM EM Global HY

Clipping coupons likely to remain key theme for rest of 2013
We favour Developed market HY

Directionally, lending conditions are supportive of HY

Fed Senior Loan Officers’ Survey, ECB Bank Lending Survey, % of banks tightening lending condition

- US and Europe HY both face continued low rates
- Lending conditions are turning increasingly supportive in Europe
- Credit quality remains largely supportive

Source: Barclays Capital, Standard Chartered
As of 21 November 2013

Favour diversified exposure to US and European High Yield credit
Further underperformance in EM, Asia HY likely

Asian HY premium over US HY rising

US HY vs. Asia HY spreads

- Asia HY premium over US HY rising
- However, credit quality remains a concern.
- We still believe a selective approach is key

As of 21 November 2013

Source: BarCap, JP Morgan, Bloomberg, Standard Chartered

Asian HY attractiveness rising, but further underperformance remains possible for now
Be mindful of risks to USD bonds

Large, rapid rises in Treasury yields not uncommon

US 10yr Treasury yield (%), boxes show trough-to-peak rises in bps

Key risks:

- Interest rate risk
- Credit risk
- Liquidity risk
- Recent experience was an illustration of risks from rising yields

Source: Bloomberg, Standard Chartered
As of 21 November 2013

Percentage allocation to HY and short maturity profile key
FX, credit are key risks to Asia local currency bonds

Rebound was short-lived, as expected

Performance of Asia local currency bonds*

- Rebound was likely led by rising expectations of Fed tapering delay
- FX, Credit are key risks
- We would not be adding at current levels

*Barcap Asia local currency diversified Total return unhedged USD

Source: Barclays Capital, Bloomberg, Standard Chartered
As of 21 November 2013

FX, Credit key risks to local currency bonds in Asia
Underweight EM IG bonds

EMBI IG sensitivity to interest rates very high

Approximate interest rate sensitivity (duration) of benchmark indices

- EMBI IG carries the largest USD interest rate sensitivity relative to other bond asset classes
- Low yields do not compensate investors for risks taken

Source: Citigroup, Barclays Capital, JPMorgan, Bloomberg, Standard Chartered
As of 21 November 2013

Equity risk-return profile superior to leveraged high yield

Leverage increases the risks of holding any asset

*Returns/maximum drawdowns of global equities and a global investment grade corporate index (50% leveraged and unleveraged)*

- Leverage is a double-edged sword
- We remain underweight fixed income
- There is a very significant risk of negative returns for global bonds
- US HY expected to see more two-way volatility

Use leverage carefully

*Source: Bloomberg, Standard Chartered As of 17 July 2013*
Global Market Outlook

Equity: Still favoured
Equities: A good year do far

Equity markets have performed well year to date

*Total Return* Performance year-to-date (in USD)

- **Global equities**: 19.57%
- **Developed Markets**: 22.71%
- **Emerging Markets**: -1.07%
  - **US**: 26.58%
  - **Europe**: 20.26%
  - **Asia ex-Japan**: 2.26%
  - **Japan**: 26.21%

- **EU and US our preferred markets**
- **Strong preference for EU on improving data**
- **Asia ex-Japan and other EM remain UW but still expect upside**
- **Japan Neutral in USD allocation terms**

*Including dividends*  
**Source:** MSCI, Bloomberg, Standard Chartered  
**As of 21 November 2013**

MSCI AC World TR, World TR, Emerging Market, TR US, Europe TR, Asia ex-Jap TR, Japan TR
The markets have climbed the ‘wall of worry’

Pullbacks have been good opportunities to add

*S&P 500 index price chart (year to date)*

- We advocated adding on weakness
- Pullbacks have been limited in size

`Buying the dip’ has worked well this year

Source: Bloomberg, Standard Chartered
As of 21 November 2013
Equities – Still offer some value against history

Valuations remain attractive relative to history

MSCI AC World 12m forward P/E ratio

- Leveraged to broadening global growth
- Receding tail risks in DM
- Accommodative monetary policy is positive for equities
- Valuations below median and cheap against bonds

Source: Datastream, Standard Chartered
As of 21 November 2013
Develop market equities offer more value

The equity-bond yield spread is greatest in DM

*Equity-bond yield gap*, deviation from long-term mean – across regions

- Greatest relative value in DM as yields still very low
- EM equities no longer as attractive on a relative basis

Developed market equities still preferred

*Equity yield – 10y sovereign bond yield

Source: Datastream, Standard Chartered
As of 21 November 2013
Negative earnings revisions are stabilising

But a recovery is not yet obvious

Consensus EPS growth expectations* (indexed=100)

- Lacklustre economic outlook relative to the Developed markets
- Some tentative signs of stabilisation in China. This has yet to filter over to other EM
- Catalyst for sustained upside not obvious

* MSCI World & MSCI Emerging markets 12m forward EPS estimates

Source: IBES, Datastream, Standard Chartered
As of 21 November 2013

Continue to prefer DM over EM
Europe: Our favoured market

Expectations for EU showing improvement

Consensus EPS growth expectations* (indexed=100)

- Analysts starting to revise up their forecasts
- Margins improvement and operational leverage a key driver

Higher margins will feed into higher earnings

*MSCI World & MSCI Emerging markets 12m forward EPS estimates

Source: IBES, Datastream, Standard Chartered
As of 21 November 2013
EU operating margins are stabilising

Margins supported by lower financing and labour costs

**US and Europe operating margin (%)**

- EU corporate margins have been declining for last few yrs and have greater upside than US
- Benefit from high operating and financial leverage
- Improvement in profit margins will support re-rating

*MSCI EU trailing operating margin

Source: MSCI, Bloomberg, Standard Chartered
As of 21 November 2013

Watch for upside earnings’ surprises
US remains a preferred region

US equities still cheap relative to bonds

*S&P500 earnings yield – UST 10yr bond yield, %*

- Improving housing and labour market
- Resilient corporate margins
- Earnings growth still supportive

US market still expected to generate solid returns

Source: Datastream, Standard Chartered
As of 21 November 2013
House prices a key driver for the economy

Positive wealth effect from rise in home prices

- Housing market is recovering
- High home prices drive wealth effect
- Positive impact on consumer sentiment and bank loan books

Source: Case-Shiller index, Bloomberg, Standard Chartered
As of 21 November 2013

Fed policy still very supportive of equities
Japan: Remain Neutral but looking for upside

Market has broken through key resistance

- Market has broken through key resistance
- Inflation still well below target – BoJ may print more
- Expect further yen weakness

Looking for a breakout to the upside

Source: Bloomberg, Standard Chartered
As of 21 November 2013
Underweight but not negative on Asia ex-Japan

Asia ex-Japan earnings revisions still negative but trend improving

MSCI Asia ex-Japan earnings revision ratio and 3m chg% in 12m forward EPS

- Asia ex-Japan expected to generate positive returns
- China data showing some improvement but risks remain

Asia ex-Japan expected to generate positive returns
China: Policy reforms an uncertainty

MSCI China is dominated by large SOEs

Composition of MSCI China sectors* by state owned linked (SOE) companies

- Some early signs of stability in earnings and economic data
- Longer term, reform measures are positive
- Banks are very cheap but risks remain

Reform uncertainties are slowing becoming priced in

*Top 7 sectors by market capitalisation, July 2013

Source: Datastream, Bloomberg, Standard Chartered, As of 21 November 2013
Global Market Outlook

Commodities: Upside catalyst missing
We are Neutral commodities

China growth not supportive for commodities

DJ-UBS commodity index vs. China Manufacturing PMI index

- Extended period of weakness likely limits further downside risks
- However, upside catalyst is lacking

Neutral commodities.
We struggle to see why prices would turn higher

Source: DJ-UBS, Bloomberg, Standard Chartered
As of 21 November 2013
Gold: Downtrend remains in place

Prices likely to fall further

- High inflation-adjusted price, rising opportunity costs, USD strength negative factors for gold
- Break below long-term support line would be very bearish for gold

We remain Underweight and bearish gold/silver
Commodities: Balanced energy outlook

Seasonality may dampen returns

Average monthly performance of Brent crude oil from 1988

- Both demand and supply trends have remained stable
- Geopolitical risk may have been overstated in the short term
- However, we are entering a seasonally weak period for oil

Source: Bloomberg, Standard Chartered
As of 24 October 2013

We remain Overweight oil
Global Market Outlook

FX: Return of the (US) Dollar
Modest USD strength expected

USD likely to remain within recent range

- We do not expect a break lower out of recent range
- Delay in Fed tapering likely increasingly priced in
- Long-term, we expect the USD to rebound

Source: Bloomberg, Standard Chartered
As of 21 November 2013

We are moderately bullish on USD
Moderate EUR weakness expected

Dovish ECB likely to be EUR-negative

- Strong current account, reducing ECB balance sheet, USD weakness have supported EUR.
- However, EUR is likely to weaken from here:
  (a) USD rebound
  (b) Risk of further ECB easing

Source: Bloomberg, Standard Chartered
As of 21 November 2013

We are moderately bearish on EUR
Shift in BoE stance opens divergence with ECB

Short GBP/CHF may be best way of expressing this view

- BoE raised its growth forecasts, brought forward timing of expected rate hike
- This opens divergence with likely ECB policy
- Short EUR/GBP or CHF/GBP to express this view

Source: Bloomberg, Standard Chartered
As of 21 November 2013

We are neutral GBP in the medium term
Bullish on CNY

Rising FX reserves highlight appreciation pressure

China foreign exchange reserves

- China likely to maintain stable CNY amidst policy reform, Renminbi internationalisation
- Rising FX reserves highlight continued appreciation pressures

Source: Bloomberg, Standard Chartered
As of 24 October 2013

CNY remains our preferred regional currency
JPY likely to weaken long-term

Short market positioning, though, remains a risk

JPY non-commercial future positions

- BoJ’s inflation goal means quantitative easing likely to stay in place
- This is JPY-bearish long-term
- Very short market positioning continues to pose a risk

Source: Bloomberg, Standard Chartered
As of 24 October 2013

Bearish on JPY, but risk of interim rebound exists
Fed delay a temporary reprieve for Asian FX

Weak current account balances to weigh on currencies

*ADXY index vs. Current account % of GDP – Weighted according to components of the ADXY Index*

- Delay in Fed tapering likely only a temporary positive for Asian currencies
- External imbalances will still need to be addressed
- Risk of renewed weakness once Fed tapering approaches

Source: Bloomberg, Standard Chartered
As of 21 November 2013

We remain bearish on Asia ex-Japan currencies
Long-term bearish on AUD

Use any rebounds to reduce exposure

AUD vs. RBA Commodity Price Index

- Short-term AUD-positive factors largely played out:
  - USD weakness
  - Short market positioning
  - Pricing out of rate cut expectations

- Long-term the currency remains expensive

- Strong USD, narrowing yield gap, weak commodity prices likely to work against AUD

We remain bearish on AUD

Source: Bloomberg, Standard Chartered
As of 21 November 2013
H2 outlook

Alternative Strategies: A great alternative
Favour Equity Long/Short strategies

L/S Strategies offer low volatility equities exposure

Sharpe ratios, HFRX Equity Long/Short Index vs. MSCI AC World

- Equity long/short strategies retain high correlation with equities
- However, volatility is lower
- Suitable for investors wanting to build in some downside insurance

Favour equity long/short strategies as an alternative way of gaining equities exposure
## B.R.I.D.G.E. Tweaked

| B | Broadening Global recovery | • 2013 – a year of transition towards strengthening growth and reduced uncertainty  
|   |                              | • Growth gap between DM and EM growth expected to narrow  
| R | Receding tail-risks          | • DM tail risks receding, but increasing in EM  
| I | Income generation still relevant | • Yield still an important aspect of any investment in an ultra-low interest rate environment  
|   |                              | • Rising bond yields and higher valuations mean asset selection is increasingly important for income focused investments  
| D | Diversification remains key  | • Maintain a balanced portfolio  
|   |                              | • Gradually rising USD bond yields expected  
| G | Go local (bond) and global (equity) | • Take profit on Asian Local Currency Bonds  
|   |                              | • Preference for DM over EM equity remains  
| E | Equity offers the best value | • Equities still cheap on a relative basis  
|   |                              | • Europe is our favoured equity market, followed by the US  

Source: Standard Chartered
Global Market Outlook
Publication that captures the house view of key asset classes issued by the Global Investment Council.
Release: Monthly

Weekly Market View
Update on recent developments and the key things to look out for in the coming week.
Release: Weekly

Global Market Outlook presentation
Captures the key rationale of the latest Global Investment Council (GIC) view and tactical asset allocation (short and long term).
Release: Monthly

Market Watch
Commentary issued during periods of elevated market volatility.
Release: Ad hoc
**FX Strategy**
Weekly update on the currency market outlook. It looks at both fundamentals developments as well as technical analysis.
**Release: Weekly**

**Global Market Outlook**
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Global Market Outlook

Appendix
# Asset Allocation Road Map

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>12M Views</th>
<th>Key Reasons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds: Investment Grade</td>
<td>U</td>
<td>We are Underweight G3 sovereign bonds and Neutral corporate IG bonds. We expect US Treasury yields to continue rising on a 12m horizon as the tapering conversation returns to the fore. IG corporate credit spreads are now a little tighter than their long-term historical average, but we continue to see a little more value here relative to Treasuries. We continue to believe USD-denominated bond portfolios should maintain a short maturity profile on a 12 month horizon.</td>
</tr>
<tr>
<td>Bonds: High Yield</td>
<td>O</td>
<td>We remain Overweight Developed market HY as we believe it offers the best risk/reward trade-off relative to the rest of the corporate credit universe. Continued low rates, still-low default rates and loose lending conditions are supportive factors, not only for US but also for European HY. Asian and EM HY also appear to be offering a little more value relative to US HY, but we remain concerned about the credit quality backdrop, which is less attractive than the US, and thus expect relative underperformance to continue.</td>
</tr>
<tr>
<td>Equities: US</td>
<td>O</td>
<td>The US housing market continues to show an improving trend which has a significant impact on consumer sentiment via the wealth effect. We consider the US to be in the mid-phase of the business cycle which usually sees Consumer Discretionary, Financials and Technology sectors perform best. While the market is trading at median valuations, earnings growth is still expected to come in at high single digits and may accelerate if economic growth is better than expected.</td>
</tr>
<tr>
<td>Equities: Europe</td>
<td>O</td>
<td>Economic data is improving both in the core and periphery countries. We believe moving from recession to even sluggish growth is a positive backdrop for European equities. Parts of the market offer significant value as well as yield and it remains a very good ‘stock pickers’ market. We expect the market to post positive returns over the coming 12 months.</td>
</tr>
<tr>
<td>Equities: Japan</td>
<td>N</td>
<td>With the BoJ’s clear mandate to achieve 2% inflation and the rapid upward revision of earnings expectations, we are Neutral Japan from a USD allocation standpoint. While the weaker yen will benefit the exporters, the additional liquidity will also feed into the housing market as well as equities in general which is likely to have a positive wealth effect. The authorities are now moving onto the hard work of micro policy reforms. The market has recently broken through key resistance and we are looking for further upside.</td>
</tr>
<tr>
<td>Equities: Asia ex-Japan</td>
<td>U</td>
<td>We are Underweight Asia ex-Japan on concerns of slower growth and weaker Asian currencies. Under this backdrop, parts of Asia including Indonesia, India and Thailand may be more vulnerable to fund outflows. In the case of China (N), valuations are cheap, but this by itself is not sufficient to drive outperformance. Growth outlook though, appears to be stabilising, but not attractive to override our preference for Developed markets. Asia-ex Japan equities still expected to generate positive returns on a 12m view.</td>
</tr>
<tr>
<td>Equities: Other EM</td>
<td>U</td>
<td>Emerging markets have underperformed ytd, the recent strong bounce notwithstanding, and we continue to have a preference for the Developed markets. Given the fragility in the market, we expect investors to rotate into ‘defensive cycicals’ such as Technology before they go into the more cyclical higher risk markets, such as EM. These areas are, however, increasingly offering excellent longer term value.</td>
</tr>
<tr>
<td>Commodities</td>
<td>N</td>
<td>We are turning Neutral commodities (from underweight earlier). An extended period of weakness now suggests increasingly limited downside, though we continue to see very little reason to be optimistic on prices. We remain Underweight Gold and continued tapering concerns are negative for the metal. We are also entering a seasonally weak period for oil.</td>
</tr>
<tr>
<td>Alternatives</td>
<td>O</td>
<td>We remain Overweight Alternative Strategies, based on our view that the asset class offers exposure to our preferred asset classes, but with the possibility of lower volatility. A diversified approach offers attractive exposure to the asset class, but given our strong preference for equities, we favour equity long/short as an alternative way of gaining equity exposure.</td>
</tr>
</tbody>
</table>

Source: Standard Chartered
## Country Equity Insight Summary

<table>
<thead>
<tr>
<th>Country</th>
<th>Relative Rank</th>
<th>Rationalea</th>
</tr>
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</table>
| Korea    | **OW**        | South Korea is well-leveraged to improvements in the developed markets and China. Exports have turned around, led by a recovery in US and EU. While a stronger Won may represent a potential headwinds for exports, the impact so far has been muted, reflecting the resiliency of the sector. Consumption, while lackluster, would likely be less a drag on growth going forward with house prices imparting a positive wealth effect. Valuations look cheap on the back of improving earnings revisions and growth in Developed markets.  
**Technicals (3-6m):** A move above 2012 top would bring the all time high back in focus, decline below 1920 will likely downside to the index. Support at 1920 and resistance at 2160. |
| Hong Kong| **N**         | While the market is well-leveraged to a growth recovery in China, eventual higher long term interest rates suggest potential headwinds particularly for property developers, which account for over 30% of the market. We prefer to be selective in HK, preferring consumer discretionary and banking sectors.  
**Technicals (3-6m):** Expect to target 2010 highs above 23500 with momentum picking up. Support at 20020 and resistance at 24860. |
| Taiwan  | **N**         | Consumer deleveraging is well advanced and increased economic linkages through ECFA with China should benefit the banking sector. A synchronised recovery of global demand will likely be constructive for Taiwan’s export and tech sectors. We have a preference for financials and technology sectors.  
**Technicals (3-6m):** Chart patterns appear to support further recovery. Support at 7565 and resistance at 9015. |
| China   | **N**         | Recent data suggests that growth has stabilised and earnings revisions have trended higher. The Third Plenum meeting was unsurprising, with policymakers continuing to focus on structural reforms, which would be positive longer term. In the short-term though, some of these initiatives may negatively impact the state-own sectors which account for the bulk of the market. Valuations are cheap, but we prefer a more selective approach to gaining exposure to China  
**Technicals (3-6m):** Expect index to revisit the upper band of broad sideways trend channel, with a move above 10800 further reinforcing the constructive optimism. Support at 9920 and resistance at 12750. |
| India   | **N**         | Recent measures taken by the central bank have helped to stabilise the rupee and alleviate concerns over fund outflows. Longer term, structural reforms are needed to address current account vulnerabilities. We see value in the market, but it is likely to remain volatile in the short-term.  
**Technicals (3-6m):** Market should see further upside but short term signals getting overbought. Support at 18925 and resistance at 22500. |

Source: Standard Chartered
## Country Equity Insight Summary

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</tr>
</thead>
</table>
| Singapore| N             | - Valuations are fair, with the index trading close to the historical mean on a price-earnings basis and a dividend yield of c.3%. GDP growth estimates have been revised up recently, on the back of strong exports and manufacturing growth. Singapore, with its export-oriented economy, is well leveraged to growth in the Developed markets as well as the Asia region. Expectations of higher interest rates though, may present headwinds for property prices as well as the REIT sector, which we remain cautious on.  
- Technicals (3-6m): Medium term uptrend remains intact however momentum is deteriorating. Support at 3000 and resistance at 3340. |
| Thailand | N             | - Macro data has weakened on the back of funds outflows and a slowdown in consumption/investments. We remain vigilant on the Thai baht for potential signs of weakening, given their vulnerable current account surplus position. There are increased signs of political flaring, which may increase investors’ risk perception of investing in Thailand equity market.  
- Technicals (3-6m): Risk of pullback has risen since the strong rally from 2008 lows. Support at 1330 and resistance at 1530. |
| Malaysia | OW            | - We expect investment growth and domestic demand to pick up pace under the Economic Transformation Plan. Proposed fiscal reforms and reforms on the country’s subsidy system is a long term positive. Among the ASEAN countries, Malaysia is one of the most defensive market, with a comfortable current account surplus and domestic growth drivers, that help mitigate some weakness within the region.  
- Technicals (3-6m): Upward Momentum remains firm. However, technicals looks stretched. Support at 1680 and resistance at 1960. |
| Indonesia| UW            | - We are UW on concerns over funds outflows re-emerging as the market returns to Fed taper expectations early next year. While we are positive on structural growth longer term, recent policy rate hikes as well fuel price hikes pose risks to the growth outlook. We expect potential further downside to earnings forecasts.  
- Technicals (3-6m): Charts appear stretched with momentum turning down. Support at 3850 and resistance at 4800. |
| Brazil   | N             | - Brazil is a levered play on the China growth story. The Brazilian economy remains weak and earnings revisions still negate. We remain Neutral within the Other EM UW. |
| Russia   | N             | - Look to do as a trade rather than as a longer term hold as can be very volatile. Market offers good exposure to oil. |