



Policymaking 3.0

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Global Market Outlook (In-brief)

April 2020

Investment strategy



IMPLICATIONS FOR INVESTORS

- Global equities and multi-asset income strategies likely to outperform bonds and cash over a 12-month horizon
- Gold may be a good way to hedge risks as the 1-3 month outlook remains highly uncertain
- Within bonds, we believe Emerging Market USD and Asia USD bonds are attractive
- Within equities, we have a preference for Asia ex-Japan and US equities

Policymaking 3.0

- Policymakers are pulling out the stops in dealing with the Great Pandemic Crisis. The 2008 Global Financial Crisis forced policymaking to upgrade from 1.0 to 2.0. Today's Great Pandemic Crisis is clearly forcing authorities into the new world of policymaking 3.0.
- COVID-19 and related economic shutdowns have created considerable uncertainty on a 1-3 month outlook. Longer term, though, falling valuations may be creating opportunities for long-term investors willing to weather short-term volatility.
- We believe investors should focus on maintaining holding power while starting to look for long-term opportunities. Within equities, we have a preference for Asia ex-Japan and the US. In bonds, we like Asia USD and EM USD government bonds.

Putting the sell-off in perspective

Since global equities peaked on 12-February, global equities, corporate bonds and Emerging Market (EM) bonds have fallen about 23%, 8% and 14%, respectively. Our 'fear ratio' in Figure 1 illustrates the peak-to-trough sell-off magnitude and suggests many major equity markets are partially pricing a 2001-sized recession (some bond markets are fully pricing this). However, markets are still some distance from achieving 2008-sized peak-to-trough sell-offs.

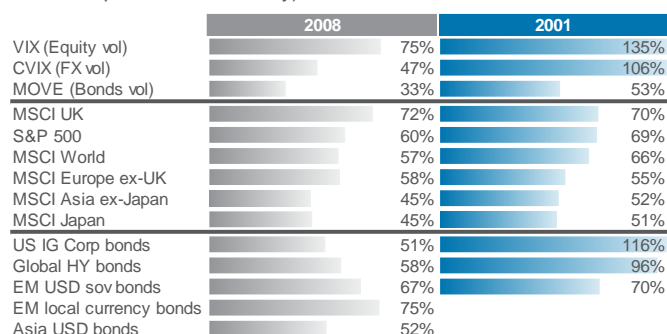
Are past recessionary sell-offs comparable? That is debatable – the 2001 recession was led by the technology and telecom sectors stress and Fed tightening while 2008 was a financial sector crisis. Today, in contrast, we are arguably facing an economic disruption created by a demand shock that is forcing policymakers to throw away their old policy playbooks and stimulate on a scale not seen since wartime. We call this policymaking 3.0.

Value has been created for long-term investors

Given the size and speed at which risky assets have weakened, it is worth questioning if value has been created for long-term investors. Today's valuation metrics suggest it has. Figure 2 illustrates that long-term (12-month) average returns from today's P/E ratio (on global equities) and credit spread (on global High Yield [HY] bonds) levels have historically been very strong. Indeed, these valuation metrics are part of the reason we have a long-term preference for equities and multi-asset income, both of which now appear to offer long-term value, assuming the post-COVID-19 world is not a fundamentally different one.

Fig. 1 Many markets already pricing a 2001 style recession

Current drawdown as % of 2001, 2008 drawdowns (peak-to-trough for equities and EM local currency bonds; current levels versus the peak for bond spreads and volatility)



Source: Bloomberg, FactSet, Standard Chartered

Near-term outlook remains highly uncertain

Increasingly inexpensive valuations notwithstanding, the outlook over the next 1-3 months remains highly uncertain, in our view. Here, it may help to think in terms of scenarios.

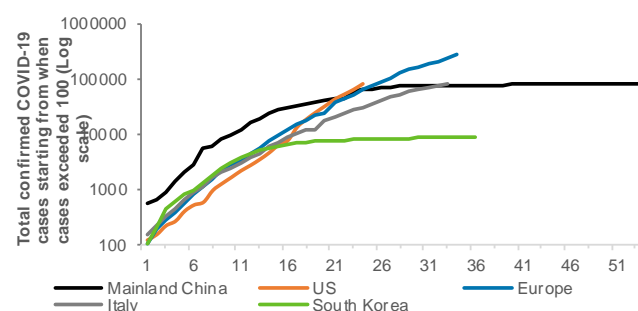
A scenario where the global pace of COVID-19 infections peaks within the next 10 days, and falls rapidly thereafter, is the most optimistic scenario that would likely involve a quick, V-shaped recovery in the economy and markets. However, this scenario is looking increasingly unlikely given the ongoing acceleration in infection rates and economic shutdowns in major economies like the US, Germany and India.

A more likely scenario appears to be one where the pace of new infections and economic shutdowns only begin to ease in mid-Q2, with Asia ex-Japan at risk of facing a second wave of infections and shutdowns.

In the second scenario, knock-on effects must also be considered. If policy stimulus is successful in avoiding temporary economic shutdowns snowballing into a significant default cycle, there is reason to believe growth, and financial markets, will recover relatively quickly once the pace of COVID-19 infections is controlled. However, a failure to avoid snowballing could lead to a more prolonged recession.

Fig. 3 The number of new COVID-19 cases needs to peak before economic activity resumes

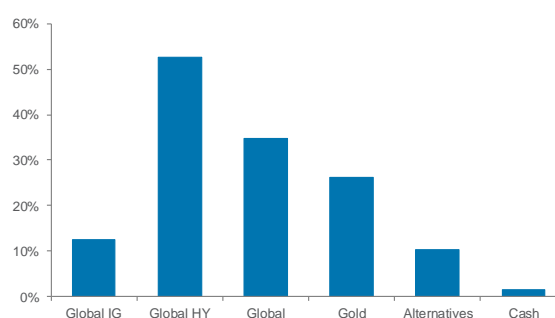
New COVID-19 infection cases



Source: Johns Hopkins University CSSE, Standard Chartered

Fig. 2 Returns from current valuations historically attractive

Average 12m returns when global equities P/E<15 and global HY spreads>1000bps; data from 2000 onwards



For now, focus on data points that matter

In such environments, it is important to cut through very noisy headlines and focus on data points that matter. In our assessment, five factors are key in assessing how the near-term macroeconomic outlook is developing:

Fig. 4 Data points to watch and current signal

Macro factors	Current signal
Signs of peaking COVID-19 infections	▼
Scale of COVID-19 containment measures	▼
Size, effectiveness of fiscal policy	▲
Size, effectiveness of monetary policy	▲
High frequency China data	◆
Financial market indicators	
USD liquidity demand & supply	◆
Signs of credit stress	▼
Signs of investor capitulation	◆

Source: Standard Chartered

Legend: ▲ Improving ◆ Neutral ▼ Deteriorating

What should investors do now?

For those already invested, the extraordinarily rapid sell-off means, we believe, markets may be well past the stage where there is merit in reducing risky asset exposure. Instead of risking an error of selling near the bottom, we would focus on (i) having the ability to hold through any further short-term volatility, and (ii) starting to look for long-term opportunities.

For those with excessive cash or a high allocation to defensive assets, we believe it is time to start looking for opportunities. Long term (12 months), we have a preference for equities, multi-asset income and gold – given heightened uncertainty, we believe a continued preference for gold is prudent.

Within these, we prefer Asia ex-Japan equities and Asia USD bonds, given China and South Korea may be beyond the COVID-19 infection peak. Outside of Asia, we maintain a preference for US equities and EM USD bonds.

Perspectives on key client questions



What are markets trying to price?

The COVID-19 outbreak has infected over 500,000 people across 198 countries worldwide. Against this backdrop, financial assets experienced some of the wildest swings in history, as markets struggle to price how this very complex situation will play out, both economically and from a financial market perspective. Peak (12 Feb) to trough (23 Mar), global equities were down 33.9%, before partially retracing some of these losses as policymakers unveiled strong measures to counteract the fallout from COVID-19.

There are multiple variables at play, with varying second order and third order impacts. Markets are trying to balance the future profile of the outbreak, the size of the economic shock it has triggered, the ensuing containment policies and economic policy measures.

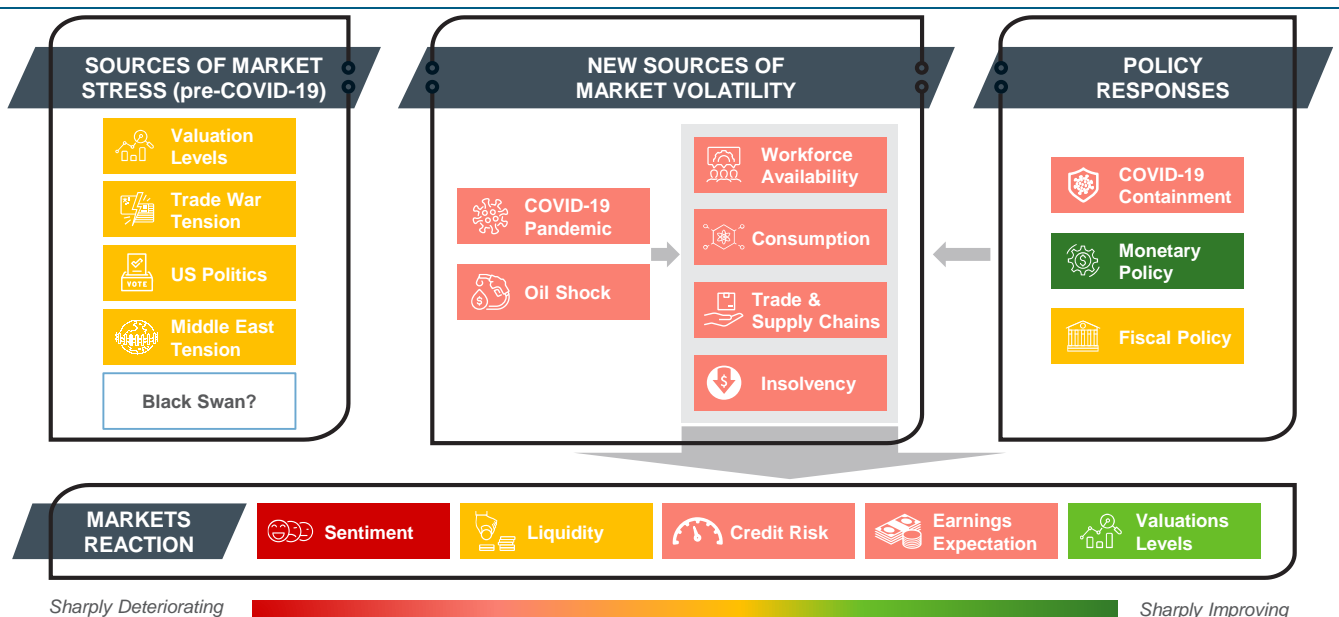
In the initial stages, very little was known about COVID-19: for example, how it is spread and what is the best way to contain it. These anxieties were further exacerbated by the sharp fall in oil prices, which while positive for consumers and many economies, also triggered major stress among oil producers, both at the country and company (for example, US shale producers) level.

The good news is policymakers are also ratcheting up their response. These generally fall into three categories: 1) containment, 2) macro economic (countering the short-term economic impact of containment measures and also trying to avoid a severe feedback loop to defaults and job losses), and 3) development of treatments/vaccines.

The extremely dynamic environment and unprecedented nature of the current environment have added to investors' challenges and aggravated swings in the markets.



Fig. 5 Matrix of market stresses, responses and impact on markets of the COVID-19 pandemic



Source: Bloomberg, Standard Chartered

What are the key signposts to watch?

While it is difficult to precisely assess the severity and length of the impact of the COVID-19 outbreak on growth, China's experience has so far shown that, with strong measures, economies can contain and emerge from the spread. Meanwhile, compared to 2008, the planned response globally has been much bigger and faster this time around. (Please refer to the policy table below.)

We highlight four key signposts to watch:

- 1) Signs of a peak in the virus-spread outside China
- 2) Size and effectiveness of fiscal policy actions
- 3) Size and effectiveness of monetary policy actions
- 4) An improvement in high-frequency, real-time data from China and other key virus-hit countries

Signs of success in Europe; less so elsewhere

Major Euro area countries may be close to controlling the "pandemic exponential curve". The US curve has flattened slightly, but we are unconvinced that this is the start of a trend. Elsewhere, countries such as the UK and Japan have tightened measures on fear over a rise in infection rates. While our dominant narrative is for improvement starting mid-Q2, a second wave infection cannot be ruled out.

Massive fiscal easing to mitigate downside risks

On fiscal policy, previous red lines are being crossed, including the US government's willingness to take equity stakes in companies. The US Congress appears set to approve a historic USD 2trn spending package.

Over in Europe, policymakers have moved away from a decade of austerity and fixation with balanced budgets. Germany is set to spend 20% of its GDP to help households and businesses tide over this crisis.

Monetary policies to cushion economic/liquidity shock

All major central banks have restarted/ramped up bond purchases after cutting rates to close to 0%. The Fed's announcement of wide-ranging lending against previously non-qualifying collateral as well as buying of Investment Grade (IG) corporate bonds and bond ETFs have helped alleviate some liquidity and funding issues in the secondary markets, key to avoiding a lengthy recession.

Some signs of a return to normalcy in China

China road congestion is already up to 65% of 2019 level from a low of 30%. Number of passengers on subways is up to 40% from 10% at the low. If current trends continue, coal consumption, road congestion, subway passenger numbers and property sales will all return to the 2019 level around April-May. Wuhan is planning to lift its lockdown on 8 April.

Fig. 6 Policy 3.0: Policy responses have been much larger and faster compared to 2008

	US		Euro	
	Monetary	Fiscal	Monetary	Fiscal
2020	Rate cuts: <ul style="list-style-type: none"> Fed Funds rate: 150bps cut to 0-0.25% Lowered discount rate on primary credit and extended the term of lending at the discount window for 90 days QE: <ul style="list-style-type: none"> Initial QE purchases of USD 500bn of Treasuries and USD 200bn of agency MBS Extended to unlimited QE 	First stimulus: USD 2.5bn (24 Feb) Second stimulus: USD 8.3bn targeted at healthcare crisis response (4 Mar) National Emergency under the Stafford Act (13 Mar) Families First Coronavirus Response Act (18 Mar) \$2tn stimulus plan (pending approval)	QE: <ul style="list-style-type: none"> Pandemic Emergency Purchase Programme worth EUR 750bn (6.5% of GDP) EUR 120bn asset purchasing scheme on top of existing EUR 20bn monthly asset purchases (12 March) TLTRO: <ul style="list-style-type: none"> Increased capacity of TLTRO3 Discount on TLTRO rates 	Germany: Launches EUR 750bn fiscal package, in addition to other loans and guarantee France: Emergency fiscal spending EUR 45bn Italy: EUR 25bn stimulus package Spain: EUR 200bn stimulus package
2008	QE1, was initiated in November 2008. The Fed proposed to buy ~USD 100bn of agency debt and ~USD 500bn of mortgage-backed securities. Rates cuts to 0% from Sept 2007 to Dec 2008	USD 168bn package - Economic Stimulus Act 2008 USD 787bn package - American Recovery and Reinvestment Act Purchase of up to USD 700bn of troubled assets	Lowered key interest rates by 325bps since October 2008. Did not implement QE immediately, started QE March 2015, predominantly to ensure liquidity and repair the bank-lending channel.	Fiscal package amounted to ~2.0% of GDP (of which 1.1% in 2009 and 0.8% in 2010).

Source: Bloomberg, Standard Chartered



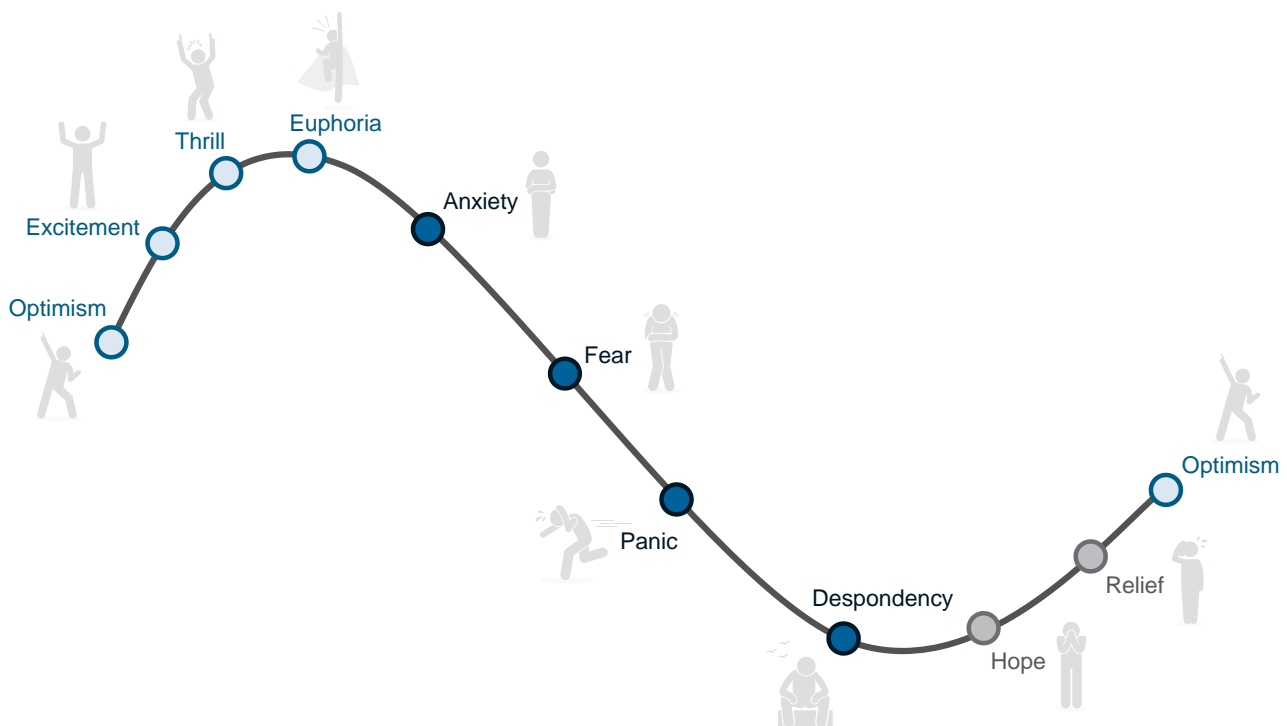
What can investors do?

It is normal for investors to feel anxious in face of elevated uncertainties and a sea of losses in the market. Some of the worst investment decisions tend to be made during a market panic. This is well rooted in a concept called “prospect theory”, where investors feel double the pain from a dollar of loss than from the same dollar of gain. This can sometimes lead to irrational decision making.

Strategies to cope with market volatility:

- **Be aware of our emotions to market swings.** Try to avoid unwarranted change to your long-term investment plan. Focus on longer-term horizon and diversify. In the coming days/weeks, there could be opportunities following the sharp sell-off. Use dollar cost averaging to your advantage.
- **Time in the market is more important than timing the market.** Understand that substantial asset price declines or mispricing can be good opportunities for investors to start building longer-term investment positions over phases and at lower prices.
- If one is concerned about further significant pullbacks, reduce concentration, de-risk and diversify to more defensive assets, such as gold, quality bonds and cash. Note, de-risking is not entirely risk free. There could be potential opportunity cost of missing out during rebound, after sharp sell-offs in the markets.

Fig. 7 Understanding the various emotions in market swings can help protect investors from the consequence of impulsive, irrational investment decisions.



Source: Standard Chartered

Macro Overview – at a glance



Key themes

The near-term outlook for global growth has deteriorated dramatically over the past month as COVID-19 turned into a global pandemic, forcing governments to temporarily shut down most economic activity. Our Global Investment Committee expects a sharp downturn in growth in China (the first to be impacted by the virus) in Q1, a recession in Europe in Q1 and Q2 and a sharp contraction in the US in Q2. However, major governments and central banks have surprised us with the pace and scale of monetary and fiscal stimulus. This policy intervention is likely to limit the economic impact and lead to a global recovery in H2.

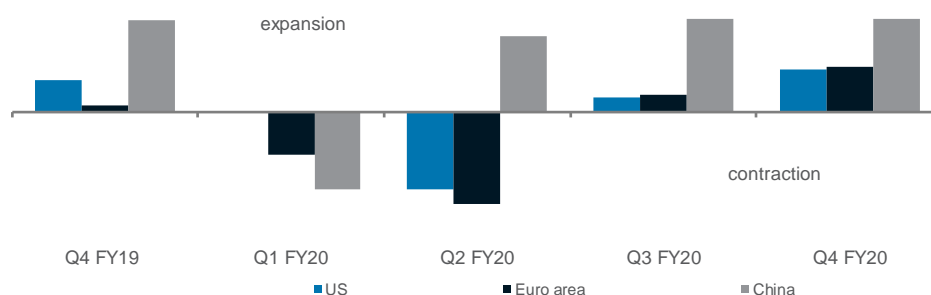


Key chart

Fig. 8 Major economies face contraction in H1, followed by a recovery in H2

Stylised view of Global Investment Committee's outlook for growth in each quarter of 2020

The unprecedented scale and pace of fiscal and monetary stimulus lead us to believe that the economic impact of COVID-19 would be temporary, with economies bouncing back by H2



Source: Standard Chartered Wealth Management Global Investment Committee

US	US economic activity to slump in Q2, but recover in H2 on the back of unprecedented pace and scale of fiscal and monetary stimulus measures; Fed likely to keep rates at record low of 0-0.25%			
	○ Growth	○ Inflation	○ Benchmark rates	● Fiscal deficit
Euro area	Major Euro area economies showing early signs of success in controlling COVID-19 spread. This should limit the economic impact to H1; ECB's stimulus package and growing fiscal policy coordination to support recovery in H2			
	○ Growth	○ Inflation	○ Benchmark rates	● Fiscal deficit
China	China economic activity mostly impacted in Q1, with growth likely resuming in Q2 as government eases lockdowns. We expect more fiscal and monetary stimulus to stem rise in unemployment, support businesses			
	● Growth	○ Inflation	○ Benchmark rates	● Fiscal deficit
Japan	COVID-19 to further hurt key exports and tourism sectors; postponement of summer Olympics, biggest catalyst for 2020 outlook, is a further blow to growth outlook; Government and BoJ to ease further to limit damage			
	○ Growth	○ Inflation	○ Benchmark rates	● Fiscal deficit
UK	Pro-active and concerted fiscal and monetary policy measures to limit economic impact of COVID-19, drive a recovery in H2; post-Brexit uncertainty to continue as trade talks likely delayed			
	○ Growth	○ Inflation	○ Benchmark rates	● Fiscal deficit

Source: Standard Chartered Global Investment Committee views over the next 12 months

Legend: ○ Weaker/easier in 2020 | ● Neutral | ● Stronger/higher in 2020

Bonds – at a glance



Key themes

Global bonds sold off sharply in March as the risk-off sentiment spread to corporate bonds. However, given that valuations have cheapened substantially, we still view credit (or corporate bonds) as a core holding and believe they are becoming increasingly attractive. The decline in government bond yields leads us to downgrade them to a least preferred holding.

We retain our preference for EM USD government bonds despite the sharp sell-off as valuations are already pricing in nearly a 75% probability of a 2008-like slowdown. Asian USD bonds are a preferred area as well, as they have demonstrated their defensive characteristics in the recent sell-off. Additionally, their high exposure to China could help them outperform in the near term, as China looks set to be the first country to emerge from COVID-19-related impact.

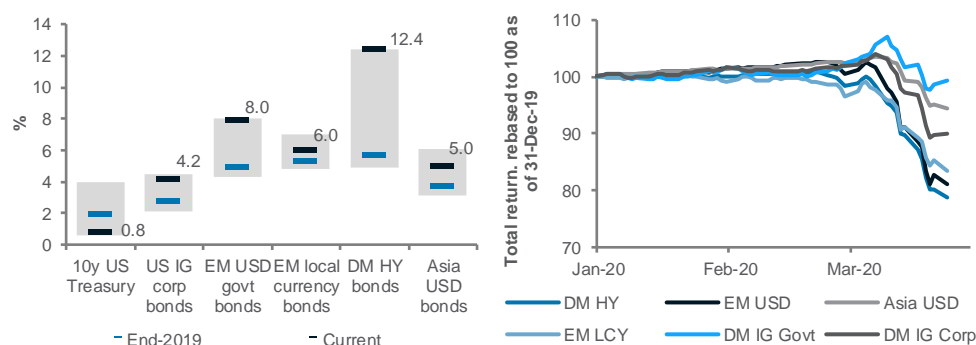


Key chart

Left chart: Current yields for most bonds are close to 10-year highs (denoted by grey bars)

Right chart: 2020 total returns; rebased to 100

Fig. 9 The sharp sell-off over the past month has led to sharply higher yields



Source: Citigroup, J.P. Morgan, Barclays, Bloomberg, Standard Chartered. As of 24 March 2020.

Preference order	Asia USD	We view Asia USD bonds as a preferred holding given their relatively high credit quality, moderate yield and defensive characteristics. A slower-than-expected recovery in China is a risk.	Credit fundamentals	Macro factors	Valuation vs govt bonds
	EM USD government	Emerging Market (EM) USD government bonds are preferred , owing to the attractive yield and valuations. A sharp deterioration in EM risk sentiment is a risk for EM bonds.	Valuation vs govt bonds	Macro factors	Rates policy
	DM HY corporate	We view DM HY bonds as a core holding as their attractive yield and valuations are balanced by the risk of higher defaults and rating downgrades.	Attractive yield	Valuation vs govt bonds	Credit fundamentals
	DM IG corporate	We view the asset class as a core holding . In our assessment, the attractive yield premiums and high credit quality are balanced by expectations of a deterioration in credit fundamentals.	Valuation vs govt bonds	Credit fundamentals	Macro factors
	EM local currency	EM local currency bonds are less preferred as their reasonable yield and supportive EM central bank policies are offset by high currency volatility, our short-term bullish USD outlook and risk of fund outflows.	FX outlook	Macro factors	Rates policy
	DM IG government	DM IG government bonds are less preferred . Their high credit quality and supportive central bank policy are offset by the low yields they offer. A renewed growth slowdown is an upside risk for this asset class.	Rates policy	Macro factors	Valuation

Source: Standard Chartered

Legend: ▲ Most preferred | ▼ Less preferred | ◆ Core holding | ○ Not supportive | ● Neutral | ● Supportive | □ Key driver

Equity – at a glance



Key themes

Global equities have entered a bear market and we believe there is a risk markets could fall further in the coming three months. Nevertheless, looking beyond the short term, global equities are preferred, in our opinion. The Global Investment Committee's central scenario is a short sharp bear market as policymakers have signed off on more stimulus at a faster pace than during the Global Financial Crisis. While there are sectors under stress, valuations have declined sharply, and sectors including financials have de-risked in preparation for a cyclical downturn, which has arrived.

Asia ex-Japan equities are *most preferred*. Asia ex-Japan looks more resilient compared to other regions as it emerges from the COVID-19-induced downturn. Corporates in the region are well placed to benefit from what is expected to be a consumption-led recovery in China. US equities are also preferred, reflecting their historical trend to outperform peers in a bear market.



Key chart

Global equities' P/E ratio has fallen from a high of 16x to 12x currently

Equity markets could fall further in the coming three months, but the margin of safety for investors is increasing

Fig. 10 Global equity valuations have declined significantly, creating opportunities

MSCI All country World index price-to-earnings (P/E) ratio



Source: MSCI, Bloomberg, Standard Chartered. As of 24 March 2020.

Preference order	Asia ex-Japan equities 	Asia ex-Japan is a preferred holding. A weaker USD in the coming 12 months in combination with lower bond yields should support the market. China offshore is a preferred market within the region.	Bond yields	Weaker USD	Fund flows
	US equities 	US is also preferred. Low bond yields are supportive at a time when demand is expected to weaken sharply in H1 2020. Earnings are expected to experience a short, sharp drop followed by a recovery in 2021.	Bond yields	Valuations	Geopolitics
	Euro area equities 	Euro area is a core holding. Companies are severely impacted by the COVID-19 outbreak, but corporate leverage has increased only moderately since the last downturn, providing a degree of protection.	Bond yields	Valuations	Fund flows
	UK equities 	UK is a core holding. The market has been hard hit by the decline in oil prices as the energy sector accounts for 11% of MSCI UK. Market valuations have declined significantly, although earnings risks exist.	Bond yields	Valuations	Fund flows
	Japan equities 	Japan is a core holding. The end of the Japanese fiscal year in March in combination with sharp declines in the market and in turn valuations may result in a rebalancing of domestic pension funds into equities.	Bond yields	Valuations	Fund flows
	EM ex-Asia equities 	EM ex-Asia is a less preferred. The region is hard hit by the decline in oil prices as well as industrial metals such as copper. While bonds yields and valuations are supportive, there is an absence of market catalysts.	Bond yields	Valuations	Fund flows

Source: Standard Chartered

Legend: Most preferred | Less preferred | Core holding | Not supportive | Neutral | Supportive | Key driver

FX – at a glance



Key themes

Extreme market conditions over the past weeks have driven a sharp USD rally on the lack of clarity over the length and depth of economy lockdowns and a “dash for cash” – particularly the urgent need for global USD liquidity.

Although the USD may be supported near term, we believe the unprecedented moves by the Fed to provide liquidity domestically, and internationally through central bank swap lines, will soon allow the USD to re-engage with the peaking process.

We see a 5-6% USD decline in the medium-term, with the EUR, GBP and AUD being the likely main beneficiaries. Uncertainty over the global pandemic path, its economic impact and policy responses and US politics suggest FX volatility will remain elevated.



Key chart

The Fed's unprecedented policy response to supply the US and the world with massive USD liquidity, is a key driver of our bearish USD view medium-term

Fig. 11 Growing USD liquidity will soon weigh on the USD

USD index (DXY), USD monetary base, y/y (RHS, inverted)



Source: Bloomberg, Standard Chartered

USD (DXY) 	Narrowing rate differentials and massive global fiscal stimulus could drive medium-term USD capital outflows <div> <div>○ Relative interest rates</div> <div>● Relative growth rates</div> <div>○ Flows & sentiment</div> </div>
EUR/USD 	The EUR should benefit from massive fiscal stimulus and a more “federal” approach from governments <div> <div>● Relative interest rates</div> <div>● Relative growth rates</div> <div>● Flows & sentiment</div> </div>
GBP/USD 	The UK's unique fiscal response to the lockdown and a delay in EU-UK negotiations should support the weak GBP <div> <div>● Relative interest rates</div> <div>● Relative growth rates</div> <div>● Flows & sentiment</div> </div>
USD/CNY 	Domestic fiscal stimulus, steady monetary policy and currency control are expected to keep the CNY range-bound <div> <div>○ Relative interest rates</div> <div>● Relative growth rates</div> <div>○ Flows & sentiment</div> </div>
USD/JPY 	The JPY will likely be caught between bouts of safe-haven inflows and Japanese investors' return-seeking outflows <div> <div>○ Relative interest rates</div> <div>● Relative growth rates</div> <div>● Flows & sentiment</div> </div>
AUD/USD 	RBA policy and fiscal stimulus could support the AUD pending a pick-up in Chinese growth as it exits peak-virus <div> <div>● Relative interest rates</div> <div>● Relative growth rates</div> <div>● Flows & sentiment</div> </div>

Source: Standard Chartered

Legend: ▲ Bullish view | ▼ Bearish view | ◆ Range view | ○ Not supportive | ● Neutral | ● Supportive | □ Key driver

Alternatives – at a glance



Key themes

We see Alternative strategies as a useful addition to a traditional, long-only stock/bond portfolio. Alternative strategies give exposure to sources of return that may not be directly accessible via long-only investments in stocks and bonds. Incorporating Alternatives may therefore enhance the diversification of traditional portfolios across a broader set of fundamental drivers and investment opportunities. We maintain Alternatives as a core holding.

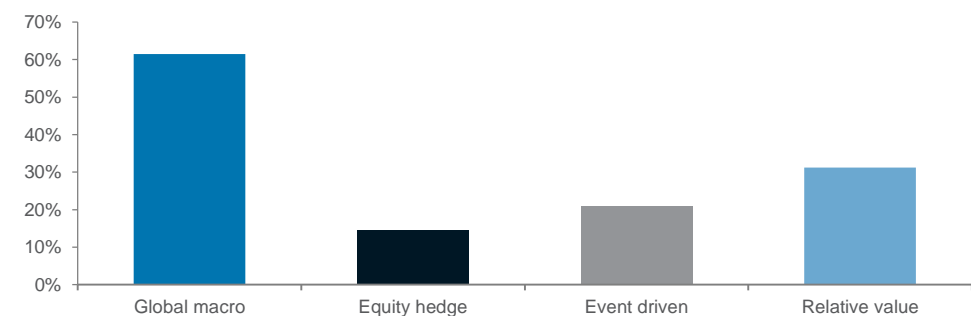
Within Alternatives, all four strategies remain as core holdings. While correlations are expected to decline, market volatility is expected to decline as well, which would reduce performance dispersion. In addition, risk sentiment remains fragile and trade sizing may remain conservative until the public health situation normalises globally.



Key chart

Fig. 12 Global Macro provides the strongest diversification effect

Proportion of time with positive gains when the VIX is high and rising



Source: Bloomberg, Standard Chartered

Preference order	Equity Hedge	We view Equity Hedge as a core holding. Although inter-stock correlations are expected to decline from elevated levels, expectations for the positive trend in equities have moderated as well.	Equity trend	Equity dispersion
	Global Macro	We regard Global Macro as a core holding. Cross-asset correlation is expected to decline, which may give rise to more price dispersion and hence opportunities. That said, volatility is expected to decline, and we do not anticipate significant markets trends to take hold. Nevertheless, Global Macro remains a useful 'diversifier', as it tends to deliver positive returns in times of significant risk aversion.	Broad market trends	Cross-asset dispersion Cross-asset volatility
	Relative Value	We view Relative Value as a core holding. While bond volatility is elevated, the costlier funding for levered arbitrage trades (that are the main stay of this strategy) make it challenging to capitalise on potential price discrepancies.	Cost of funding	Credit spreads
	Event Driven	We view Event Driven as a core holding. While M&A activity has been relatively stable, it is anticipated to decline in view of financial, economic and political developments. In our view, these are not outstanding conditions for this strategy.	M&A activity	Equity trend Credit spreads

Source: Bloomberg, Standard Chartered. Traffic lights denote impact of factor on potential Alternatives strategy returns.

Legend: ▲ Most preferred | ▼ Less preferred | ◆ Core holding | ○ Not supportive | ● Neutral | ● Supportive | □ Key driver

Multi-Asset – at a glance



Key themes

The consecutive shocks of the COVID-19 outbreak and the slump in oil prices sent financial markets into crisis mode in less than two weeks. Our allocations' simulated returns are reflecting the impact being -12.9% and -14.8% for Asia balanced and global multi-asset income allocation, respectively, since the publication of our 2020 annual outlook, with yields across the income spectrum moving sharply higher.

Looking forward and with a 12-month time horizon, high yielding assets should now be supported by accommodative monetary and fiscal policy responses globally. Our proposed multi-asset income allocation currently yields 5.9% compared to 4.3% at the start of 2020.

In the near term, we are adjusting our risk asset exposure moderately in global/Asia-focused balanced and global multi-asset income allocations to fund increased allocations to DM IG government, Asia USD bonds, Gold and Cash for downside protection. A well-diversified allocation remains the prudent investing approach to ride out this market downturn until strong policy actions by both governments and central banks kick off a recovery in asset prices over the coming 12-months.

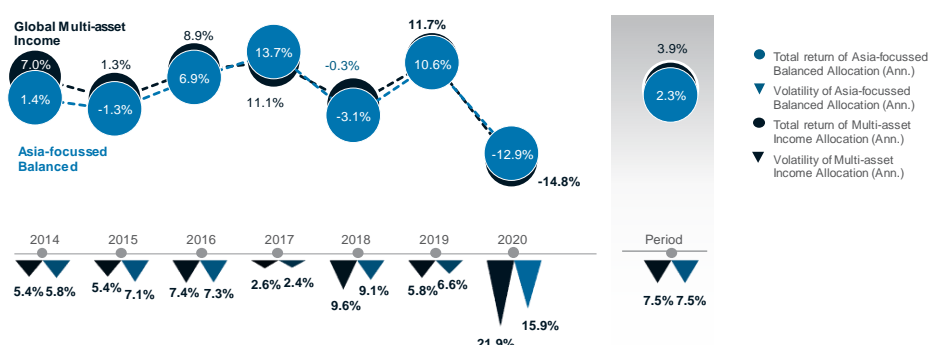


Key chart

A diversified allocation remains the prudent investing approach to ride out this market downturn

Fig. 13 Performance comparison of Asia-focused balanced and multi-asset income allocations

Total returns (ann.) and volatility (ann.) between 2014 and 2020 as of 26 March 2020



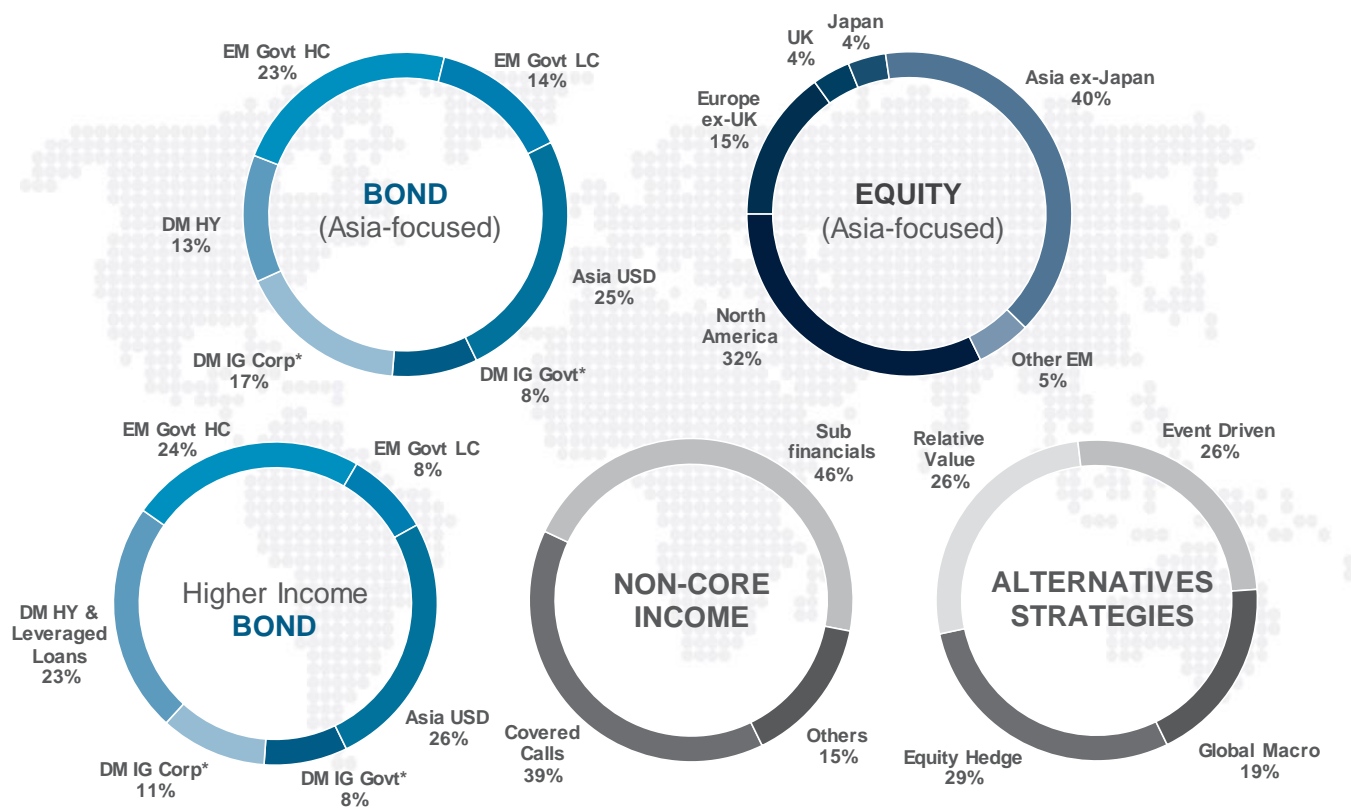
Source: Bloomberg, Standard Chartered.

Asset class preferences during bear markets, transitioning to recovery and during recovery phases

	Bear markets/Recession		Transitioning to recovery		Recovery
More resilient	Gold DM IG Govt Cash Recession allocation	Essential exposure	Multi-asset income allocation Multi-asset balanced allocation Gold DM IG Govt Cash	Most preferred	Global HDY Global equity US equity Asia ex-Japan equity Europe ex-UK equity DM HY Multi-asset income allocation Multi-asset balanced allocation
Medium drawdown	Alternatives EM bonds DM HY Multi-asset income allocation Multi-asset balanced allocation	Core	DM HY EM bonds Asia ex-Japan equity Global HDY Global equity US equity Europe ex-UK equity	Core	EM bonds Gold
High drawdown	Global HDY Global equity US equity Asia ex-Japan equity Europe ex-UK equity	Less preferred		Less preferred	DM IG Govt Alternatives Cash

Source: Standard Chartered Global Investment Committee.

Our recommended allocations



Allocation figures may not add up to 100 due to rounding. *FX-hedged

Tailoring a multi-asset allocation to suit an individual's return expectations and appetite for risk

- We have come up with several asset class “sleeves” across major asset classes, driven by our investment views
- Our modular allocations can be used as building blocks to put together a complete multi-asset allocation
- These multi-asset allocations can be tailored to fit an individual’s unique return expectations and risk appetite
- We illustrate allocation examples for both Global and Asia-focused investors, across risk profiles

BOND Allocation (Asia-focused)	Higher Income BOND Allocation	EQUITY Allocation (Asia-focused)	NON-CORE INCOME Allocation	ALTERNATIVES STRATEGIES Allocation
For investors who want a diversified allocation across major fixed income sectors and regions Asia-focused allocation	For investors who prefer a higher income component to capital returns from their fixed income exposure Includes exposures to Senior Floating Rate bonds	For investors who want a diversified allocation across major equity markets and regions Asia-focused allocation	For investors who want to diversify exposure from traditional fixed income and equity into “hybrid” assets Hybrid assets have characteristics of both fixed income and equity Examples include Covered Calls, REITs, and sub-financials (Preferred Shares and CoCo bonds)	For investors who want to increase diversification within their allocation Include both “substitute” and “diversifying” strategies

Note: Allocation figures may not add up to 100% due to rounding. *FX-hedged

Asset allocation summary

12-month view		ASIA FOCUSED				GLOBAL FOCUSED			
Summary	View	Conservative	Moderate	Moderately Aggressive	Aggressive	Conservative	Moderate	Moderately Aggressive	Aggressive
Cash	▼	15	7	3	0	15	7	3	0
Fixed Income	◆	64	39	29	7	64	39	29	7
Equity	▲	20	36	51	81	20	36	51	81
Gold	▲	0	8	8	7	0	8	8	7
Alternatives	◆	0	10	9	4	0	10	9	4
Asset class									
USD Cash	▼	15	7	3	0	15	7	3	0
DM Government Bonds*	▼	5	3	2	1	8	5	3	1
DM IG Corporate Bonds*	◆	11	7	5	1	15	9	7	2
DM HY Corporate Bonds	◆	8	5	4	1	11	7	5	1
EM USD Government Bonds	▲	15	9	7	2	11	7	5	1
EM Local Ccy Government Bonds	▼	9	5	4	1	7	4	3	1
Asia USD Bonds	▲	16	10	7	2	12	7	5	1
North America Equities	▲	7	12	16	26	11	19	27	43
Europe ex-UK Equities	◆	3	5	8	12	2	3	4	6
UK Equities	◆	1	1	2	3	1	1	2	3
Japan Equities	◆	1	1	2	3	1	1	2	3
Asia ex-Japan Equities	▲	8	14	20	32	5	9	13	21
Non-Asia EM Equities	▼	1	2	3	4	1	2	3	4
Gold	▲	0	8	8	7	0	8	8	7
Alternatives	◆	0	10	9	4	0	10	9	4

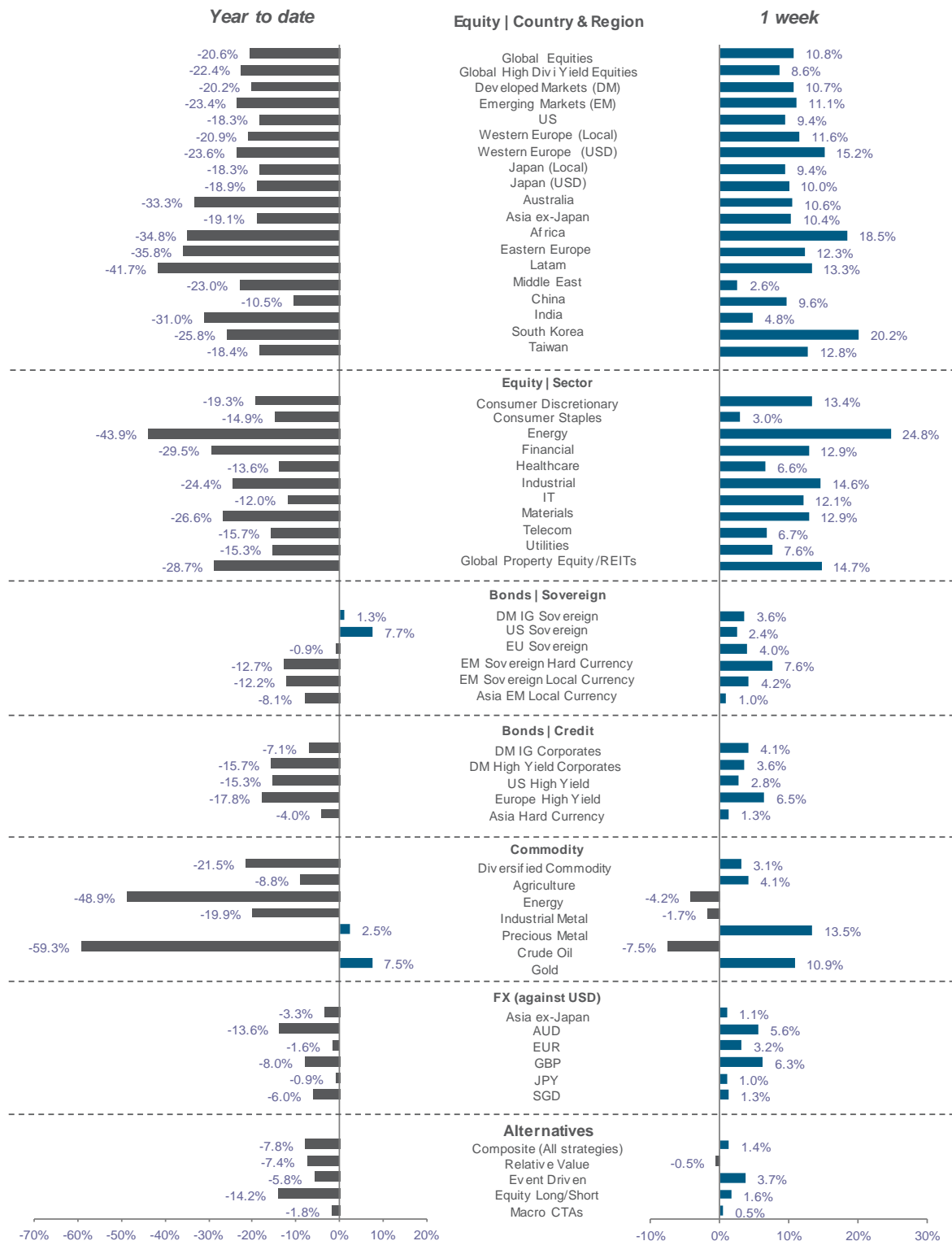
All figures in %. Source: Standard Chartered.

Note: (i) For small allocations we recommend investors to allocate through broader global equity/global bond solutions; (ii) Allocation figures may not sum to 100% due to rounding effects.

*FX-hedged

Legend: ▲ Most preferred | ▼ Least preferred | ◆ Core holding

Market performance summary*



Source: MSCI, JPMorgan, Barclays, Citigroup, Dow Jones, HFRX, FTSE, Bloomberg, Standard Chartered

*All performance shown in USD terms, unless otherwise stated

*YTD performance data from 31 December 2019 to 26 March 2020 and 1-week performance from 19 March 2020 to 26 March 2020

Events calendar

APRIL

30	FOMC policy decision
30	ECB policy decision

MAY

07	BoE policy decision
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JUNE

04	ECB policy decision
10-12	G7 summit in the US
11	FOMC policy decision
18	BoE policy decision

JULY

30	FOMC policy decision
30	ECB policy decision

AUGUST

07	BoE policy decision
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SEPTEMBER

x	China's President Xi visits Germany for summit with EU state leaders
04	ECB policy decision
11	FOMC policy decision
18	BoE policy decision
29	1 st US presidential debate

OCTOBER

15	2 nd US presidential debate
22	3 rd US presidential debate
29	ECB policy decision
29	BoJ policy decision

NOVEMBER

03	US presidential election
05	BoE policy decision
06	FOMC policy decision
21-22	G20 Summit in Saudi Arabia

DECEMBER

10	ECB policy decision
17	FOMC policy decision
17	BoE policy decision
18	BoE policy decision
31	Deadline for Brexit transition period

■ Central bank policy | ■ Geopolitics | ■ EU politics

X – Date not confirmed | ECB – European Central Bank | FOMC – Federal Open Market Committee (US) | BoJ – Bank of Japan | BoE – Bank of England | RBA – Reserve Bank of Australia

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