

# Global Market Outlook

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## Inflation takes centre stage

**Modestly higher US inflation is consistent with positive market performance.** Although bond yields have room to adjust a little higher to price in a 'normalisation' of inflation, in our view, we would not be concerned by the move unless we see evidence that suggests inflation could overshoot significantly.

**We believe market volatility has created entry opportunities in equities for those looking to raise exposure.** We maintain our conviction in Asia ex-Japan equities (favouring China and Korea). We continue to expect positive returns from Euro area equities, but no longer expect them to outperform global equities and reduce them from preferred to a core holding.

**Higher bond yields and a modest USD rebound have created opportunities to add to Emerging Market (EM) USD and EM local currency government bonds, in our view.** This is consistent with our positive view on multi-asset income strategies; however, we still expect balanced strategies (a mix of growth and income) to outperform.

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# Investment strategy

## IMPLICATIONS FOR INVESTORS

**01** Global equities continue to be our preferred asset class

**02** Relative preference for Asia ex-Japan equities, EM USD government bonds and EM local currency bonds

**03** Balanced strategies offer an attractive risk/reward, but multi-asset income remains well supported

## Inflation takes centre stage

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- We believe market volatility has created entry opportunities in equities for those looking to raise exposure. We maintain our conviction in Asia ex-Japan equities (favouring China and Korea). We continue to expect positive returns from Euro area equities, but no longer expect them to outperform global equities and reduce them from preferred to a core holding.
- Higher bond yields and a modest USD rebound have created opportunities to add to Emerging Market (EM) USD and EM local currency government bonds, in our view. This is consistent with our positive view on multi-asset income strategies; however, we still expect balanced strategies (a mix of growth and income) to outperform.

February proved to be an eventful month as volatility firmly returned amid a heightened focus on the prospects of higher US inflation. Global equities pulled back 9% peak-to-trough even as 10-year US Treasury yields rose from 2.4% at the start of the year to almost 3%. However, volatility remained mainly focused on equities.

As we noted in our *Outlook 2018*, inflation remains at the heart of the outlook from here. However, we believe a differentiation between ‘high inflation’ and a ‘normalisation’ of inflation is important. For the US, a return to 2% inflation target is consistent with our ‘reflation’ scenario and, has been historically consistent with positive equity market performance. However, a surge in inflation would likely hurt both equity and bond market returns as bond yields rise sharply and equities adjust to the likelihood of a significantly tighter Fed policy. However, we continue to believe such a scenario is unlikely.

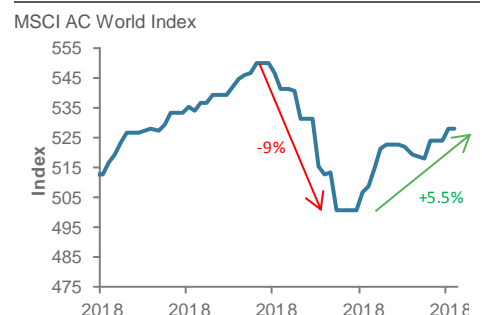
An outlook for ‘normalization’ thus makes the case for using the market pullback to build exposure where appropriate. In equities and bonds, we believe there is room to add exposure to our preferred markets and asset classes.

Figure 1: Inflation expectations rising



Source: Bloomberg, Standard Chartered

Figure 2: Equity rebound well underway



Source: Bloomberg, Standard Chartered

## Preferring Asia ex-Japan over Euro area

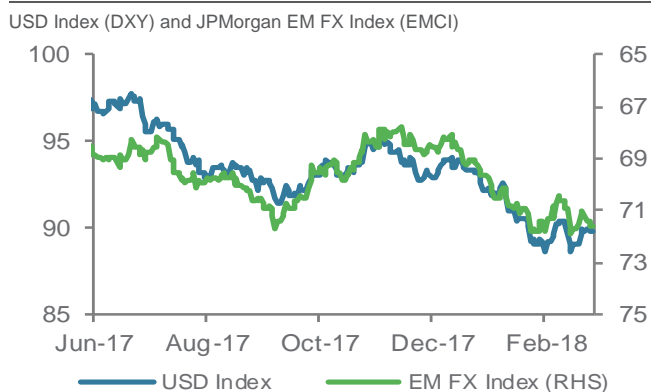
An argument has been made that equity markets could suffer if US bond yields rise above a specific threshold. However, there are a wide range of estimates on what such a level in bond yields might be and support from historical evidence is mixed, short of a massive inflation surge.

Therefore, we continue to view the equity market pullback as an opportunity to add exposure where investors may have been looking for an entry. Asia ex-Japan remains our most preferred region: valuations relative to Developed Markets (DMs) remain attractive on a relative basis and underlying economic and earnings growth remains robust.

We also believe EMs outside Asia warrant more attention. We note that their relatively tight correlation with major commodity prices has been a key source of support, with many likely to be well supported in an environment of a tightening oil market, for example.

We continue to believe Euro area equities will deliver positive returns over the coming 12 months. However, we no longer expect them to outperform global equities. Earnings growth expectations are positive, but no longer accelerating, while the room for further positive economic surprises looks increasingly limited. Our positive view on the EUR presents a risk to exporters, causing us to prefer sectors such as financials, which are less dependent on the currency.

Figure 3: USD taking a breather from a broad downtrend; this has created entry opportunities in EM local currency assets



Source: Bloomberg, Standard Chartered

## Add to EM bonds

Higher bond yields have also created entry opportunities in EM bonds, in our view. We have often highlighted sensitivity to bond yields as a key risk for EM USD government bonds. However, despite this, these bonds have outperformed corporate bonds over the past month on a relative basis and, we believe, the higher yield on offer today represents an opportunity to add, where appropriate.

We also see an entry opportunity in EM local currency bonds. The rise in volatility over the past month has also resulted in a slight weakening of EM currencies. We believe this represents an opportunity to add exposure as we expect long-term EM currency strength in the context of modest USD weakness.

## Multi-asset strategies remain relevant

Many of these preferences feed through well into our preferred multi-asset strategies. We believe our view to buy-the-dip in equities should support our outlook that balanced strategies should outperform income strategies.

Having said that, we believe income should also benefit from a higher-yielding starting point. Our preferred bond allocation within this already incorporates a higher allocation to our preferred areas (EM bonds) and a lower one to areas such as High Yield bonds where valuations are more of a concern.





## Turning bullish on SGD

We close our bullish view on the Korean won (KRW) following YTD gains. Risk/reward favours locking in gains now given the risk of escalation in global trade tensions and the currency's outperformance versus most Asian peers.

We also close our bearish view on the Japanese yen (JPY). Although we expected it to be an exception to US Dollar weakness, this has proved not to be the case, particularly given its safe haven status over the past month.

We are opening a new bullish view on the Singapore dollar (SGD). In our view, this represents a good way to express our outlook of modest USD weakness given the currency's tight correlation with the USD index and the risk of tighter Singapore monetary policy at the next policy meeting in April.





Figure 4: Our Tactical Asset Allocation views (12m) USD

Asset class	Sub-asset class	Relative outlook	Rationale
 <b>Multi-asset Strategies</b>	Multi-asset Income	●	Low policy rates and yields remain a support; Attractive entry point
	Multi-asset Balanced	●	Growth tilt to help late-cycle, equity volatility a risk
 <b>Equities</b> ●	Asia ex-Japan	●	Earnings uptick positive; Valuations fair; Trade tensions long-term risk
	Non-Asia EM	●	Commodities, EM flows offer support; Valuations elevated; Politics a risk
	Euro area	●	Earnings expectations growth positive but muted; Valuations fair; EUR a risk
	US	●	Earnings expectations have jumped; Valuations elevated; Bond yields a risk
	Japan	●	Strong domestic growth; Valuations attractive; JPY key to earnings
	UK	●	Brexit talks cloud earnings outlook; Elevated valuations; GBP rebound a risk
 <b>Bonds</b> ●	EM government (USD)	●	Attractive yield; Fair valuations; High rate sensitivity; USD rebound is a risk
	EM government (local currency)	●	Attractive yield; FX offers entry opportunity; USD rebound, inflation are risks
	Asian USD bonds	●	Moderate yield; Fair valuations; Demand/supply favourable
	DM HY corporate	●	Attractive yield; Credit quality mixed; Expensive valuations
	DM IG corporate	●	Moderate yield; Elevated valuations; Defensive characteristics
	DM government	●	Low yield; Policy, higher inflation are risks
 <b>Currencies</b>	EUR	●	Growth strong; room exists for policy rate expectations to re-price higher
	EM currencies	●	Long-term EM fundamentals constructive; USD weakness would add tailwind
	GBP	●	Political and Brexit uncertainty cloud the outlook
	AUD	●	Status quo in RBA policy and weaker iron ore prices likely to limit gains
	JPY	●	USD/JPY remains tied to US 10-year yields
	USD	●	Long-term downtrend to persist, but short-term rebound could extend

Source: Standard Chartered Global Investment Committee

Legend: ● Overweight      ● Neutral      ● Underweight

Figure 5: Performance of key themes since Outlook 2018

Asset class		Date Open	Date Closed	Absolute	Relative
 <b>Equities</b>	Asia ex-Japan equities to outperform global equities	7-Dec-17		–	✓
	Euro area equities to outperform global equities	7-Dec-17	2-Mar-18	–	✗
	South Korea equities to outperform Asia ex-Japan equities	7-Dec-17		–	✗
	China equities to outperform Asia ex-Japan equities	7-Dec-17		–	✓
 <b>Bonds</b>	Emerging Market (EM) USD government bonds to outperform global bonds	7-Dec-17		–	✗
	EM LCY government bonds to outperform global bonds	25-Jan-18		–	✗
 <b>Multi-asset and alternative strategies</b>	Multi-asset balanced <sup>[2]</sup> strategies to outperform multi-asset income <sup>[1]</sup> strategies	7-Dec-17		–	✓
	Equity hedge strategies to outperform other alternative strategies <sup>[3]</sup>	7-Dec-17		–	✓
 <b>Currencies</b>	USD to weaken modestly	7-Dec-17		✓	–
	EM currencies to gain against USD	7-Dec-17		✓	–
	EUR to strengthen against USD	7-Dec-17		✓	–
	SGD to strengthen against USD	22-Feb-18		✗	–
<b>Closed calls</b>					
	Asia USD corporate bonds to outperform global bonds	7-Dec-17	25-Jan-18	–	✗
	KRW to strengthen against USD	7-Dec-17	23-Feb-18	✓	–
	JPY to weaken against USD	7-Dec-17	23-Feb-18	✗	–

Source: Bloomberg, Standard Chartered

Performance measured from 08 Dec 2017 (release date of our 2018 Outlook) to 01 March 2018 or when the view was closed

<sup>[1]</sup> Multi-asset income allocation is as described in 'Outlook 2018: Turning up the heat', Figure 10, page 43

<sup>[2]</sup> Multi-asset balanced allocation is as described in 'Outlook 2018: Turning up the heat', Figure 8, page 39

<sup>[3]</sup> Alternative strategies allocation is described in 'Outlook 2018: Turning up the heat', Figure 1, page 89

✓ - Correct call; ✗ - Missed call; NA - Not Applicable

Past performance is not an indication of future performance. There is no assurance, representation or prediction given as to any results or returns that would actually be achieved in a transaction based on any historical data.

# Perspectives

## on key client questions



### Where are the best investments following last month's volatility?

We continue to believe equity markets are likely to outperform other asset classes in the coming 6-12 months, with the recent pullback increasing the probability of positive returns going forward.

Historically, global equity markets perform well until around six months before a US recession, delivering especially strong returns in the 6-12 month period prior to the recession. For now, there are few signs that the economy is overheating. We have seen a modest pick-up in inflation expectations, but this is not worrying at this stage. Meanwhile, equity market returns are generally strong when US monetary policy is loose, which it clearly still is.

Naturally, this raises the question of valuations. Global equities are not cheap. However, an analysis of 12-month returns from different valuation starting points (based solely on forward price/earnings ratio) shows that, historically, global equities generated positive 12-month returns 68% of the time from valuation levels seen prior to the recent sell-off. This probability rises to 90% if you take post-selloff valuations as a starting point.

An exercise based on historical data notwithstanding, we would not be so bold as to say there is a 90% probability of positive returns over the next 12 months. However, we do believe the odds are stacked in equities' favour given 1) positive fundamentals and 2) a lot of inflation risks appear to have been priced in by the bond market.

**Figure 6: Outlook for equity markets still positive**

Distribution of historical 12-month returns for global equities from different valuation (forward price/earnings ratio) starting points since 1997. Current forward P/E ratio is 15.7

12m forward P/E	<-20%	-10% to -20%	0% to -10%	0% to +10%	+10 to +20%	> +20%	% positive returns
8.5 to 10.2	0%	0%	0%	11%	22%	68%	100%
10.2 to 11.8	8%	6%	3%	5%	40%	38%	83%
11.8 to 13.5	16%	3%	25%	6%	23%	27%	56%
13.5 to 15.2	7%	4%	5%	13%	51%	20%	84%
<b>15.2 to 16.8</b>	0%	1%	9%	23%	53%	13%	<b>90%</b>
16.8 to 18.5	1%	7%	25%	28%	38%	1%	68%
18.5 to 20.2	34%	28%	8%	4%	8%	18%	30%
20.2 to 21.8	23%	26%	8%	2%	21%	20%	43%
21.8 to 23.5	9%	26%	1%	3%	44%	17%	65%
23.5 to 25.2	19%	13%	26%	15%	14%	14%	42%
25.2 to 26.9	21%	57%	22%	0%	0%	0%	0%

Source: MSCI, Bloomberg, Standard Chartered

Within equity markets, we have a preference for Emerging Market (EM) equities, especially Asia ex-Japan. This is primarily because we see the USD remaining weak, which should encourage flows to EM assets. Indeed, it is interesting to note the USD did not bounce as much as we expected during the risk-off environment, which may hint at more downside risks.

Within bonds, we believe the recent surge in yields and modest EM currency weakness offer a great opportunity to add to EM USD and EM local currency government bonds.



### Are US Treasury yields likely to keep rising? What are the implications?

We believe that a bulk of the adjustment higher in 10-year bond yields is now behind us, although a modest move into the 3.00-3.25% range remains possible.

Inflation expectations offer one framework to understand our view. Our 'reflationary' scenario is consistent with a normalisation of inflation expectations (usually 2%), which has tended to be associated with long-term inflation expectations of 2.3-2.5% (versus 2.1-2.1% now). This picture fits with our view that only a modest move is likely from here.

An overshoot in inflation expectations is the main risk to this view. Although not our base-case scenario, a situation in which inflation (or inflation expectations) moves significantly higher than these ranges is a situation in which 10-year yields could move significantly above 3.00-3.25%. However, we believe the chances of such an outcome are low.

Finally, any move will have to overcome near-term resistance. Short US Treasury positioning is now at an extreme, while a key technical resistance sits just above 3%. Both are likely to contain any significant moves in the short term, suggesting a consolidation is likely for now.

### Does your downgrade of Euro area equities to a core holding mean you are now bearish the market?

Euro area equities have been downgraded to a 'core' holding from 'preferred', but we are not bearish on Euro area equities. Within the Global Investment Committee, we evaluate equity markets through a number of lenses. We consider independent estimates for market returns, which point towards positive returns in the coming 12 months in the Euro area. We also consider which region or market is likely to witness an upside growth surprise, and on this measure Euro area falls short of the US and Asia ex-Japan.

Markets in the US, Asia ex-Japan and EM ex-Asia have witnessed significant upgrades to 2018 consensus earnings forecasts in recent months, while those in the Euro area have stagnated at 8% for 2018. EUR strength and concerns over slower growth in China, a driver of many large Euro area corporates in the consumer and industrial sectors, have weighed on earnings growth expectations.

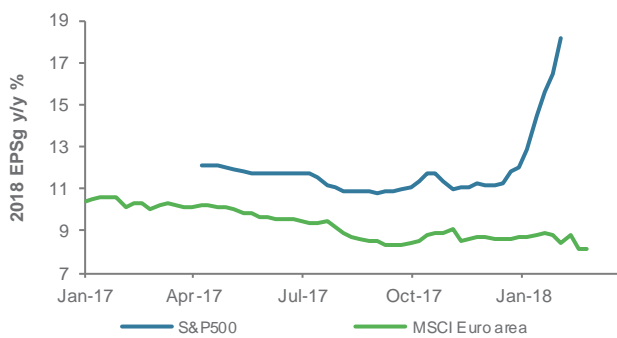
Although positive fundamentals have not changed in the Euro area, it is the absence of positive surprises that puts it at a disadvantage relative to other regions.

In particular, improving liquidity in Asia ex-Japan and a dramatic improvement in earnings forecasts in the US stand out.

Aggregating these competing perspectives, we believe that Euro area equities are likely to post positive returns, but not necessarily outperform global equities.

**Figure 7: Euro area earnings have lagged behind US upgrades**

MSCI Euro area and US earnings growth



Source: FactSet, Standard Chartered

## Can the JPY still weaken in an environment of broad USD weakness?

The USD remains in a long-term downtrend, in our view, and we are increasingly of the view that it is difficult for the JPY to weaken in this environment.

We do not believe the case for a broad USD weakness over the full year has changed; higher Fed rate hikes are unlikely to surprise markets in the US, but much more room for upside surprise exists outside the US.

The JPY was not an exception to recent USD weakness, despite the Fed and the BoJ being on very different paths. Part of this is likely due to speculation the BoJ may end up reducing accommodation at some point, but a part of the move could also be attributed to safe-haven demand during market volatility. Although we still believe the case for BoJ tightening looks difficult, given the lack of sustained inflation, we believe risk/reward no longer favours significant JPY weakness. Therefore, we close our bearish JPY view.

# Macro overview

## IMPLICATIONS FOR INVESTORS

**01** The Fed is likely to raise rates three times in 2018

**02** The ECB is likely to continue withdrawing policy stimulus; the BoJ is likely to stay on hold for now

**03** China is likely to keep policy broadly stable as it retains focus on curbing excess leverage

## Reflation gathers pace

- **Core scenario:** Our conviction in the ongoing shift from a muddle-through scenario to reflation has increased due to further growth upgrades in the US (following the tax cuts) and Europe, as well as a revival of inflation expectations in the US.
- **Policy outlook:** We now expect the Fed to hike rates three times in 2018. We also expect the ECB to continue withdrawing its exceptional stimulus, the BoJ to keep policy extremely accommodative and the PBoC to maintain its tight monetary policy.
- **Key risks:** a) a sharp rise in inflation, especially in the US; b) deflation downside from a policy-driven slowdown in China or a growth slowdown due to trade disputes; c) geopolitics, especially related to North Korea or the Middle East.

### Core scenario

Our Global Investment Committee's conviction in the reflation scenario of strong growth and moderately higher inflation unfolding in the next 12 months has increased since we published our 2018 *Annual Outlook* in December 2017. The committee now assigns a 45% probability to 'reflation' (versus 40% in December), with the increase coming at the expense of reduced expectations of a muddle-through scenario (30% versus 35%). The US tax cuts enacted in December were the primary driver of this change, as they boosted consensus US growth and inflation expectations. An inflation surge in the US is the biggest risk to this constructive scenario, in our view, given the potential impact of the fiscal stimulus at the mature stage of the business cycle. Thus, we expect the Fed to be slightly more pro-active in pre-empting inflation pressures and now anticipate three Fed rate hikes in 2018 (versus two in end 2017).

Figure 8: Market estimates for US growth and inflation have been upgraded after the tax cuts

Region	Growth	Inflation	Benchmark rates	Fiscal deficit	Comments
US	●	●	●	●	US tax cuts have led to growth and inflation upgrades. An inflation surge remains a key risk. The Fed likely to raise rates three times in 2018
Euro area	●	●	●	●	Growth expectations continue to be revised higher, although inflation remains tepid. The ECB is likely to continue withdrawing stimulus
UK	●	●	●	●	Inflation stays above wage growth, hurting purchasing power. Brexit talks are a key risk. Increased expectations of BoE rate hike in May
Japan	●	●	●	●	Economy to grow above potential for the second year amid strong export outlook. BoJ to maintain easy policy as inflation stays well below target
Asia ex-Japan	●	●	●	●	President Xi's grip on power means sustained focus on deleveraging. India recovering from tax reforms pain. South Korea to raise rates
EM ex-Asia	●	●	●	●	Brazil's pace of rate cuts may slow as inflation bottoms. Russia likely to cut rates further

Source: Standard Chartered Global Investment Committee

Legend: ● Supportive of risk assets ● Neutral ● Not supportive of risk assets

## US – tax cuts boost optimism

**Growth, inflation expectations upgraded.** The biggest ever US corporate tax cut has led to a significant boost in growth and inflation expectations for 2018 and a marginal rise in growth estimates for 2019. However, there is less certainty about whether the cut will lift long-term growth and productivity. A key determinant will be whether corporate investment will accelerate and broaden beyond the energy sector, after recovering in 2017. We expect the moderate cuts in personal income tax rates and a continued robust job market to sustain consumption growth in the coming year.

**Fed reaction key.** Rising inflation expectations following the tax cuts have lifted market estimates for Fed rate hikes. We are aligned with the market, expecting three 25bps hikes in 2018. There is a risk the Fed, under new Chair Powell, turns more hawkish to offset the impact of the fiscal stimulus.

## Euro area – growth forecast upgraded further

**Strong growth, subdued inflation.** Consensus now expects a second year of above 2% growth. Easy monetary conditions are boosting domestic consumption and corporate investments, while a strong global economic environment continues to support exports. However, the run of economic data surprises has ended lately, while inflation remains subdued amid a slack in southern European labour markets.

**ECB tapering in focus.** The ECB has grown more confident about the upturn, with its latest meeting minutes showing members are less concerned about downside risks. This raises the chances of the ECB ending its bond-purchase programme in H2. However, still-low inflation means the prospects of a rate hike in 2018 from the current 0% are low.

## UK – rate hike prospects rise

**Growth slowdown continues.** UK growth is likely to slow for the fourth straight year as high inflation hurts purchasing power and consumption, the main driver of the economy. The outcome of Brexit talks remains critical for any revival.

**BoE rate hike likely in May.** Markets are assigning a 60% probability of a rate hike in May as the BoE shifts its focus towards inflation. However, the progress of Brexit talks and the stability of the government are key factors to watch.

Figure 9: US business and consumer confidence indicators are close to their highest in more than a decade after the tax cuts

US ISM non-manufacturing PMI; Small business optimism index; Consumer confidence index



Source: Bloomberg, Standard Chartered

Figure 10: Euro area growth estimates continue to be upgraded, although 2017's positive economic data surprises have ended

Euro area 2018 consensus growth estimate; Economic surprises index



Source: Citigroup, Bloomberg, Standard Chartered

Figure 11: UK's inflation remains above wage growth, despite the recent upturn in wages, hurting purchasing power

UK core consumer inflation; Average weekly earnings, 3m average



Source: Bloomberg, Standard Chartered

## Japan – second year of strong growth

**Lift from global growth.** Consensus estimates point to a second year of growth above Japan's long-term potential. A robust export outlook remains the primary driver for the economy. Corporate investment is also likely to stay strong as industries face capacity constraints. Meanwhile, a tight labour market is likely to support consumption.

**BoJ to stay accommodative.** Although deflation pressures have receded, inflation remains well below the target. Therefore, we do not expect the BoJ to remove accommodation this year. The reappointment of BoJ Governor Kuroda for a new term supports this view.

## China – deleveraging to continue

**Consumption to support growth.** President Xi's tightening grip on power, as seen from the Communist Party ending its two-term limit for the Presidency, means ongoing efforts to rebalance the economy towards domestic consumption are likely to continue. We believe the shift away from an investment-led growth strategy and the efforts to reduce leverage in the corporate sector are likely to make growth more sustainable. We expect growth to slow moderately in 2018, but remain supported by robust consumption.

**PBoC to focus on financial stability.** We expect the PBoC to maintain its current restrictive monetary policy as it continues to focus on financial stability. However, targeted lending to priority sectors is likely to continue.

## Emerging Markets – recovery continues

**India recovering; rate hike expectation in Asia.** India's growth rate is expected to move back above 7% in 2018 as the economy recovers from the shocks of demonetisation and the goods and services tax. However, a revival in inflation and fiscal slippage could lead to a tighter monetary policy. Elsewhere in Asia, markets are expecting 50-60bps rate hikes in Thailand, Malaysia and South Korea in 2018.

**Brazil's rate cuts to slow, Russia's to continue.** Brazil's inflation has likely bottomed after declining since 2016. This reduces the chances of further significant rate cuts. In contrast, Russia's inflation continues to decline, leaving scope for the central bank to extend rate cuts.

Figure 12: Japan's economy is expected to grow above potential for a second year, helping revive inflation expectations from low levels

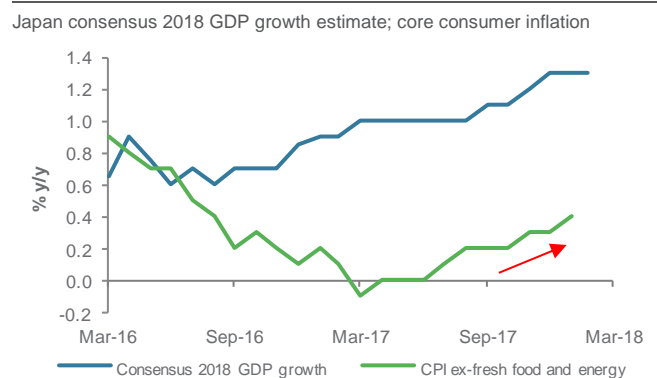


Figure 13: China's retail sales relatively robust, even as authorities continue to tighten credit growth to reduce corporate leverage

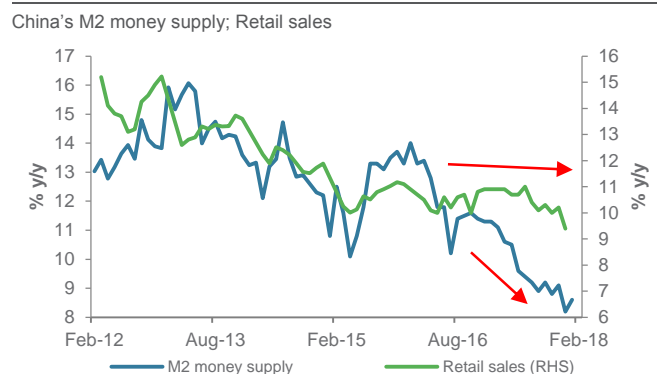
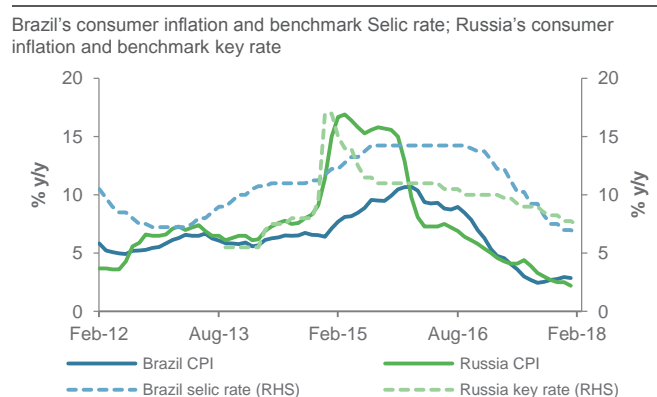
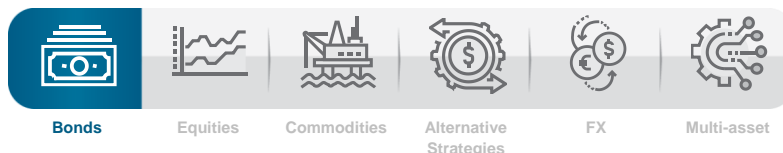


Figure 14: Brazil's inflation has likely bottomed, reducing the chance of rate cuts; Russia's falling inflation points to more rate cuts





# Bonds

## IMPLICATIONS FOR INVESTORS

- 01** We favour EM bonds over DM bonds
- 02** Prefer EM USD and local currency government bonds
- 03** US floating rate senior loans offer an attractive alternative to DM HY bonds

## Yields likely to consolidate

- We retain bonds as a core holding as we believe government bond yields are likely to consolidate around current levels, following the recent sell-off. Although the 10-year US Treasuries could still breach 3.0%, we believe the run higher in yields has largely run its course.
- We expect Emerging Market (EM) bonds to outperform the broader bond universe. Both EM USD and local currency government bonds remain our preferred areas within bonds. Asian USD bonds remain a core holding and we view them as a defensive allocation, as demonstrated during the recent bout of market volatility.
- Within Developed Markets (DM), corporate bonds, both Investment Grade (IG) and High Yield (HY), are likely to outperform government bonds. We expect senior floating rate loans to outperform DM HY bonds.

Figure 16: Bond sub-asset classes in order of preference

Bond asset class	View	Rates policy	Macro factors	Valuations	FX	Comments
EM USD government	▲	●	●	●	NA	Attractive yields, relative value, positive EM sentiment are supportive
EM local currency	▲	●	●	●	●	Attractive yield and positive EM sentiment balanced by higher volatility
Asian USD	◆	●	●	●	NA	High credit quality, defensive allocation. Influenced by China risk sentiment
DM IG corporate	◆	●	●	●	●	Likely to outperform DM IG government bonds. Yield premium is relatively low
DM HY corporate	◆	●	●	●	●	Attractive yields on offer, offset by increasingly expensive valuations
DM IG government	▼	●	●	NA	●	Returns challenged by normalising Fed and ECB monetary policy

Source: Standard Chartered Global Investment Committee

Legend: ● Supportive ● Neutral ● Not Supportive ▲ Preferred ▼ Less Preferred ◆ Core

Figure 15: Where markets are today

Bonds	Yield	1m return
DM IG government	*1.47%	-0.7%
EM USD government	5.73%	-2.0%
DM IG corporates	*2.77%	-1.7%
DM HY corporates	5.64%	-1.5%
Asia USD	4.40%	-0.7%
EM local currency government	6.25%	-1.6%

Source: Bloomberg, JPMorgan, Barclays, Citigroup, Standard Chartered

\*As of 28 February 2018

## Taking stock of the events in 2018

Global bonds have seen a challenging start to 2018 as 10-year US Treasury yields have risen by over 40bps and 10-year German Bund yields have edged up by over 20bps. Most bond sub-asset classes have delivered negative returns YTD. The recent move in US Treasuries was driven by both a rise in US inflation expectations and an adjustment to increased potential supply following higher US fiscal deficit projections.

Following the recent move, we believe the risks to yields are balanced. Although the 10-year US Treasury yield could touch 3.0%, we believe it could represent a buying opportunity. For USD bonds, we prefer a maturity profile centred around five years.

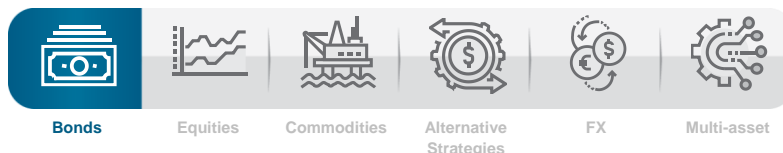


Figure 17: Inflation expectations remain a key driver for 10-year US Treasury yields

10y US Treasury yields and 10y inflation breakeven (market implied inflation expectation)



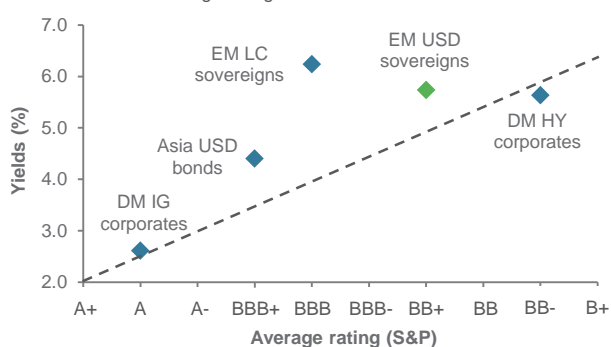
Source: Bloomberg, Standard Chartered

### Emerging Market USD government bonds – Preferred

EM USD government bonds continue to rank as one of our preferred asset classes. Looking back to the rationale we highlighted in our 2018 Annual Outlook, all the supportive factors remain in place. EM growth expectations have been gradually revised upward, while the USD has weakened in 2018. The outlook for commodity prices also remains supportive for the asset class.

Figure 18: EM USD government bonds offer an attractive yield and higher credit quality than HY bonds

Yield-to-Worst and average rating of various bond sub-asset classes



Source: Bloomberg, Standard Chartered

Although the yield premium (or credit spread) has remained broadly range-bound, the sharp rise in US Treasury yields has led to EM USD bonds delivering negative returns YTD. Nonetheless, the sell-off means that the bonds now offer an

even more attractive yield of nearly 5.7%, higher than that offered by DM HY bonds. As valuations remain broadly in line with the historical average, we view current yields as an attractive entry point for those looking to add exposure.

### Emerging Market local currency bonds – Preferred

Since we upgraded EM local currency bonds last month, the asset class has delivered negative returns, largely due to a stronger USD because of the market sell-off in early February. We believe this weakness is likely to be temporary and view it as a potential buying opportunity.

EM local currency bonds remain underpinned by strong economic fundamentals and our positive view on EM currencies. The bonds continue to offer the highest yield (c. 6.2%) among all bond sub-asset classes. While the rise in Indian bonds yields has caught the attention of many investors, it has been largely offset by a decline in yields in South Africa and Brazil. We believe that the recent rise in INR bond yields offers an attractive entry point and expect them to outperform global bonds going forward.

Figure 19: Currency remains an important driver for EM local currency bonds

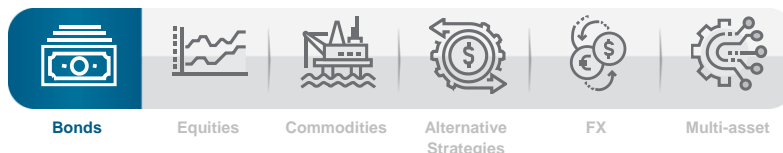
EM local currency bond index and EM FX index



Source: Bloomberg, Standard Chartered

### Asian USD bonds – Core holding

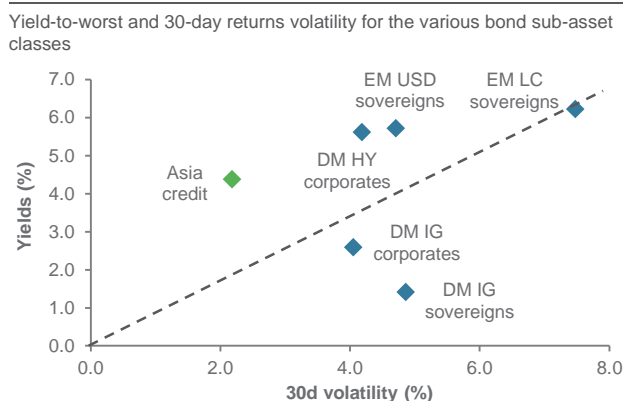
In line with our overall preference for EM bonds, we broadly like Asian USD bonds and view them as a core holding in a well-diversified allocation. In our 2018 Annual Outlook, we highlighted the high credit quality and the defensive nature of Asian USD bonds. This was illustrated in the recent



sell-off, when their yield premiums remained largely stable.

Asian USD bonds continue to benefit from a strong regional buyer base as well as an incremental allocation from international investors. Barring spike in concerns related to China's growth expectations and currency, the market is likely to be well-supported.

Figure 20: Asian USD bonds demonstrated their defensive quality in the recent bout of volatility



Source: Bloomberg, Standard Chartered

## Developed Market Investment Grade corporate bonds – Core holding

We continue to view DM IG corporate bonds as a core holding and expect the yield premiums on offer to help them outperform DM IG government bonds. However, we expect the returns to be largely muted as a low spread premium reduces the scope for future outperformance.

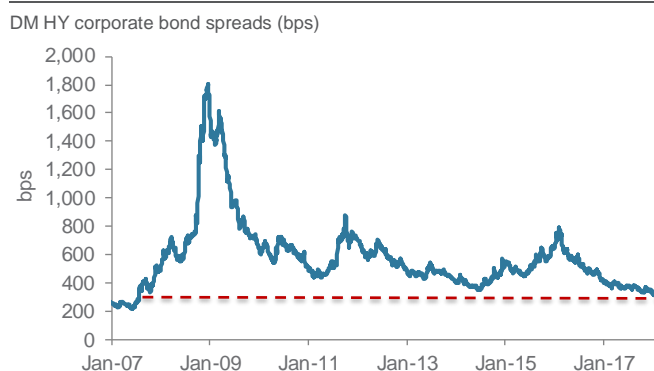
The overall credit quality has improved modestly, helped by stronger earnings. US IG corporate bonds have been supported by lower-than-usual supply in 2018. However, their supply is expected to pick-up and put modest pressure on the yield premiums. We retain our preference for US IG corporate bonds over European IG corporate bonds.

## Developed Market High Yield corporate bonds – Core holding

Though we retain DM HY bonds as a core holding, we have become incrementally cautious towards them over the past few months as valuations (measured by spreads or yield premiums) are close to their cyclical highs.

Though default rates remain low, credit quality trends remain mixed and US HY corporates are expected to benefit only modestly from the tax cuts. Therefore, we struggle to find a catalyst that could help them outperform EM bonds.

Figure 21: DM HY spreads are close to cyclical lows



Source: Bloomberg, Standard Chartered

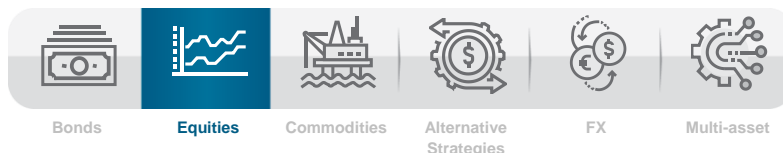
We prefer to get a higher yield from EM USD government bonds which benefit from stronger fundamentals and offer higher credit quality. Investors wishing to retain an exposure to the US HY market could consider rotating to US floating rate senior loans offer a combination of protection from rising interest rates and lower volatility – thus offering more attractive returns, especially on a risk-adjusted basis.

## Developed Market Investment Grade government bonds – Less preferred

DM IG government bonds remain our least preferred area within bonds as rising yields in the US and Europe could make it difficult for them to deliver positive returns in local currency terms.

Given our expectations of three rate hikes in the US, we believe the risks to 10-year US Treasury yields are balanced around current levels (see page 8). However, we do expect short-term yields to continue to rise, in line with interest rate hikes. Hence, we expect the difference between long-term and short-term yields to reduce (yield curve to flatten).

We prefer taking exposure to DM IG bonds without hedging the currency exposure. Given our range-bound view on the JPY and positive view on the EUR, currency strength could help augment USD-denominated returns for investors.



# Equities

## IMPLICATIONS FOR INVESTORS

- 01** Global equities our preferred asset class
- 02** Asia ex-Japan is our preferred regional market
- 03** Prefer China and Korea within Asia ex-Japan

## Earnings recovery gathers steam

- Global equities remain our preferred asset class. Consensus earnings growth forecasts are accelerating and 2017 is unlikely to be the peak in earnings growth in this cycle. Consensus 12m forward earnings growth for global equities is 13% in 2018, led by the US market, which is a core holding.
- Asia ex-Japan is our preferred region for equities. A weaker USD and an improving balance of payments position are leading to an easing of liquidity conditions, which is positive for the region. Corporate fundamentals are also improving with net margins rising to 8.7% from 7.7% in January 2017. Consensus 12m forward earnings growth is solid at 14% and valuations are undemanding.
- Euro area equities have been downgraded to a core holding. Drivers of the downgrade include lacklustre earnings growth in 2018, which have stagnated at 8% since Q4 17. Although we believed Euro area corporates can withstand a stronger EUR, investors have not shared our reasoning given the stagnation in earnings growth forecasts. We remain positive, but less convinced Euro area will outperform.
- Emerging Markets (EM) ex-Asia is a core holding. Improving global growth is contributing to resilience in commodity prices, which is a key driver of the five countries in this group: Brazil, Mexico, South Africa, Turkey and Russia, reflected in the increase in 12m forward earnings forecasts to 16% from 13% in Q4 17.
- Risks to our preferred equity view: a surge in bond yields and margin weakness.

Figure 22: Where markets are today

Market	P/E ratio	P/B	EPS	Index level
<b>US (S&amp;P 500)</b>				
	17x	2.4x	18%	2,677
<b>Euro area (Stoxx 50)</b>				
	14x	1.6x	8%	3,399
<b>Japan (Nikkei 225)</b>				
	14x	1.3x	4%	21,170
<b>UK (FTSE 100)</b>				
	14x	1.8x	8%	7,175
<b>MSCI Asia ex-Japan</b>				
	13x	1.6x	14%	728
<b>MSCI EM ex-Asia</b>				
	12x	1.6x	16%	1,609

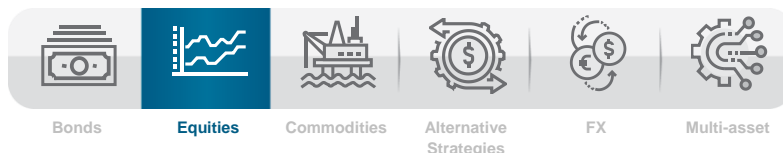
Source: FactSet, MSCI, Standard Chartered.  
Note: Valuation and earnings data refer to MSCI indices, as of 1 March 2018

Figure 23: Asia ex-Japan is a preferred region, the UK is least preferred

Equity	View	Valuations	Earnings	Return on Equity	Economic Data	Bond yields	Comments
Asia ex-Japan	▲	●	●	●	●	●	Earnings recovery, improving margins and attractive valuations
EM ex-Asia	◆	●	●	●	●	●	Commodity price recovery is leading to earnings recovery
Euro area	◆	●	●	●	●	●	Earnings under pressure from EUR strength, ROE improving
US	◆	●	●	●	●	●	Earnings growth has recovered, higher bond yields a drag on performance
Japan	◆	●	●	●	●	●	JPY strength is a drag on earnings outlook
UK	▼	●	●	●	●	●	Earnings under pressure and economic data is weak

Source: Standard Chartered Global Investment Committee

Legend: ● Supportive ● Neutral ● Not Supportive ▲ Preferred ▼ Less Preferred ◆ Core Holding



## Asia ex-Japan equities – Preferred

Asia ex-Japan is one of our preferred regions. Our three-factor framework, incorporating consensus bottom-up, top-down earnings forecasts and option pricing, indicates the potential for a 13% gain in 2018 for Asia ex-Japan. Based on the current 12m forward P/E of 12.5x, our back-testing suggests a 57% probability of a positive return in the next 12 months.

Our preferred view is supported by steady earnings growth, attractive valuations and a modestly weaker USD (a positive for fund flows into the region).

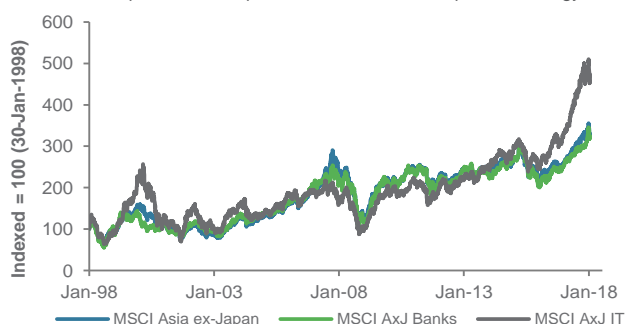
Steady earnings growth has been a driver for Asia ex-Japan equities. Consensus 12m earnings growth forecast is 14%. Benefitting from strong global demand and good cost discipline, net margin has stayed healthy at 8.7% and the return on equity (ROE) has also improved to 12.3%. Although the technology sector led the performance in 2017, we believe financials, which account for 24% of MSCI Asia ex-Japan, could lead markets higher in 2018 on rising interest rates. Asia ex-Japan's valuations remain attractive, with its 12m consensus forward P/E at a 16.3% discount to global equities.

China is our most preferred market within Asia ex-Japan. A recovery in industrial profits, along with a pick-up in domestic consumption, could help offset the impact of financial deleveraging in 2018.

Korea is also a preferred market. Trading at an attractive 33% discount to the region, relative to a long-term average discount of 22%, we believe the risks of geopolitical tensions and weakness in semiconductor growth have been priced in.

Figure 24: Asia ex-Japan banks and technology are driving the index

MSCI Asia ex-Japan banks outperform MSCI Asia ex-Japan technology sector



Source: FactSet, MSCI, Standard Chartered

## EM ex-Asia equities – Core holding

We retain EM ex-Asia equities as a core holding. Our three-factor framework, incorporating consensus bottom-up, top-down earnings forecasts and option pricing, indicates the potential for a 14% gain in 2018 for EM ex-Asia. Based on the current 12m forward P/E of 11.8x, our back-testing suggests a 57% probability of positive returns in the next 12 months.

Our view is underpinned by synchronised global economic growth, a recovery in commodity prices and a modestly weaker USD favouring capital flows into EM ex-Asia. The outlook for EM ex-Asia equities is linked to commodity prices. Given our cautiously optimistic view on commodity prices, this should support EM ex-Asia equities.

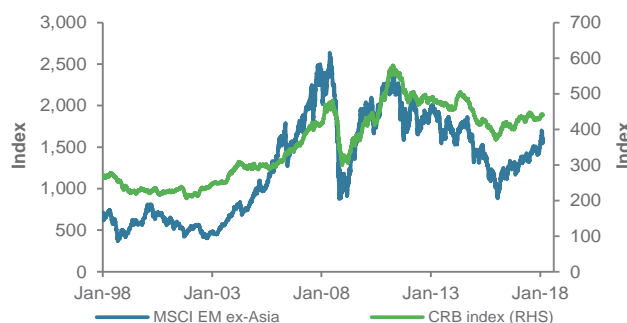
Better revenue growth, together with margin expansion driven by moderately positive commodity prices, is expected to lead to a strong earnings recovery. Consensus 12m earnings growth forecast is at 16% and net margins have increased to 8.6%. In addition to energy and materials, the financial sector, which accounts for 33% of MSCI EM ex-Asia, could be another driver for equity performance.

Trading at a P/E discount of 22% to Developed Markets (DMs), valuations for EM ex-Asia remain attractive on a relative basis with room for further re-rating.

Political risks, however, remain a concern for the region, with presidential elections in July for Mexico and in October for Brazil. The outcome of these elections could lead to heightened political uncertainty and affect corporate revenue.

Figure 25: EM ex-Asia index is correlated to commodity prices

MSCI EM ex-Asia and CRB



Source: FactSet, Bloomberg, MSCI, Standard Chartered



## Euro area equities – Core holding (downgraded from Preferred)

Euro area is downgraded to core holding from preferred, amid (1) 12m forward Euro area earnings growth stagnating at 8.1% since Q4 2017, (2) concerns that ongoing EUR strength could cap earnings growth and (3) limited upside surprises to economic growth momentum. Our three-factor framework, incorporating consensus bottom-up, top-down earnings forecasts and option pricing, indicates the potential for a 10% gain in 2018 for Euro area equities. Based on the current 12m forward P/E of 14.2x, our back-testing suggests a 70% probability of a positive return in the next 12 months.

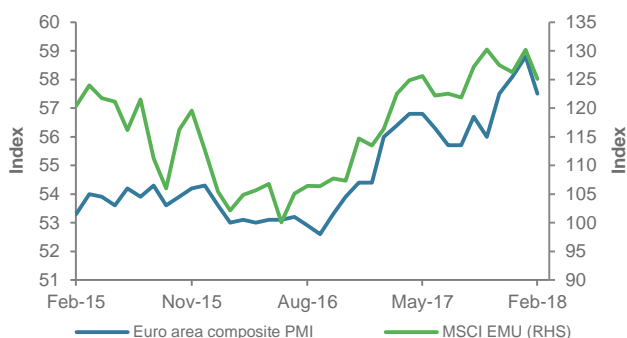
In contrast to the US, we see limited upside surprises in the Euro area's growth momentum, mainly due to China's demand moderation. Consensus estimates suggest China's economic growth is likely to ease in the coming quarters from the recent peak of 6.9% y/y in Q2 17. This could cap relative performance for Euro area equities, as the macro backdrop has been a driver for Euro area equities historically.

Likewise, expectations of further EUR strength may dampen profits for Euro area exporters, leading to downside risks to consensus 12m earnings growth of 8.1%, which has been stagnating since December 2017.

In this environment, we prefer Euro area financials, given our assigned 35% probability that the German yield curve could steepen from here. This should aid net interest margins of banks.

Figure 26: Peaking economic momentum does not bode well for Euro area equity performance

MSCI Euro area performance versus Euro area composite PMI



Source: MSCI, Standard Chartered

## US equities – Core holding

We remain constructive on the US equity market outlook, and retain the market as a core holding. Our three-factor framework, incorporating consensus bottom-up, top-down earnings forecasts and option pricing, indicates the potential for a gain of 12% in 2018 for US equities. Based on the current 12m forward P/E of 16.9x, our back-testing suggests an 86% probability of a positive return in the next 12 months.

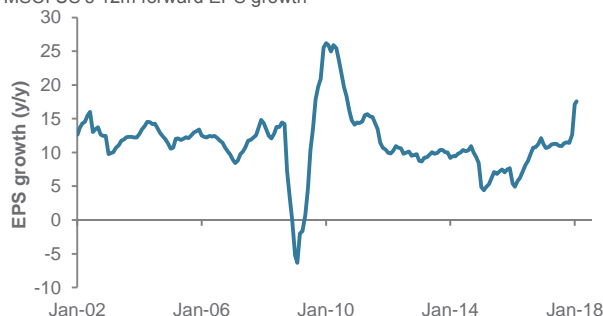
The Q4 earnings season is approaching its tail-end. Out of 451 S&P500 companies that reported Q4 17 earnings, 77% of companies beat market expectations. Looking ahead, strength in US corporate earnings should continue. Beyond the positives from US tax reforms, earnings growth is likely to be buoyed by solid demand growth expectations and increased prospects of share buybacks in the near term. We see further upside surprises to consensus 12m forward EPS growth of 18%, which has been upgraded from 11% in November 2017.

Nevertheless, with the surge in equity market volatility and a potentially higher equity risk premium because of rising rates, we believe US equity performance would be primarily driven by earnings upgrades rather than valuation re-rating.

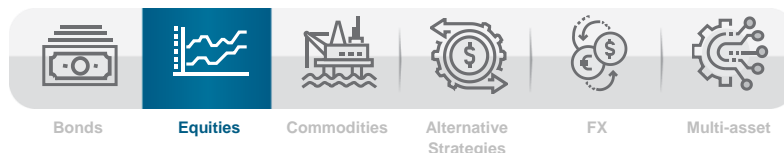
We view US financials and technology sectors as preferred, offering an attractive risk-adjusted return potential. Net interest margin expansion and growth in lending could aid financials' outperformance, while technology should be supported by cloud computing growth and healthy trends in e-commerce. We also view industrials and materials sectors as preferred.

Figure 27: US corporate earnings should see sustained momentum

MSCI US's 12m forward EPS growth



Source: FactSet, MSCI, Standard Chartered



## Japan equities – Core holding

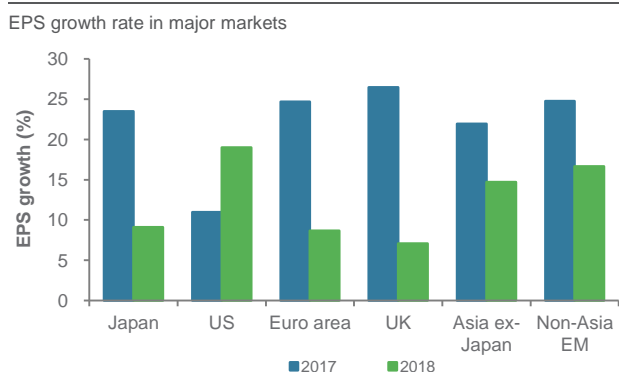
Japan equities remain a core holding. Our three-factor framework, incorporating consensus bottom-up, top-down earnings forecasts and option pricing, indicates the potential for a gain of 9% in 2018. Based on the current 12m forward P/E of 14.2x, our back-testing suggests a 62% probability of a positive return in the next 12 months.

Aside from ongoing economic strength and political stability, accommodative monetary policies should be supportive of Japan equities. A sustained period of ultra-low interest rates and recovering global growth could aid corporate expansion in Japan as funding costs stay low. This, coupled with upside risks to revenues, we see an upside potential for corporate margins of 6.7% and consensus 12m forward earnings growth of 4%

Valuations also remain attractive, with the consensus 12m forward P/E of 14.2x, which is below its 10-year historical average of 16.9x and down from its peak of 15.4x after the recent market retracement. In addition, share buybacks should also accelerate given favourable conditions, including ample liquidity and healthy corporate earnings.

The negative relationship between Japan stocks and JPY broke down in 2017, as we witnessed synchronised strength in Japan equities and JPY. However, the fact that we no longer expect significant JPY weakness may cap future upside. Additionally, earnings growth in Japan will slow down in 2017, which could limit outperformance relative to other markets and regions. Japan equities remain a core holding.

Figure 28: Japan's 2018 EPS growth is fair among key regions



Source: FactSet, MSCI, Standard Chartered

## UK equities – Less preferred

UK equities remain our least preferred region. Our three-factor framework, incorporating consensus bottom-up, top-down earnings forecasts and option pricing, indicates the potential for a gain of 11% in 2018. Based on the current 12m forward P/E of 13.2x, our back-testing suggests a 73% probability of a positive return in the next 12 months.

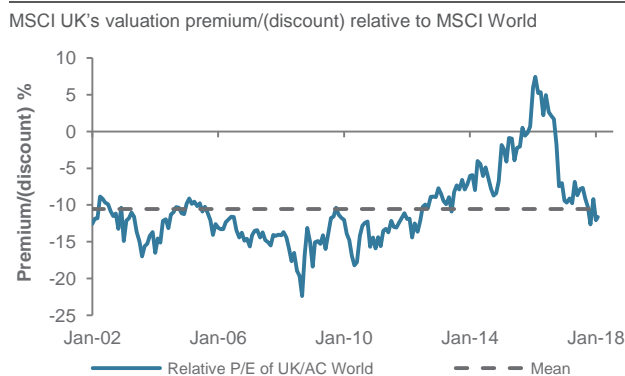
These are only two of many factors we use to evaluate equity markets and for the UK may be overly optimistic given heightened risks from Brexit. Although we believe positive returns are possible, UK equities may trail its peers.

The EU has accelerated its preparations for the worst case scenario, ie, a market shutout post the exit date. But UK equities trade at a 12% discount to global equities, close to the historical average of 10%. This suggests that the market is yet to fully price in the full impact from Brexit.

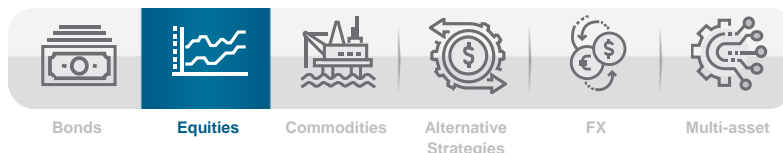
UK companies also have to deal with earnings pressure from weak business sentiment and poor domestic consumer spending power, which could put downward pressure to consensus 12m forward EPS growth of 8.3%.

We are cognisant that (1) institutional investors have rebuilt their positions in UK equities with global funds increasing their holdings in the UK by 0.5% in December 2017 and (2) our more sanguine view on commodity prices could lead to a re-rating for the UK commodities sector, which accounts for 25% of the MSCI UK index. But these factors are not sufficient to derail our more cautious stance on the UK.

Figure 29: Market yet to fully price in risks from Brexit



Source: MSCI, FactSet, Standard Chartered



# Equity derivatives

## Volatility to stabilise at higher level versus 2017

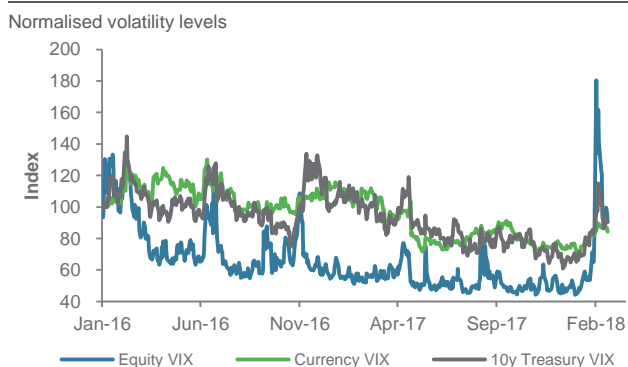
We believe the recent market sell-off is technical in nature. In our view, it represents a good opportunity for investors with a 6-12 month horizon to add to equities, where appropriate.

The recent sell-off has been similar to the August 2015 sharp correction. In both instances, there was de-risking of trend followers, short volatility positions, and strategies sensitive to bond-equity correlation. Similar to the instance in August 2015, by far the major pressure came from hedging flows for the S&P500 index put options (estimated at more than USD 1trn), in addition to liquidations in short-VIX instruments. This was followed by forced-selling from various forms of volatility targeting strategies (with AUM in excess of USD 300bn).

However, we believe the macro picture is different now versus August 2015. Back then, there was a genuine fear of capital outflow from China and a sharp correction in China A-shares of close to 40% from the peak. The fear of a collapse in China caused a widening of credit spreads, a drop in commodity prices and weakness in global growth.

The situation is almost the opposite this time around. Fundamentals are strong with synchronised global growth and earnings expansion. Commodities have remained very steady, despite the sharp sell-off in equities, and the USD hardly appreciated during the correction.

Figure 30: Equity volatility spiked to 2-Year high in early Feb-18, but not for other asset classes



Source: Bloomberg, Standard Chartered  
Data as of 22 February 2018

In fact, the sharp surge in volatility during this sell-off was almost 'limited' to equity only. Both interest rates and FX volatility did go higher, but were still shy of the highest levels that we saw since 2016.

The position unwinding from managed futures and volatility targeting strategies has been very severe and any further position unwinding is likely to be limited from here. US equity, which have been the major area of outflows over the week of correction, have lost USD 25bn so far. This is more than half of the USD 40bn that had entered in January 2018. It is reasonable to believe we have already seen the advanced stage of de-risking.

Thus we expect volatility to come down gradually. However, we do not see it going back to its lows near term. We see the VIX most likely settling in the 15-20 area this year, rather than back to 10 that we saw back in 2017. With US 10-year yields close to 3%, income-oriented investors would have more opportunities to obtain reasonable yields by investing in bonds — thus they will be less inclined to sell options for yields. With less 'supply' of volatility in the markets, the level of volatility is likely to be higher this year.

Macro-wise, the threats of rising inflation is likely to lead to more uncertainty in the pace of central bank rate hikes — again contributing to more volatility in the market.

If volatility does move to a higher level than in 2017, income-oriented investors would have more opportunities to sell options for a premium. For this strategy, we would rather focus on key sectors that we like fundamentally — sectors that we would like to own if there were to be corrections in the market. We would highlight, among others the following sectors: 1) China bank and insurance, 2) US technology and 3) global mining.



# Commodities

## IMPLICATIONS FOR INVESTORS

**01** Oil price gains to be limited for now

**02** Gold to remain range-bound

**03** Modest retracement of base metal prices likely

## Room for modest upside

- Following an exceptionally strong start to 2018, we expect modest gains in commodities in the next 12 months.
- We expect oil prices to gradually move higher towards USD 65/bbl as supply-demand fundamentals adjust.
- Gold is expected to trade largely range-bound from here (USD 1,250-1,375/oz), supported by a weaker USD, but capped by rising US interest rates.

Figure 32: Commodities: key driving factors and outlook

Commodity	View	Inventory	Production	Demand	Real interest rates	USD	Risk sentiment	Comments
Oil	◆	●	●	●	NA	●	●	Stronger-than-expected rebound in US production
Gold	◆	●	●	●	●	●	●	Higher real yields negative, weak USD supportive
Metals	◆	●	●	●	NA	●	●	China demand could cool later into 2018

Source: Standard Chartered Global Investment Committee

Legend: ● Supportive ● Neutral ● Not Supportive ▲ Preferred ▼ Less Preferred ◆ Neutral

### Not extrapolating recent gains

After a healthy 2017 and a strong start to the year, we are wary of extrapolating significant commodity gains further into 2018. Investor interest in commodities has certainly increased and this, we believe, is a result of some re-balancing after dismal performance in 2011-2016. Higher commodity prices are also consistent with a late-cycle environment. However, a number of idiosyncratic factors do not allow us to be overly optimistic on commodities at this point.

We believe oil prices are likely to continue consolidating after gains earlier this year, which, in our view, were driven largely by temporary factors. Although demand remains resilient, strong US production is likely to offset OPEC discipline in the coming months.

Although modest USD weakness is positive for gold, higher real yields are likely to pose a headwind. We also believe that benefits of holding gold as a safe haven are reduced when market anxiety stems from concerns over higher rates. This was observed in the most recent market sell-off when gold actually weakened.

Industrial metal prices have rallied into 2018, supported by strong imports from China; however, reduced fixed asset investment is less supportive going forward.

Figure 31: Where markets are today

Commodity	Current level	1m return
Gold (USD/oz)	1,317	-2.4%
Crude Oil (USD/bbl)	64	-8.0%
Base Metals (index)	135	-3.6%

Source: Bloomberg, Standard Chartered



## Crude oil – US supply complicates matters

Brent crude prices rallied earlier in 2018, supported by a host of temporary factors. These include supply disruptions in North Sea and Venezuela and colder-than-usual winter in North America. However, once the impact of these comes through fully, we expect oil market fundamentals to look similar to last year: OPEC supply discipline being offset somewhat by stronger US production.

US supply remains the most significant factor supporting the supply-demand imbalance. Strong growth in US production to a new record suggests US producers are reacting swiftly to higher prices. Although US inventories have reduced sharply to last 5-year average levels, we believe these will begin to recover soon given these production levels. For a quicker re-balancing of markets, we believe OPEC would have to agree to a further extension of output cuts. Given the history of disagreements and/or non-compliance by OPEC members, we would not take this as a given at this point.

## Gold – higher rates to cap upside

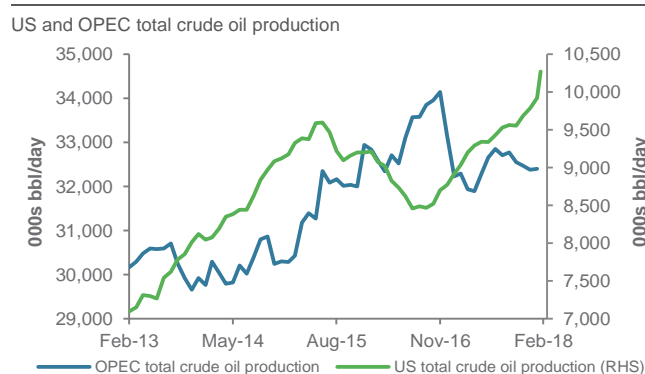
We expect limited upside in gold prices in 2018. We believe recent gains in gold have been driven by USD weakness over the better part of 2017, with considerable dislocation from real interest rates (see the adjacent chart).

With the USD gaining nearly 10% in 2017, we believe further gains are likely to be more modest. In addition, with renewed focus on a rise in rates in 2018, we expect the relationship between gold and real rates to re-establish. As a result, gold is likely to settle in a lower range of USD 1,250-1,375/oz. We also notice that gold has been less of a safe haven in the recent market sell-off. This is likely due to the anxiety over a rise in interest rates, which are detrimental to gold.

## Industrial metals – too good to be true

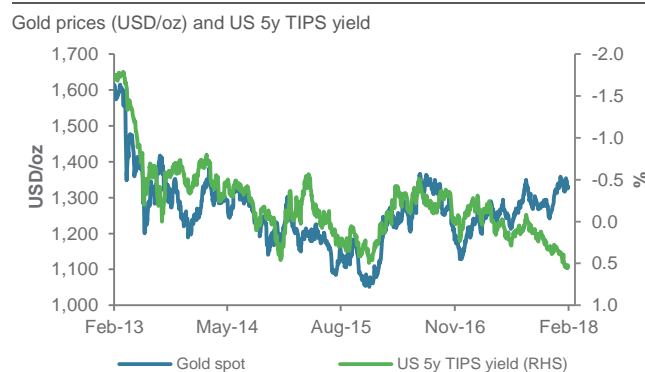
Industrial metals continue to outperform other commodity segments since we published our *Outlook 2018*. Although this is consistent with late-cycle dynamics, we believe some idiosyncratic factors such as reduced demand from China are likely to restrict drastic gains in 2018. Fixed asset investments in China continue to decline.

Figure 33: A familiar sight: consolidation in OPEC supply being offset by US production



Source: Bloomberg, Standard Chartered

Figure 34: Divergence of gold with real interest rates (5-year TIPS yield) is attributed to the weaker USD



Source: Bloomberg, Standard Chartered

Figure 35: What has changed – Oil

Factor	Recent moves
<b>Supply</b>	OPEC continues to cut production; US production sets a new record
<b>Demand</b>	Positive trends in most activity indicators
<b>USD</b>	Consolidating within a weakening trend

Source: Standard Chartered

Figure 36: What has changed – Gold

Factor	Recent moves
<b>Interest rate expectations</b>	US yields rising amid better wages and employment data
<b>Inflation expectations</b>	Rising moderately, more so in the US
<b>USD</b>	Consolidating within a weakening trend

Source: Standard Chartered



# Alternative strategies

## IMPLICATIONS FOR INVESTORS

**01** Actively use both substitutes and diversifiers

**02** Volatility surged and has settled back at a higher level

**03** Equity Hedge (most preferred) and Global Macro (least preferred)

## Resilience during volatile times

- Our Alternatives Allocation is up 1.7% since *Outlook 2018* despite recent market volatility, benefitting from our continuing preference for Equity Hedge, up 3.7%.
- Relative Value as core strategy has held up well despite a widening in credit spreads, up 2.0% since *Outlook 2018*.
- Global Macro has been a laggard, up 0.1%. It remains our least preferred strategy.

### Following a framework for alternative strategies

In our 2018 Outlook, we highlighted the resilience of a diversified Alternatives Allocation in delivering positive returns within a rising yield environment. Since then, US 10-year Treasury yields have risen by more than 50bps, and our allocation has posted a positive return of 1.7%, pulling back from its peak in January.

Increased volatility and the recent widening of credit spreads have negatively impacted the performance of both Relative Value and Event Driven strategies. However, as volatility has retraced from its surge in January and has settled, albeit at a higher range, it should be supportive of these two strategies going forward.

Despite headwinds from specific Global Macro strategies, namely trend-following strategies/CTAs, we find that both a weak USD and strong commodity prices have been supporting the overall positive performance of Global Macro since *Outlook 2018*. Some Global Macro strategies employ both asset classes in generating returns. However, given volatility has subsided from previous peaks and credit spreads have already compressed, Global Macro remains our least preferred strategy.

Overall, we continue to favour a diversified alternatives allocation with a strong tilt towards Equity Hedge, given our view of a reflationary economic scenario.

Figure 38: A traffic light framework for alternative strategies

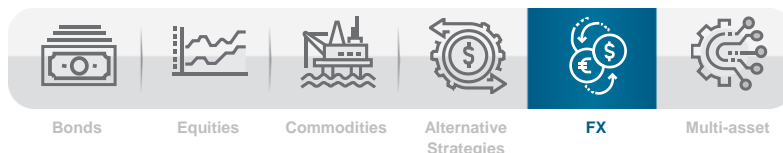
	Description	View	Drivers for strategies to perform
SUBSTITUTES	Equity Hedge	▲	<ul style="list-style-type: none"> <li>• Positively trending equity markets ●</li> <li>• Rising equity market dispersion ●</li> </ul>
	Event Driven	◆	<ul style="list-style-type: none"> <li>• Positively trending equity markets ●</li> <li>• Rising mergers and acquisitions ●</li> <li>• Narrowing credit spreads ●</li> </ul>
	Relative Value	◆	<ul style="list-style-type: none"> <li>• Lower interest rate levels ●</li> <li>• Cost of funding, narrowing credit spreads ●</li> </ul>
DIVERSIFIERS	Global Macro	▼	<ul style="list-style-type: none"> <li>• Rising volatility and credit spreads ●</li> <li>• Increasing cross asset dispersion ●</li> <li>• Clear market trends (up/down) ●</li> </ul>

Legend: ● Supportive ● Neutral ● Not Supportive ▲ Preferred ▼ Less Preferred ◆ Neutral  
Source: Standard Chartered Global Investment Committee; \* Volatility is tracked by the VIX index; \*\* DXY index

Figure 37: Where markets are today

Alternatives	Since outlook	1m return
Equity Long/Short	3.7%	-1.6%
Relative Value	2.0%	0.1%
Event Driven	-2.1%	-4.2%
Macro CTAs	0.1%	-5.2%
Alternatives Allocation	1.7%	-2.0%

Source: Bloomberg, Standard Chartered



# FX

## IMPLICATIONS FOR INVESTORS

**01** USD weakness medium term

**02** EUR strength medium term

**03** SGD strength medium term

## USD downside intact medium term

- We expect continued USD weakness over the medium term. However, we see room for some consolidation in the short term.
- We believe the EUR is likely to appreciate further over the medium term, although a short-term pullback looks likely at this point.
- We upgrade our previously bearish view on the JPY and now expect range-bound trading (105-115) amid market expectations of a potential BoJ policy revision.
- We believe Emerging Market (EM) currencies are likely to continue to deliver positive returns; the SGD remains a good proxy to capitalise on this view.

Figure 40: Foreign exchange; key driving factors and outlook

Currency	View	Real interest rate differentials	Risk sentiment	Commodity prices	Broad USD strength	Comments
USD	▼	●	●	NA	NA	Rate hiking trajectory priced in
EUR	▲	●	●	NA	●	Monetary policy normalisation not yet complete
JPY	◆	●	●	NA	●	Range-bound amid weaker USD
GBP	◆	●	●	NA	●	Brexit risks to prevent further gains
AUD	◆	●	●	●	●	RBA policy could hamper gains
EM FX	▲	NA	●	●	●	Synchronised global growth environment

Source: Bloomberg, Standard Chartered Global Investment Committee

Legend: ● Supportive ● Neutral ● Not Supportive ▲ Preferred ▼ Less Preferred ◆ Neutral

### Any USD rebound to be limited short term

We believe there is still potential for further USD weakness in the medium term, though in the short term, we are likely to see some stability.

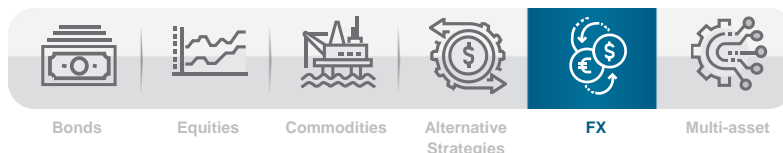
Over the medium term, our view of an extension in synchronised global growth is the main support for a weaker USD. We believe expectations of monetary policy normalisation in most major central banks are likely to raise market rates outside the US and narrow US interest rate differentials relative to the rest of the world. In addition, the positive growth environment is likely to support EM assets, reducing USD demand.

In the short term, a number of factors could support a short-lived USD rebound. Speculative net-short positioning on the USD, especially against the EUR, looks stretched. Moreover, a deterioration of broader market risk sentiment would be USD supportive, especially against EM, although this is not our base-case view.

Figure 39: Where markets are today

FX (against USD)	Current level	1m change
Asia ex-Japan	111	-1.0%
AUD	0.78	-3.5%
EUR	1.23	-1.9%
GBP	1.38	-3.4%
JPY	106	-3.0%
SGD	1.33	-1.1%

Source: Bloomberg, Standard Chartered



## EUR – medium-term strength

We believe the EUR is likely to extend gains medium term, although we believe there is room for a pullback short term.

Our view of medium-term EUR strength is based on the state of ECB monetary policy normalisation, which we believe is not yet complete. Euro area yields are still depressed near historical lows and we believe they will gradually adjust higher going forward. In our opinion, the Euro area economy has more potential to recover compared to the US (which we capture by the relative steepness of respective yield curves), and this has also driven recent EUR gains (see the adjacent chart). In the short term, however, we contend that net-long speculative positioning on the EUR remains stretched and expectations of policy action in the next three months are likely priced in.

## JPY – range trading likely

We now expect the JPY to largely trade in the 105-115 range as opposed to our previous bearish view.

We believe the re-appointment of BoJ governor Kuroda suggests continuation of easing monetary policy, and we disagree with market expectations of an impending change in stance. Nevertheless, with most other central banks normalising policy, we believe markets will continue to attach some probability to such an outcome. Finally, positioning on the JPY still remains considerably short and we observe that its recent strength has not been caused by a significant unwinding of short positioning. This poses downside risks (albeit temporary) to our range-bound view.

## GBP – further upside remains limited

The GBP has largely followed USD weakness in the past year or so, even as most Brexit-related issues remain unaddressed. This can be gauged from the fact that the trade-weighted GBP has remained flat even as it strengthened against the EUR.

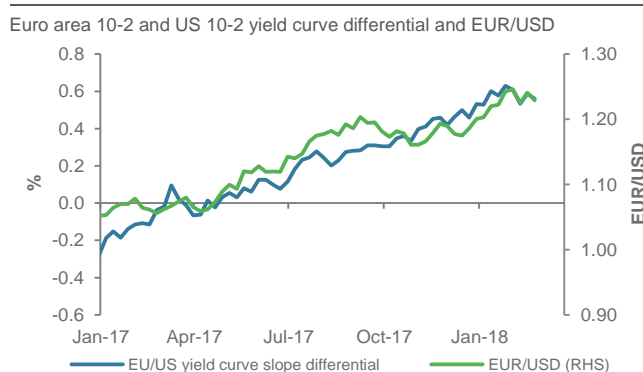
However, we believe the bar for further GBP strength is high. Furthermore, economic momentum in the UK is showing signs of easing and this poses risks to current rate hike expectations from the BoE.

Figure 41: What has changed – G3 currencies

Factor	Recent moves
<b>Real interest rate differentials</b>	Real interest rate differentials moved in favour of a stronger USD. However, the relationship with G3 currencies has been weakening
<b>Risk sentiment</b>	Risk sentiment indicators rose last month, but have begun to settle lower recently
<b>Speculator positioning</b>	EUR positioning remains extreme net long, JPY extreme net short and GBP balanced

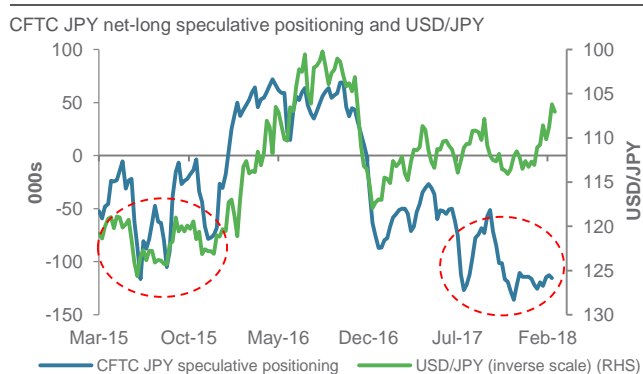
Source: Bloomberg, Standard Chartered

Figure 42: The Euro area yield curve is steepening relative to the US and has been supporting the EUR over the last year

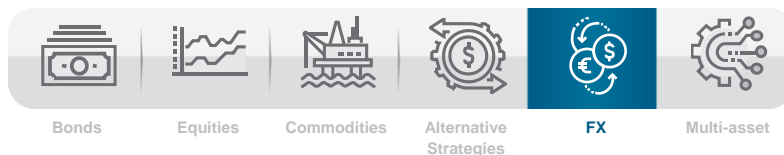


Source: Bloomberg, Standard Chartered

Figure 43: Net-short speculative JPY positioning could continue to provide some support for the JPY



Source: Bloomberg, Standard Chartered



## AUD – risks remain balanced

We believe the AUD will remain supported in 2018, though large gains from current levels are unlikely. A balance of positive and negative factors is still affecting the AUD.

On the positive side, overall constructive risk sentiment in financial markets and continued USD weakness are likely to support further gains. Offsetting this is likely to be the RBA's current monetary policy stance and only modest expected gains in commodity prices. We believe the probability of the RBA hiking interest rates is still 50-50 as opposed to market expectations of 60% by year-end. As for iron ore prices, we do not yet see reasons for strong gains, amid slowing property market and construction activity indicators in China.

## Emerging Market currencies – further upside amid attractive fundamentals

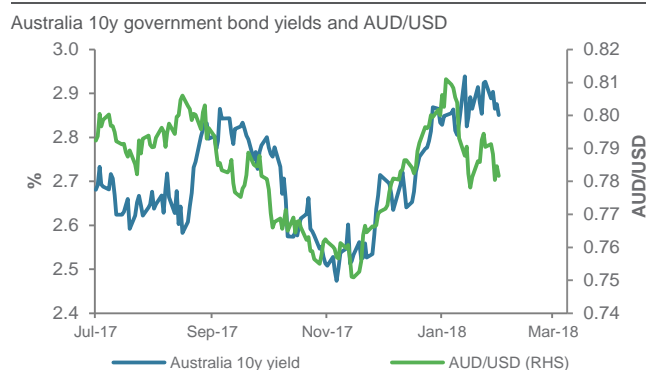
We continue to see further gains in EM currencies in the medium term. The three most significant factors supporting our view are 1) continuation of synchronised growth and positive risk sentiment, 2) a weaker USD and 3) a modest uptick in commodity prices.

Within EM currencies, the SGD remains an attractive play, in our view, for two reasons. First, it remains a close proxy of our view of a weaker USD. Second, the Monetary Authority of Singapore (MAS) is likely to adopt a more hawkish monetary policy stance, which may result in modest SGD gains against the policy basket (NEER; with the NEER at the middle of the band).

We believe the gains in KRW have reached their limit and expect USD/KRW to be range-bound going forward. Key factors that have motivated this view include significant gains in the past year that have incorporated most of the positives, a gradual domestic rate hike trajectory and a rising proportion of outbound investment by Korean investors.

Elsewhere in EMs, we believe the INR is likely to remain stable as balance of payment metrics, high real rates and domestic growth remain attractive. However, adjusted for volatility and incorporating interest rates, we believe the INR remains one of the most attractive plays in the EM currency space in terms of total returns.

Figure 44: Expectations of monetary policy normalisation amid improving domestic growth supporting AUD



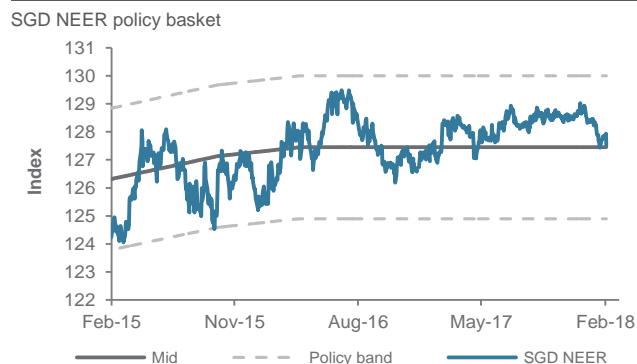
Source: Bloomberg, Standard Chartered

Figure 45: What has changed in Emerging Market currencies

Factor	Recent moves
USD	USD is beginning to stabilise following large recent declines
China risks	China economic surprises remain positive into the start of the new year
Risk sentiment	EM FX volatility shot up in early February but appears to be receding more recently

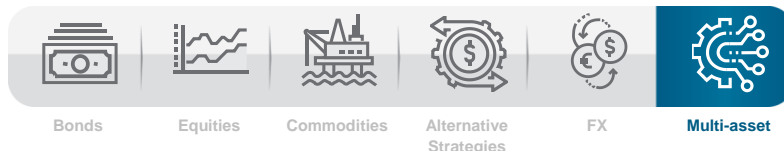
Source: Standard Chartered

Figure 46: NEER\* trading near the middle of the policy band



Source: Bloomberg, Standard Chartered

\* Trade-weighted SGD, used as a monetary policy instrument in Singapore



# Multi-asset

## IMPLICATIONS FOR INVESTORS

**01** Diversification key in generating consistent allocation returns

**02** Preference for growth-tilted multi-asset balanced strategy

**03** Historically, senior floating rate loans, TIPS, convertible bonds have lowest pullback in a rising yield scenario

## Cross-asset allocations still delivering positive returns

- All major asset classes were positive performers in 2017, the second year in a row.
- This year, despite volatile equity markets, both our balanced and multi-asset income allocations have continued to deliver positive performance since *Outlook 2018*.
- Strong Asia ex-Japan equities and Emerging Market (EM) local currency bonds have been key performance contributors.

As investors have been digesting equity market volatility earlier this year, we reflect on strong cross-asset performance trends over the past couple of years, which continue to highlight the value of diversifying across an investment allocation.

Looking at 2017 (Figure 48), global equities was the best performing asset class followed by EM local currency government bonds, up 24% and 18%, respectively. Both asset classes also had strong performances in 2016 despite not being in the top two that year. Another striking example is that of Asia corporate bonds, which delivered +6% in both 2016 and 2017, but was still the worst-performing asset class in 2017 and towards the lower end in 2016.

Figure 48: Global equities was the best performing asset class in 2017

Annualised returns of various asset classes from 2010 to 2017

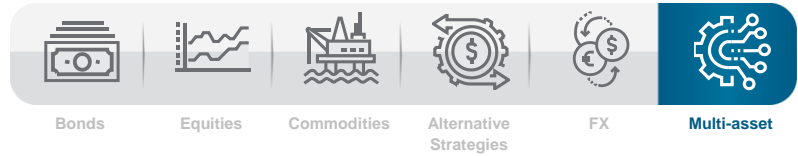
2010	2011	2012	2013	2014	2015	2016	2017
EM Sov LC 14%	EM Sov HC 7%	Global HY Bonds 19%	Global Equities 23%	Asia Corp 8%	Asia Corp 3%	Global HY Bonds 14%	Global Equities 24%
Global HY Bonds 14%	Global Bonds 6%	EM Sov HC 17%	Global HY Bonds 8%	DM IG Sov Bonds 8%	DM IG Sov 1%	EM Sov HC 10%	EM Sov LC 14%
Global Equities 13%	DM IG Corp 6%	Global Equities 16%	DM IG Sov 0%	DM IG Corp 8%	EM Sov HC 1%	EM Sov LC 9%	Global HY Bonds 10%
EM Sov HC 12%	DM IG Sov Bonds 5%	EM Sov LC 15%	DM IG Corp 0%	EM Sov HC 7%	DM IG Corp -1%	Global Equities 8%	EM Sov HC 10%
Asia Corp 11%	Asia Corp 4%	Asia Corp 14%	Asia Corp -1%	Global Equities 4%	Global Equities -2%	DM IG Corp 6%	DM IG Corp 9%
DM IG Corp 7%	Global HY Bonds 3%	DM IG Corp 11%	Global Bonds -3%	Global Bonds 1%	Global Bonds -3%	Asia Corp 6%	DM IG Sov Bonds 8%
Global Bonds 6%	EM Sov LC -2%	DM IG Sov 5%	EM Sov HC -5%	Global HY Bonds 0%	Global HY Bonds -5%	DM IG Sov 4%	Global Bonds 7%
DM IG Sov 4%	Global Equities -7%	Global Bonds 4%	EM Sov LC -7%	EM Sov LC -2%	EM Sov LC -12%	Global Bonds 2%	Asia Corp 6%

Source: Barclays, JPMorgan, Citi, MSCI, Bloomberg, Standard Chartered Global Investment Committee

Figure 47: Key multi-asset views

Allocation performance	Since outlook	1m return
Multi-asset balanced	1.9%	-3.1%
Multi-asset income	1.3%	-1.8%

Source: Bloomberg, Standard Chartered



As we look towards our current balanced and multi-asset income allocations, we employ a diversified approach across asset classes, which perform differently under various market scenarios

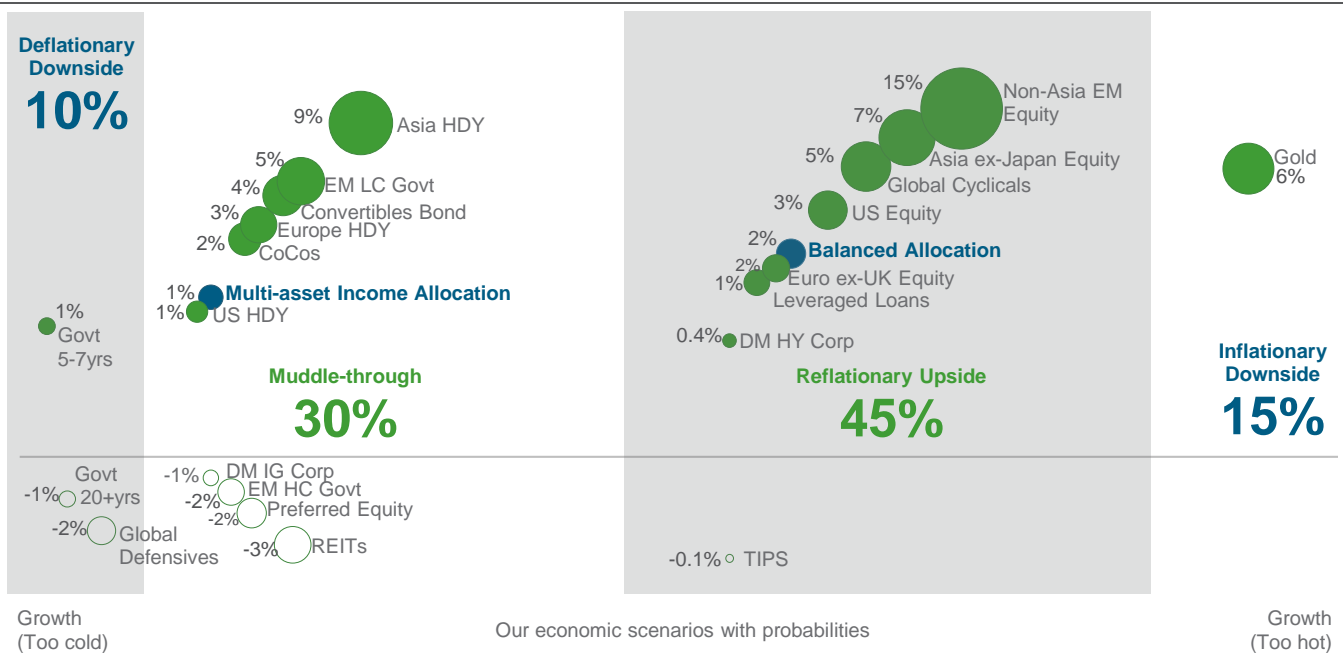
For our balanced allocation, this means deploying across respective exposures, including both a growth basket (equities and Developed Markets High Yield bonds) and an inflation basket (floating rate senior loans, TIPS and gold) as well as quality bonds and alternatives. The largest allocation is the growth basket, given our continuing preference for a reflationary economic scenario. As we look at our strongest contributors to the balanced allocation since *Outlook 2018*, we find they have been Asia ex-Japan equities and EM local currency bonds, whose respective performances have been 6.9% and 5.0%, respectively.

For our multi-asset income allocation, we continue to keep broad exposures along the lines of equity income, fixed income and non-core income. The majority of our fixed income allocation comes from higher yielding segments, including EM local currency bonds and EM USD bonds, our two preferred areas. Major contributors since *Outlook 2018* include EM local currency bonds and Asia high dividend equities.

Ultimately, capital preservation and limiting the drawdown of an investment allocation are key to successfully compounding returns and accumulating wealth. Given the variability of cross asset class returns, a broadly diversified allocation with many potential return generators and differing risk characteristics can help achieve this aim.

For more information on these allocations, please refer to the *Outlook 2018* publication.

Figure 49: Performance of various asset classes from *Outlook 2018* publication to date (1 March 2018)



Source: Barclays, S&P LSTA, JPMorgan, Citi, MSCI, Bloomberg, Standard Chartered Global Investment Committee

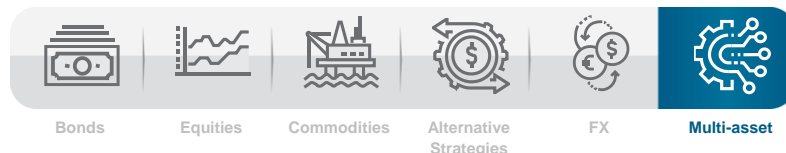


Figure 50: A three-pronged approach to assess income assets

Asset classes	Yield	Income potential	Capital growth	Risk of pullback	Comments
<b>Fixed Income</b>	4.6	●	●	●	<b>Portfolio anchor; source of yield; some pockets of value, but not without risks</b>
Leveraged Loans	5.1	●	●	●	Attractive alternative to traditional HY exposure; senior in capital structure to simple HY bonds; small yield penalty in return; returns positively correlated to short-term US interest rates, but loan callability a risk
Corporate - US HY	6.1	●	●	●	Valuations remain expensive; attractive yields; default rates remain contained
EM HC Sovereign Debt	5.7	●	●	●	Diverse risk/reward in IG, HY bonds; high sensitivity to a rise in US interest rates a risk; commodity exposure may be a support; valuations fair and attractive yield with an IG/HY mix
EM LC Sovereign Debt	6.2	●	●	●	Carry play; policy rates mostly flat or falling; foreign demand a recent risk. FX stability a positive
Investment Grade*	2.8	●	●	●	Portfolio anchor, structural carry; some interesting ideas, but interest rate sensitivity a risk
Corporate - DM IG*	2.5	●	●	●	Yield premiums have narrowed, but prices fair; long-term US corporate bonds look appealing if Fed hiking cycle muted
Corporate - Asia IG	4.1	●	●	●	Cautiously positive. Lower volatility given large regional ownership. Fairly valued, marginally improving credit quality; key risks include concentration risk from Chinese issuers and lower regional demand
TIPS	2.4	●	●	●	Offers value as an alternative to nominal sovereign bonds; impact of a rate rise similar to G3 sovereigns, but offers exposure to a further rise in US inflation & Fed policy rates
Sovereign*	1.2	●	●	●	QE offers strong anchors for sovereign yields, but little, if any, value is left. Risks include rate hikes, higher inflation & end of quantitative easing. Prefer higher-yielding/high-quality markets (US, AU, NZ)
<b>Equity Income</b>	4.7	●	●	●	<b>Key source of income and modest upside from capital growth</b>
North America	3.0	●	●	●	Fair to slightly elevated valuations; low yields; some sectors attractive
Europe	5.7	●	●	●	Fair valuations; attractive yields; overhang from political risk, mitigated by improving global growth outlook; improving momentum
Asia ex-Japan	3.7	●	●	●	Good payouts; selectively attractive valuations, but pullback a risk from challenges in China/US growth, earnings, Fed and leverage.
<b>Non-core Income</b>	6.2	●	●	●	<b>Useful diversifier for income and growth</b>
Preferred	5.6	●	●	●	Attractive yields and exposure to financials; risk from higher rates may not be completely offset by improvement in banks' underlying credit
Convertibles	3.1	●	●	●	Moderate economic expansion and gradual pace of rate hikes should be good for converts. Risk: policy mistake
Property	4.1	●	●	●	Yield diversifier; stable real estate market; risk from higher rates, valuations stretched in some regions. Potential for large pullbacks
Covered Calls	11.0	●	●	●	Useful income enhancer assuming limited equity upside
Cocos	4.4	●	●	●	Yields have fallen sharply; relatively low sensitivity to rising yields and improving bank credit quality over the past few years

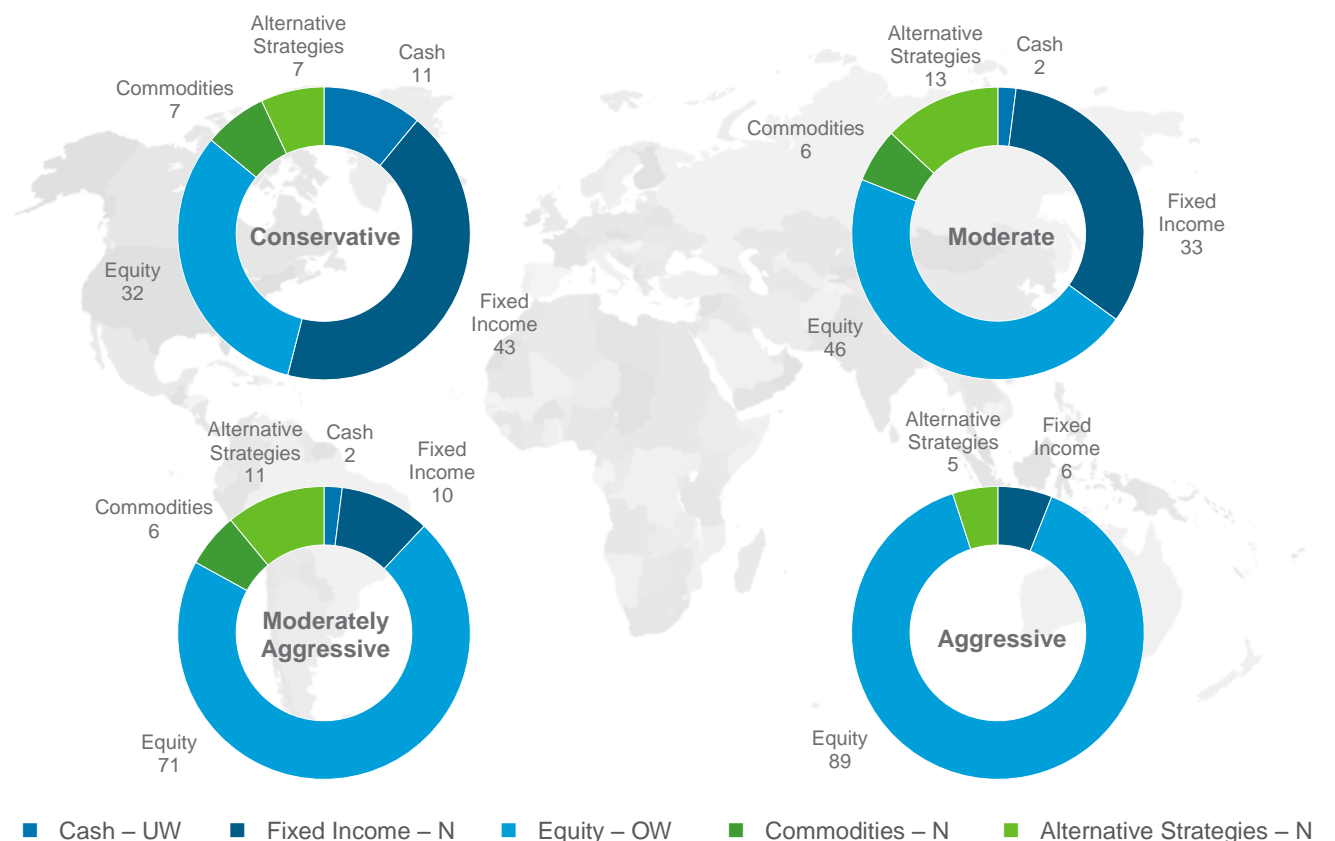
Source: Barclays, S&P LSTA, JPMorgan, Citi, MSCI, Bloomberg, Standard Chartered Global Investment Committee  
Yield data as of 1 March 2018; \*Yield data as of 28 February 2018

Please note: The Financial Conduct Authority (FCA) has introduced Permanent Marketing Restrictions on the sale of CoCos to residents of the EEA

Legend: ● Attractive potential/low risk      ● Moderate potential/medium risk      ● Unattractive potential/high risk

# Global asset allocation summary

**Global-focused** Tactical Asset Allocation - March 2018 (12m). All figures are in percentages.



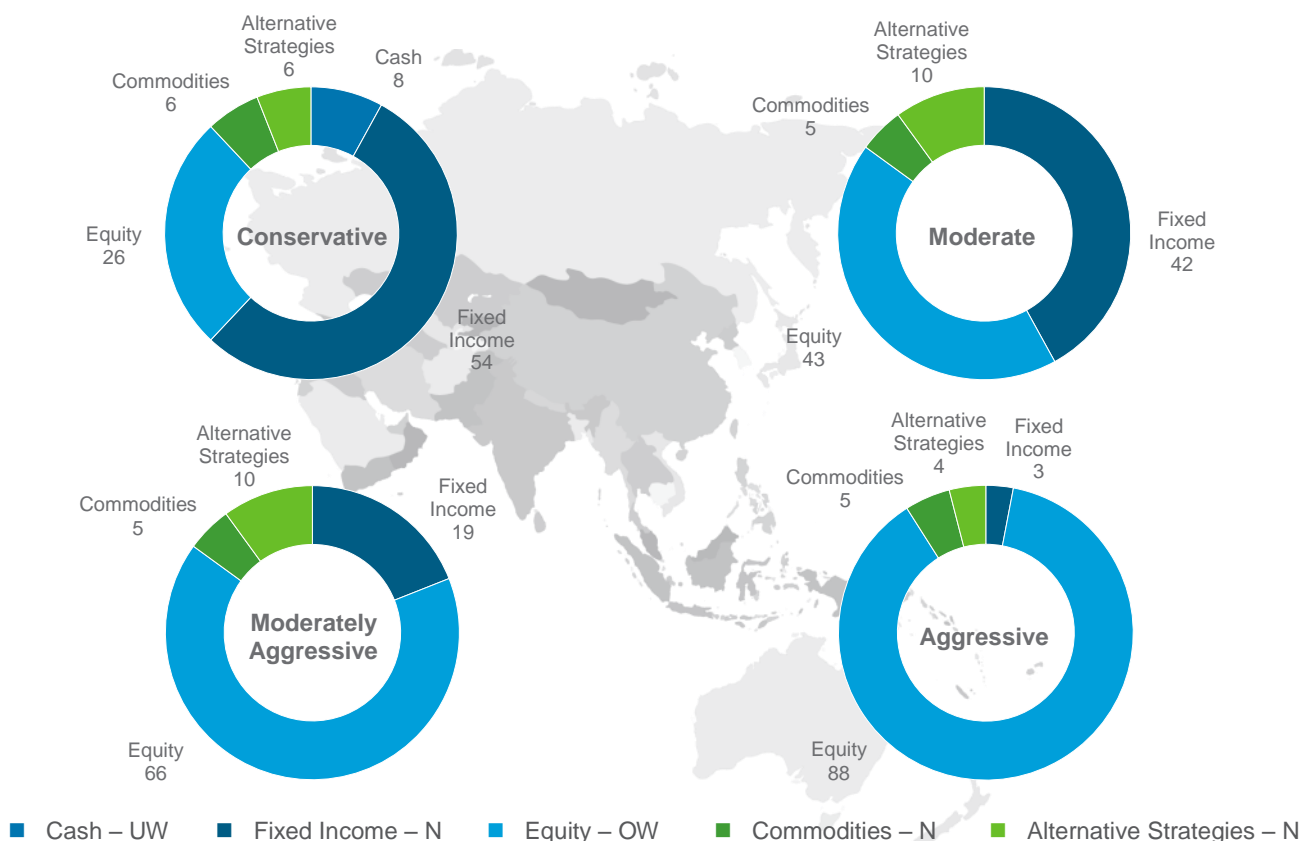
Asset class	Region	View vs. SAA	Conservative	Moderate	Moderately aggressive	Aggressive
<b>Cash &amp; Cash Equivalents</b>	USD Cash	UW	11	2	2	0
	DM Government Bonds	UW	19	15	6	3
<b>Developed Market Bonds</b>	DM IG Corporate Bonds	N	15	12	4	3
	DM HY Corporate Bonds	N	4	2	0	0
<b>Emerging Market Bonds</b>	EM USD Sovereign Bonds	OW	5	4	0	0
	EM Local Ccy Sovereign Bonds	OW	0	0	0	0
	Asia Corporate USD Bonds	N	0	0	0	0
<b>Developed Market Equity</b>	North America	N	16	24	38	48
	Europe ex-UK	N	6	8	11	14
	UK	UW	0	0	0	0
	Japan	N	3	4	6	7
<b>Emerging Market Equity</b>	Asia ex-Japan	OW	7	10	13	17
	Non-Asia EM	N	0	0	3	3
<b>Commodities</b>	Commodities	N	7	6	6	0
<b>Alternative Strategies</b>		N	7	13	11	5

Source: Bloomberg, Standard Chartered

For illustrative purposes only. Please refer to the disclosure appendix at the end of the document.

# Asia asset allocation summary

Asia-focused Tactical Asset Allocation - March 2018 (12m). All figures are in percentages.



Asset class	Region	View vs. SAA	Conservative	Moderate	Moderately aggressive	Aggressive
<b>Cash &amp; Cash Equivalents</b>	USD Cash	UW	8	0	0	0
	DM Government Bonds	UW	8	7	3	0
<b>Developed Market Bonds</b>	DM IG Corporate Bonds	N	7	6	3	0
	DM HY Corporate Bonds	N	3	3	0	0
<b>Emerging Market Bonds</b>	EM USD Sovereign Bonds	OW	13	10	5	0
	EM Local Ccy Sovereign Bonds	OW	13	10	5	0
	Asia Corporate USD Bonds	N	10	6	3	3
<b>Developed Market Equity</b>	North America	N	6	11	17	23
	Europe ex-UK	N	5	7	11	15
	UK	UW	0	0	0	0
	Japan	N	2	2	3	4
<b>Emerging Market Equity</b>	Asia ex-Japan	OW	11	19	28	38
	Non-Asia EM	N	2	4	7	8
<b>Commodities</b>	Commodities	N	6	5	5	5
<b>Alternative Strategies</b>		N	6	10	10	4

Source: Bloomberg, Standard Chartered

For illustrative purposes only. Please refer to the disclosure appendix at the end of the document.

# Market performance summary\*

## Equity

	Year to date		1 month	
Global Equities	0.0%	↑	-5.3%	↓
Global High Dividend Yield Equities	-1.3%	↓	-5.6%	↓
Developed Markets (DM)	-0.4%	↓	-5.4%	↓
Emerging Markets (EM)	3.1%	↑	-4.4%	↓
<b>BY COUNTRY</b>				
US	0.5%	↑	-4.9%	↓
Western Europe (Local)	-3.6%	↓	-4.1%	↓
Western Europe (USD)	-2.1%	↓	-6.8%	↓
Japan (Local)	-4.0%	↓	-6.9%	↓
Japan (USD)	1.0%	↑	-4.9%	↓
Australia	-1.8%	↓	-4.6%	↓
Asia ex- Japan	2.2%	↑	-4.3%	↓
Africa	1.6%	↑	-1.1%	↓
Eastern Europe	7.0%	↑	-4.2%	↓
Latam	8.9%	↑	-4.6%	↓
Middle East	2.8%	↑	-2.8%	↓
China	5.5%	↑	-4.7%	↓
India	-3.9%	↓	-6.6%	↓
South Korea	-3.0%	↓	-5.8%	↓
Taiwan	3.5%	↑	-4.3%	↓
<b>BY SECTOR</b>				
Consumer Discretionary	2.5%	↑	-4.3%	↓
Consumer Staples	-5.5%	↓	-7.1%	↓
Energy	-5.0%	↓	-9.2%	↓
Financial	1.8%	↑	-5.4%	↓
Healthcare	-0.4%	↓	-5.5%	↓
Industrial	-0.9%	↓	-6.2%	↓
IT	4.9%	↑	-2.5%	↓
Materials	-1.5%	↓	-6.1%	↓
Telecom	-4.6%	↓	-6.8%	↓
Utilities	-5.1%	↓	-3.8%	↓
Global Property Equity/REITS	-5.5%	↓	-5.5%	↓

## Bonds

	Year to date		1 month	
<b>SOVEREIGN</b>				
Global IG Sovereign	0.8%	↑	-0.7%	↓
US Sovereign	-1.8%	↓	-0.1%	↓
EU Sovereign	0.8%	↑	-1.9%	↓
EM Sovereign Hard Currency	-2.1%	↓	-2.0%	↓
EM Sovereign Local Currency	2.6%	↑	-1.6%	↓
Asia EM Local Currency	-0.5%	↓	-1.8%	↓
<b>CREDIT</b>				
Global IG Corporates	-1.3%	↓	-1.7%	↓
Global HY Corporates	-0.4%	↓	-1.5%	↓
US High Yield	-0.4%	↓	-0.9%	↓
Europe High Yield	1.2%	↑	-3.1%	↓
Asia High Yield Corporates	-1.3%	↓	-0.7%	↓

## Commodity

	Year to date		1 month	
Diversified Commodity	0.3%	↑	-1.7%	↓
Agriculture	7.5%	↑	6.5%	↑
Energy	-3.8%	↓	-7.4%	↓
Industrial Metal	-2.8%	↓	-3.6%	↓
Precious Metal	-1.8%	↓	-3.7%	↓
Crude Oil	-3.4%	↓	-8.0%	↓
Gold	1.1%	↑	-2.4%	↓

## FX (against USD)

	Year to date		1 month	
Asia ex- Japan	1.0%	↑	-1.0%	↓
AUD	-0.7%	↓	-3.5%	↓
EUR	2.2%	↑	-1.9%	↓
GBP	1.9%	↑	-3.4%	↓
JPY	6.1%	↑	3.0%	↑
SGD	1.0%	↑	-1.1%	↓

## Alternatives

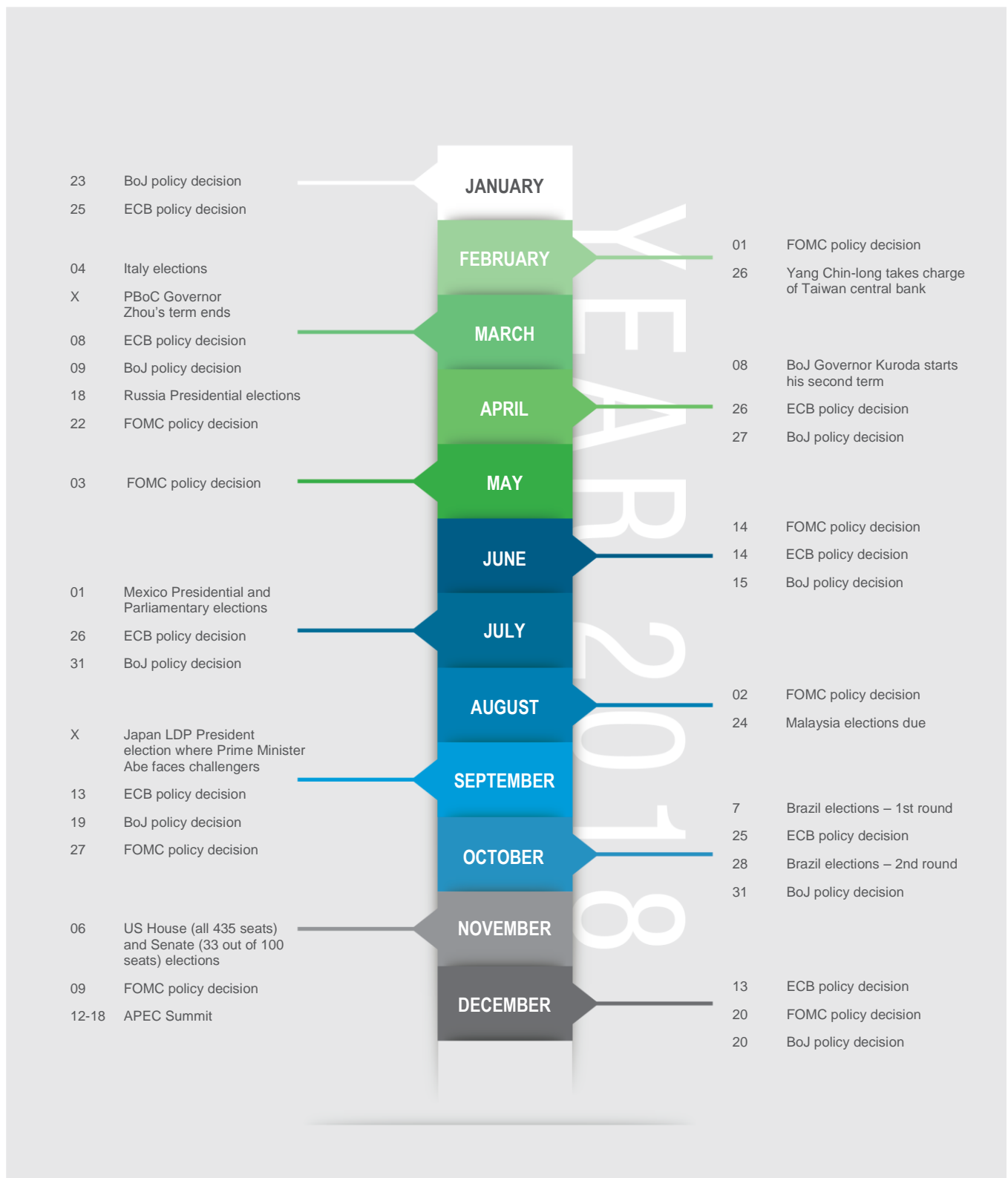
	Year to date		1 month	
Composite (All strategies)	0.0%	↑	-2.5%	↓
Relative Value	1.3%	↑	0.1%	↑
Event Driven	-2.7%	↓	-4.2%	↓
Equity Long/Short	1.9%	↑	-1.6%	↓
Macro CTAs	-1.2%	↓	-5.2%	↓

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 2017 to 01 March 2018 and 1-month performance from 01 February 2018 to 01 March 2018

# Events calendar



Legend: X – Date not confirmed | ECB – European Central Bank | FOMC – Federal Open Market Committee (US) | BoJ – Bank of Japan

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Annually	Monthly	Weekly	Daily	Ad Hoc
Annual Outlook	Global Market Outlook	Weekly Market View FX Strategy	Global Wealth Daily	Market Watch Investment Brief 360 Perspectives

# The team



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**Alexis Calla**

Chief Investment Officer

**Steve Brice**

Chief Investment Strategist

**Clive McDonnell**

Head  
Equity Investment Strategy

**Manpreet Gill**

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**Arun Kelshiker, CFA**

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**Trang Nguyen**

Analyst  
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**DJ Cheong**

Investment Strategist

# Disclosure appendix

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