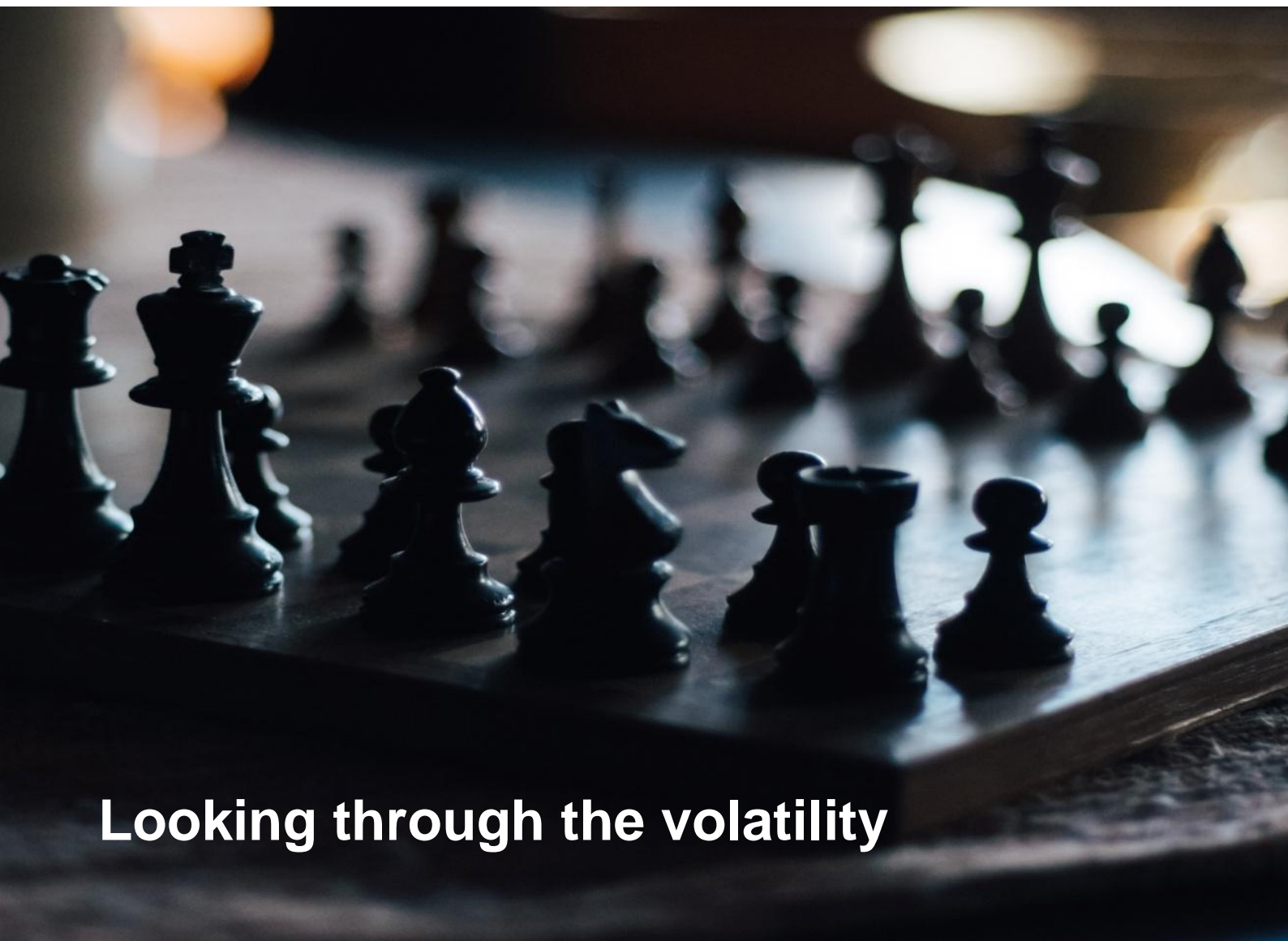


Global Market Outlook



Looking through the volatility

We believe ongoing trade tensions remain well within the realm of negotiating tactics but are watching developments closely. While tensions could continue to weigh on sentiment in the near term, global economic growth remains exceptionally strong, and this should prove supportive for financial markets.

Historically, global equities have delivered strong returns in the late stage of the business cycle. Although we acknowledge ongoing risks, we believe the risk/reward favours using current levels to add exposure to equities and multi-asset balanced strategies. We retain our regional preference for Asia ex-Japan equities.

The window to add to Emerging Market (EM) USD and local currency government bonds remains open, in our view, with higher yields offering an attractive entry point, especially when included in a multi-asset income strategy. We continue to expect the USD to weaken further over the next 12 months.

Contents

1	←	Highlights	p1			
			Looking through the volatility			
2	←	Strategy	p3			
			Investment strategy			
3	←	Perspectives	p7	p10		
			Perspectives on key client questions	Macro overview		
4	←	Asset classes	p13	p20	p23	p27
			Bonds	Equity derivatives	Alternative strategies	Multi-asset
			p16	p21	p24	
			Equities	Commodities	Foreign exchange	
5	←	Asset allocation	p30	p31		
			Global asset allocation summary	Asia asset allocation summary		
6	←	Performance review	p32	p34		
			Market performance summary	Wealth management		
			p33	p36		
			Events calendar	Disclosure appendix		

Investment strategy

IMPLICATIONS FOR INVESTORS

01 Global equities 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 attractive risk/reward, but multi-asset income remains well supported

Looking through the volatility

- We believe ongoing trade tensions remain well within the realm of negotiating tactics but are watching developments closely. While tensions could continue to weigh on sentiment in the near term, global economic growth remains exceptionally strong, and this should prove supportive for financial markets.
- Historically, global equities have delivered strong returns in the late stage of the business cycle. Although we acknowledge ongoing risks, we believe the risk/reward favours using current levels to add exposure to equities and multi-asset balanced strategies. We retain our regional preference for Asia ex-Japan equities.
- The window to add to Emerging Market (EM) USD and local currency government bonds remains open, in our view, with higher yields offering an attractive entry point, especially when included in a multi-asset income strategy. We continue to expect the USD to weaken further over the next 12 months.

Equity markets remain close to February sell-off lows, as concerns about potential US tariffs on Chinese imports have rattled investor confidence. The JPY was a key beneficiary, while US Treasuries failed to rise above 3% amid fairly extreme positioning.

The core source of tension markets are facing centres around the risk posed by protectionism clashing against what remains a robust late-cycle economic backdrop. Although the good run in positive economic surprises is likely to average out, especially if China policymakers stay on the path of curbing excessive credit growth, the upward revision in the Fed's economic growth forecasts remind us that we remain in a strong economic growth environment.

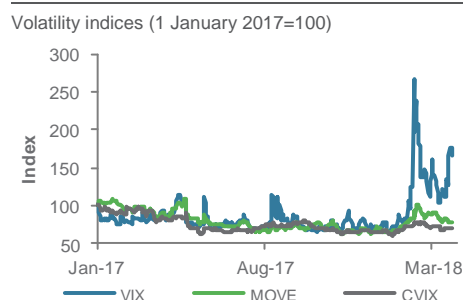
Protectionism is undoubtedly a risk to this rosy outlook. However, we believe it is important to differentiate between an escalating trade war and positioning for a tough set of negotiations. The absolute level of tariffs announced by the US (and China's retaliatory measures) remains limited in their economic impact.

Figure 1: Markets flat since February trough



Source: Bloomberg, Standard Chartered

Figure 2: Volatility elevated vs. 2017



Source: Bloomberg, Standard Chartered

The details – a 30-day ‘cooling-off’ period in US measures, for example – also suggest we remain firmly in the realm of negotiations rather than a trade war. Although we must undoubtedly remain on watch for signs of an escalation, we believe current trade tensions remain a source of volatility for now, rather than a risk, to the long-term equity rally.

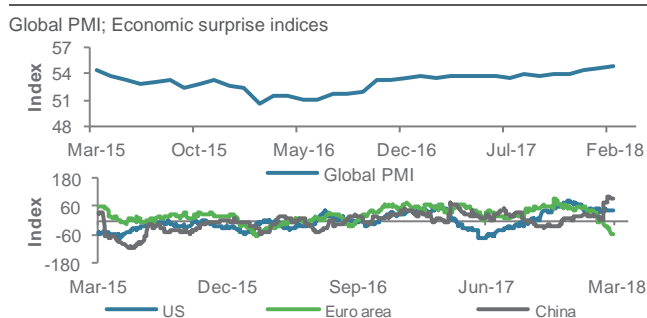
Stay the course on equities

It helps to keep history in mind when assessing poor YTD equity returns. Global equity price returns have averaged about 20% in the 12 months leading to the pre-recession equity market peaks in the last three business cycles. Hence, though we do not seek to downplay the risks, history suggests the potential cost of turning cautious on equities too soon or too late in the economic cycle is high. Trade tensions notwithstanding, we believe the risk/reward favours staying the course and building a larger-than-usual allocation to global equities.

Regionally, we continue to like EM exposure. Asia-ex Japan offers the most attractive exposure, in our view, with valuations remaining cheap relative to Developed Markets (DMs). In Asia, we continue to like China and South Korea. However, other EMs should also benefit from improved risk appetite and a weaker USD.

Having said this, we continue to expect most major equity markets to deliver strong returns. In the US, we continue to focus on our preferred cyclical sectors, such as energy and industrials, and believe the recent weakness is a symptom of the broad rise in equity volatility rather than a shift in trend.

Figure 3: PMI illustrates strength of global growth, but economic surprises may peak near term



Source: Bloomberg, Standard Chartered

Window to add to EM bonds remains open

The recent pullback in global equities highlighted the diversification benefits offered by bonds as they helped to at least partly offset equity market weakness. Last month, we noted the rise in US bond yields had created an opportunity to add to EM bonds. Although bonds yields have retreated somewhat, we believe the window to add remains firmly open, with fundamentals remaining largely unchanged.

EM currency weakness means that a similar window to add to EM local currency bonds also remains open. With yields now at 6.2%, we believe the asset class not only offers an attractive yield, but also a diversification into bond markets not directly linked to rising US interest rates.

Adding to income strategies

Our view on multi-asset balanced strategies is similar to our equities view; though the past two months have been volatile, we believe it makes sense to stay the course. Indeed, despite equities not having rescaled this year’s highs, balanced strategies remain ahead of income strategies YTD.

However, higher bond yield levels created by the recent correction mean yields on multi-asset income strategies remain attractive, in our view. We continue to believe they will stay attractive for income-oriented investors.





USD likely to weaken further

The USD remained range-bound over the past month, remaining particularly resilient against EM currencies amid the rise in volatility.

However, we retain our conviction that the USD is likely to weaken further over the coming 12 months. Hence, we see this as an opportunity to further add to our bullish views on EM currencies.

Within Asia, we are opening a new bullish view on the Malaysian Ringgit (MYR). In our view, this is not only an additional way to express our outlook of the modest USD weakness, but also a view to add exposure to an EM currency that remains inexpensive on valuation grounds and offers a modestly attractive yield.





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

Asset class	Sub-asset class	Relative outlook	Rationale
 Multi-asset Strategies	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
 Equities ●	Asia ex-Japan	●	Double digit earnings growth; fair valuations; trade tensions a long-term risk
	Non-Asia EM	●	Commodities, EM flows offer support; valuations elevated; politics a risk
	Euro area	●	Muted earnings growth; valuations fair; EUR strength a risk
	US	●	Robust earnings growth; valuations elevated; bond yields a risk
	Japan	●	Strong domestic growth; valuations attractive; JPY key to earnings
	UK	●	Earnings under pressure; valuations fair; GBP rebound a risk
 Bonds ●	EM government (USD)	●	Attractive yield; fair valuations; high-rate sensitivity; USD rebound a risk
	EM government (local currency)	●	Attractive yield; FX offers entry opportunity; USD rebound, inflation risks
	Asian USD bonds	●	Moderate yield; fair valuations; less favourable demand/supply balance
	DM IG corporate	●	Moderate yield; elevated valuations; defensive characteristics
	DM HY corporate	●	Attractive yield; credit quality mixed; expensive valuations
	DM government	●	Still low yield; policy, higher inflation risks
 Currencies	EUR	●	Room exists for policy rate expectations to re-price higher, ECB constructive
	EM currencies	●	Medium-term EM fundamentals constructive; USD weakness key
	GBP	●	Short-term Brexit uncertainty reduced, longer-term challenges remain
	AUD	●	Downside risks better priced amid decline; however, no catalyst for big gains
	JPY	●	Supported by risk-off sentiment short term; BoJ policy to ultimately limit gains
	USD	●	Medium-term downtrend to persist; trade tensions not USD supportive

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
 Equities	Asia ex-Japan equities to outperform global equities	7-Dec-17		–	✓
	South Korea equities to outperform Asia ex-Japan equities	7-Dec-17		–	✗
	China equities to outperform Asia ex-Japan equities	7-Dec-17		–	✓
 Bonds	EM USD government bonds to outperform global bonds	7-Dec-17		–	✗
	EM LCY government bonds to outperform global bonds	25-Jan-18		–	✗
 Multi-asset and alternative strategies	Multi-asset balanced ^[2] strategies to outperform multi-asset income ^[1] strategies	7-Dec-17		–	✓
	Equity hedge strategies to outperform other alternative strategies ^[3]	7-Dec-17		–	✓
 Currencies	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		✓	–
	MYR to strengthen against USD	28-Mar-18		–	–
Closed calls					
	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	✗	–
	Euro area equities to outperform global equities	7-Dec-17	2-Mar-18	–	✗

Source: Bloomberg, Standard Chartered

Performance measured from 8 December 2017 (release date of our 2018 Outlook) to 28 March 2018 or when the view was closed

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

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

^[3] 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



What are the potential implications of a trade war?

The latest sell-off in global equity markets was sparked by US President Donald Trump's decision to instruct the US Trade Representative (USTR) to levy tariffs on USD 50-60bn of Chinese imports. China's US Ambassador emphasised that though China did not want a trade war, it would "fight to the end" to defend its interests. It also imposed retaliatory tariffs on USD 3bn of US imports, albeit in response to the US's steel tariffs rather than the latest action.

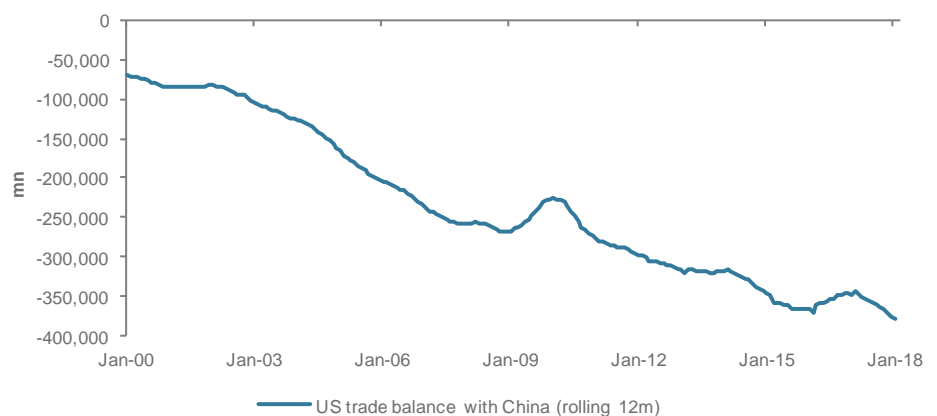
A full-blown trade war would be very damaging to the global economic and equity market outlook. The fall of the Berlin Wall in Germany and China's accession to the World Trade Organisation led to a sharp acceleration of globalisation that helped support global growth, while also limiting inflationary pressures. A reversal of these forces would likely undermine growth and raise inflationary pressures.

As highlighted in our *Outlook 2017*, we believe we have seen the peak in globalisation and expect a gradual shift towards protectionism. However, after the initial rhetoric, it is important to note that the US and China have both indicated their willingness to work together on reducing the bilateral trade deficit. Therefore, we see the US president's announcement as an attempt to increase the country's bargaining position and accelerate bilateral negotiations.

There is a 30-day buffer period before the US tariffs are implemented, and we have already received reassuring comments that this time is being used for fruitful discussions. China's stance during these negotiations will be key, but it is in the interest of both sides to avoid an escalation of the trade conflict.

Figure 6: US wants to reduce its bilateral trade deficit with China

US bilateral trade deficit with China, 12m rolling sum



Source: Bloomberg, Standard Chartered



Will equity markets continue to decline?

We believe the low levels of volatility seen in 2017 are a thing of the past. However, in our view, equity markets will do well on a 6-12 month basis. Global equities have been hit by several short-term factors, including rising inflation and interest rate expectations, increased trade tension fears (see page 7), challenges in the technology sector and increased political uncertainty in the US (both in terms of the replacement of White House policy advisors and the continued Russia investigation). Meanwhile, the positioning was excessively bullish in January before the correction. We have also seen some of the leading economic indicators cooling, albeit from elevated levels.

However, we believe it is important to take a step back from the day-to-day news flow and look at the bigger picture. Although we expect inflation pressures to ultimately pick up, actual inflation data has thus far remained mixed. Meanwhile, economic indicators continue to point to very solid growth, and 2018 economic growth forecasts are still being revised higher. Finally, corporate earnings growth estimates remain robust in most regions.

As we have indicated before, though much has been made of high valuations, the combination of equity market price declines and higher corporate earnings estimates have led to a significant decline in the price-earnings (P/E) ratio using consensus earnings estimates. Historically, global equities have generated positive returns from current valuations, as measured by the forward P/E ratio, in 90% of the occasions. To be fair, there are a lot more uncertainties than normal. Therefore, we believe the probability of positive returns is 70-75% over the coming 12 months. Against this backdrop, global equities remain our preferred asset class, though at this stage of the cycle, having a diversified investment allocation is becoming increasingly important.

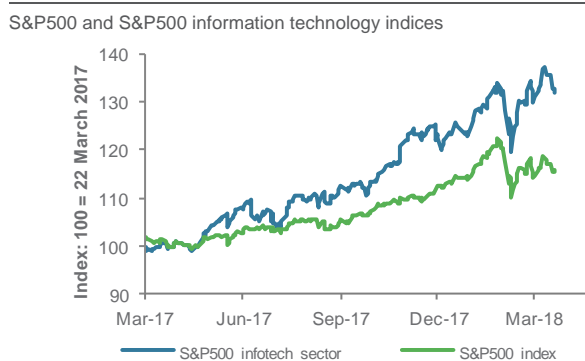
From a technical standpoint, the 200-day moving average is key. Global equities (and the S&P500) are both holding just above this key moving average, a situation similar to that in the early February pullback. A rebound from the 200DMA would likely brighten the technical outlook considerably.

Has the technology sector peaked?

The technology sector has declined 6% in March (until 28 March), as the heavyweight internet and software services sectors came under selling pressure following allegations of misuse of user data by companies accessing such information on social media websites.

The key question for investors is what steps are regulators likely to take to tighten regulations of personal data and potentially punish companies that have had lax controls in place. Politicians in the US and the EU have called on social media executives to appear before them to answer questions and, in the case of one company, the US Federal Trade Commission has opened a case against them.

Figure 7: The S&P500 technology index has significantly outperformed the broader index over the past year



Tighter regulations over the use of personal data seem inevitable. Some social media companies have indicated they would welcome clearer guidelines.

Such regulations would not have a significant impact on advertising revenues of social media companies, in our view. For example, one company at the centre of the controversy was paid USD 5m for access to user data, which is insignificant compared with annual advertising revenues of approximately USD100 bn. The real risk is whether regulators decide to impose fines. In Europe, such fines can be as high as 10% of revenue, which, if levied, would seriously impact profits. US technology is a preferred sector, but we are monitoring this evolving situation closely.

Are bond markets attractive?

In the short term, we expect bond yields to be capped. Speculators are heavily positioned for higher yields, and we believe this will need to normalise before the US 10-year Treasury yield breaks sustainably above 3%. However, over the long term (6-12 months), we expect bond yields to trend higher against the backdrop of still strong growth and rising inflationary pressures.

This is consistent with the Fed's increasingly optimistic outlook. Although the Fed stuck with its projection for 3 rate hikes in 2018 (including March), based on the median vote of its 15 members, with 7 members forecasting more rate hikes, it would only take one person to change their mind and move the median to four rate hikes for 2018. This possibility has not yet been priced in by markets.

Meanwhile, the shift in the Fed's 'central tendency', which looks at the range of FOMC member interest rate forecasts after omitting the highest and lowest three forecasts for 2020 rose significantly (50bps). This is the largest such change since this has been published (starting in 2013).

Within bonds, we continue to prefer EM bonds. While EM USD government bonds have a high interest rate sensitivity, the high yield on offer (5.8%) means it has a greater ability to absorb price declines and still generate positive returns. We also favour EM local currency bonds, as we expect the USD to remain weak, encouraging inflows into EM assets in general.

Figure 8: US 10y Treasury yields trading at the top end of the recent range



Macro overview

IMPLICATIONS FOR INVESTORS

01 Fed to raise rates two or three more times in 2018

02 ECB likely to continue withdrawing policy stimulus; BoJ likely to remain accommodative

03 China likely to maintain its tight monetary policy as it focuses on curbing leverage

Strong conviction in ‘reflation’

- **Core scenario:** Our conviction in the reflation scenario remains strong amid above-trend expansions in the US and Euro area, solid growth in Asia-ex-Japan and accelerating growth in other Emerging Markets (EM), while inflation stays moderate.
- **Policy outlook:** We expect the Fed to hike rates two or three more times in 2018. The ECB is likely to further withdraw its stimulus, the BoJ to keep policy accommodative and the PBoC to maintain its tight monetary policy.
- **Key risks:** a) Inflation surge, especially in the US, is the biggest risk to reflation, b) a policy-driven slowdown in China, an escalation in trade tensions or geopolitical disputes are key downside risks.

Core scenario

The Global Investment Committee’s (GIC) conviction in the reflation scenario of strong growth and moderately higher inflation sustaining over the next 12 months remains intact despite the recent market weakness and rising trade tensions. We continue to assign a 45% probability to reflation. An inflation surge in the US ranks as the biggest risk to this constructive scenario, given the likely impact of the fiscal stimulus at a matured stage of the business cycle. Thus, we now assign a 20% probability to this risk scenario, up from 15% a month ago. This risk is also reflected in our expectation of another two or three Fed rate hikes in 2018 (vs. the earlier forecast of a total of three hikes in 2018, including the one in March). The probability of a muddle-through scenario has declined to 25% from 30%. Deflation remains an outside risk.

Figure 9: Growth expectations continue to be revised higher in the US and Euro area

Region	Growth	Inflation	Benchmark rates	Fiscal deficit	Comments
US	●	●	●	●	US tax cuts have led to growth and inflation upgrades. An inflation upsurge remains a key risk. Fed to raise rates 2-3 times more in 2018
Euro area	●	●	●	●	Growth expectations continue to be revised higher, though inflation remains tepid. The ECB likely to continue withdrawing stimulus
UK	●	●	●	●	The 21-month Brexit transition agreement with the EU likely to ease growth concerns. Increased expectation of a BoE rate hike in May
Japan	●	●	●	●	Economy to grow above potential for second year amid strong export outlook. BoJ to maintain easy policy as inflation stays well below target
Asia ex-Japan	●	●	●	●	President Xi’s cabinet picks point to continued focus on reform. Asian economies to raise rates modestly to keep pace with the Fed
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 – A more confident Fed

Growth, inflation upgrades continue. Market expectations for US growth and inflation for 2018 have continued to rise following the December tax cuts. The Fed, too, upgraded its growth forecasts for 2018 and 2019 to 2.7% and 2.4%, respectively. However, it left long-term growth and inflation forecasts unchanged, suggesting that the fiscal stimulus is unlikely to boost the economy's underlying potential. We expect the robust job market to sustain consumption this year. Business investment could potentially drive near-term growth, though trade tensions risk undermining confidence.

Fed confidence grows. The Fed, under Chair Jerome Powell, projected one more rate hike for 2019 and 2020 than previously forecast, reflecting confidence in the near-term outlook. It is one voter short of projecting three more hikes in 2018. We expect two or three more hikes this year.

Euro area – Strong growth, subdued inflation

Growth forecasts upgraded further. Consensus growth estimate for 2018 has been upgraded to 2.4%, boosted by exports and business investment amid record low borrowing costs. However, business confidence indicators have lately softened from record highs amid trade tensions. We do not expect a significant escalation in US-Euro area tensions as borne out by the recent US tariff exemption for the region.

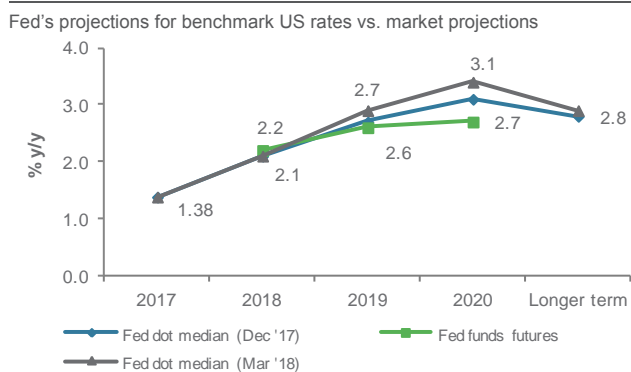
ECB tapering remains in focus. The ECB upgraded its growth forecast for 2018 and removed a reference to the possibility of adding stimulus, underlining its confidence in the ongoing expansion. We believe this raises the chances the ECB may end its bond-purchase programme in H2. However, low inflation means a rate hike is unlikely in 2018.

UK – Brexit pact lifts rate hike prospects

UK wins post-Brexit transition. The agreement with the EU for a 21-month transition period, starting from March next year when the UK formally leaves the EU, significantly reduces the uncertainty caused by the UK's 2016 Brexit vote.

Rate hike likely in May. The BoE did not counter market projections of a rate hike in May as Brexit concerns ease. We believe this raises the prospect of a hike. However, the growth impact of a rising GBP needs to be watched closely.

Figure 10: Fed has upgraded rate projections for 2019 and 2020, underlining its growing confidence in the economic outlook



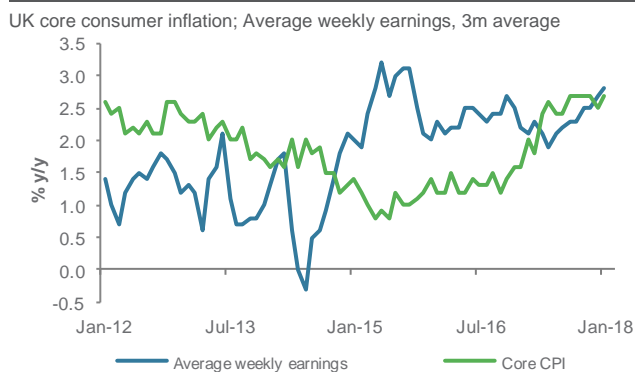
Source: Bloomberg, Standard Chartered

Figure 11: Euro area business confidence indicators have softened from elevated levels amid rising trade tensions



Source: Bloomberg, Standard Chartered

Figure 12: UK's wage growth is trending higher, which could encourage the BoE to hike rates as Brexit-related concerns ease



Source: Bloomberg, Standard Chartered

Japan – Above-trend growth continues

Supported by strong global economy. Japan's economy is likely to grow above-trend for a second straight year, boosted by strong exports and corporate investment as businesses respond to tightening spare industrial capacity and the job market. However, the ongoing scrutiny surrounding Prime Minister Shinzo Abe and some of his cabinet members risks undermining confidence and prospects for further reform.

Supportive BoJ. Although near-term inflation expectations have risen, inflation remains well below the BoJ's 2% target. Hence, we expect the BoJ to stay accommodative, especially with the extension of Governor Kuroda's term.

China – Consumption to drive growth

Xi's cabinet picks point to continue reform. President Xi's choice of key ministers in charge of economic and financial policy points to continued emphasis on rebalancing the main driver of economy from investment to consumption. The cabinet overhaul also suggests greater focus on financial deleveraging and financial sector reform. We do not expect the ongoing trade tensions with the US to impact growth significantly, in light of China's proposal to open up more sectors of its economy and reach a negotiated settlement.

PBoC to maintain tight policy. The appointment of Deputy Governor Yi Gang as the new PBoC governor signals policy continuity. We expect PBoC to maintain its current restrictive monetary policy as it retains focus on financial deleveraging.

Emerging Markets – Recovery mode

EMs continue to recover. Consensus growth estimates show India, Brazil, Russia, Mexico and South Africa could remain on a recovery mode, with India likely to benefit from a fiscal boost to the rural sector and other EMs gaining from higher commodity prices and a weak USD. We expect trade tensions to ease as the US reaches negotiated settlements on NAFTA and with other large trade partners. Elections in Brazil and Mexico later this year remain a risk.

Asia ex-Japan likely to see rate hikes, Russia rate cuts. Markets expect modest rate hikes in most Asia economies over the next 12 months as policymakers keep pace with the Fed. Russia and South Africa are expected to cut rates.

Figure 13: Japan's inflation has continued to recover amid diminished spare capacity, but it remains well below BoJ's 2% target

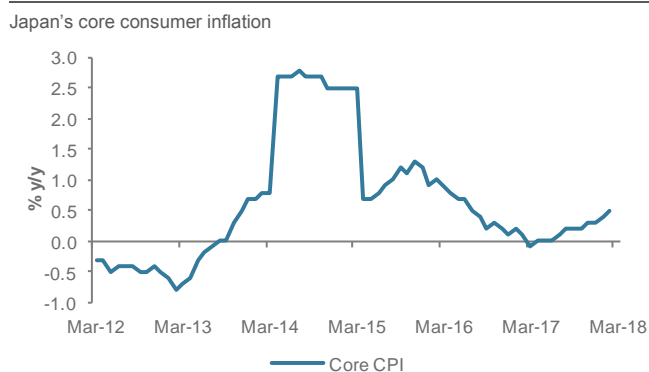


Figure 14: China's significant trade surplus with the US is encouraging it to negotiate a settlement to avoid an all-out trade war

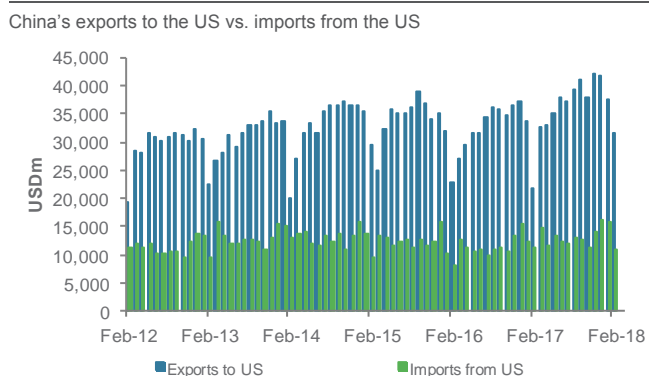
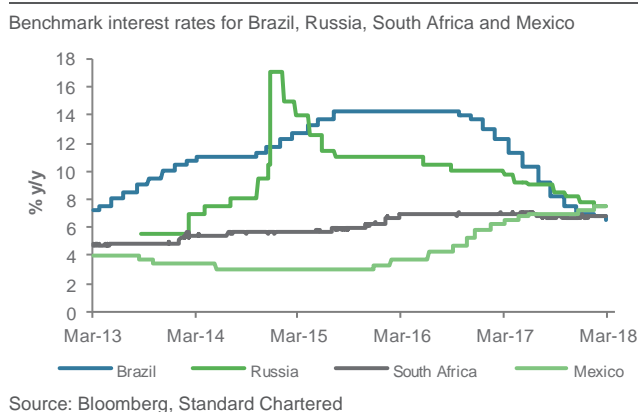
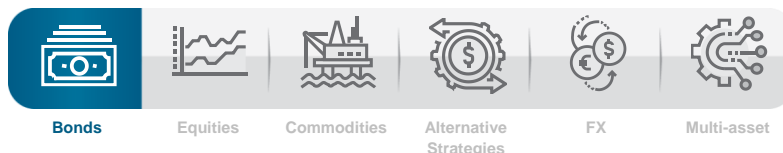


Figure 15: Russia, South Africa and Mexico expected to cut rates, while Brazil's rate cuts likely to reverse as inflation bottoms





Bonds

IMPLICATIONS FOR INVESTORS

01 Prefer EM USD and local currency government bonds

02 Favour maturity profile of around five years for USD-denominated bonds

03 Hedge high quality bond exposure to reduce volatility

Fundamentals to drive EM bonds

- Emerging Market (EM) bonds, both USD and local currency denominated, remain our preferred areas within bonds. We do not expect trade tensions to escalate dramatically and believe the relatively attractive valuations and strong fundamentals are likely to help them outperform the broader bond universe.
- Bonds remain a core holding, and the recent pullback in global equities serves to highlight the importance of having some allocation to high quality bonds. Elsewhere in bonds - Asian USD bonds, Developed Market (DM) Investment Grade (IG) corporate bonds and DM High Yield (HY) bonds remain a core holding.
- We now assign a significantly higher probability to 10-year US Treasury yields exceeding 3% over the next 12 months and would use any pullback in yields to shorten the maturity profile slightly to around five years.

Figure 17: 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 and positive EM sentiment are supportive
EM local currency	▲	●	●	●	●	Attractive yield, bullish EM FX and positive EM sentiment are supportive
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 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 16: Where markets are today

Bonds	Yield	1m return
DM IG government	*1.47%	1.6%
EM USD government	5.78%	0.0%
DM IG corporates	*2.77%	0.4%
DM HY corporates	5.75%	-0.2%
Asia USD	4.49%	0.0%
EM local currency government	6.15%	1.2%

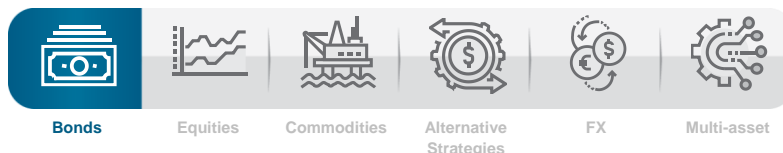
Source: Bloomberg, JPMorgan, Barclays, Citigroup, Standard Chartered

*As of 28 February 2018

Bonds rally on trade tensions

Global bonds delivered positive returns in March, as investors incrementally sought shelter in safe-haven assets following the recent increase in trade tensions. 10-year US Treasury yields remained range-bound, whereas 10-year German Bund yields declined after the Italian general election.

The broad strength in the US economy, as highlighted in the latest Fed economic projections, raises the risks of 10-year US Treasuries exceeding 3.0% over the next 12 months. However, a reversion of the bearish speculative positioning in the Treasuries could lead to lower yields in the near term. We would use any pullback in yields to slightly shorten the maturity profile to around five years. We also prefer to hedge our

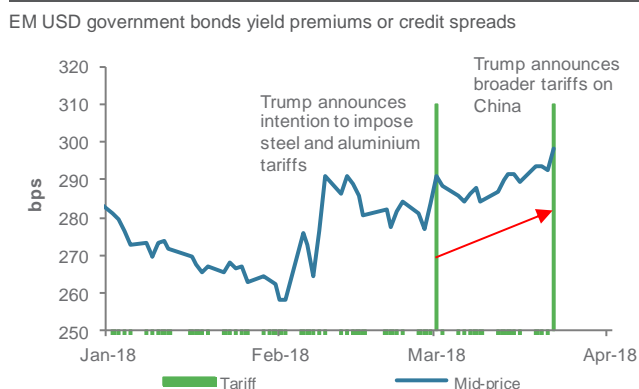


currency exposure in DM IG government and corporate bonds to reduce the volatility of the overall allocation. Although our bearish view on the USD implies potentially lower total returns for the hedged exposure, we believe the lower volatility would improve the risk/reward overall.

Emerging Market USD government bonds – Preferred

EM USD government bonds have recently underperformed global bonds as concerns about rising trade tensions led to a rise in yield premiums or credit spreads. However, EM USD government bonds remain one of our favoured areas within bonds given the strong fundamentals, and we view the recent sell-off as an attractive entry point given the bonds now offer a yield of around 5.8%.

Figure 18: Rising trade tensions leading to higher yield premiums



Source: Bloomberg, Standard Chartered

Although Chinese bonds account for less than 5% of the universe, concerns about the trickle-down effect of US-China trade tensions have dragged bond prices lower. Nonetheless, fundamentals, including strong GDP growth, higher commodity prices and a weaker USD, remain supportive for the asset class.

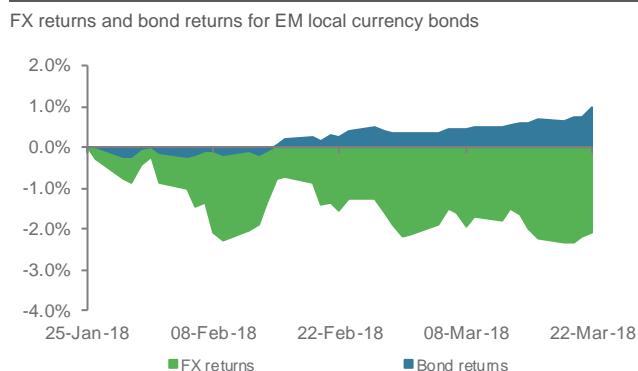
Hence, unless trade tensions escalate significantly and start hurting real economic growth, we believe the impact on financial markets is likely to remain short-lived. We are also keeping an eye on fund flows, which have stalled recently. Sustained fund outflows and a spike in US 10-year Treasury yields remain key risks to our positive view.

Emerging Market local currency bonds – Preferred

In line with our preference for EM assets, EM local currency government bonds remain among our preferred areas within bonds. The bonds have delivered negative returns since we upgraded them in late January. Although the bonds have delivered positive returns in local currency terms, weaker EM currencies have offset this in USD terms.

We remain bullish on EM currencies on a 12-month horizon and view the recent weakness due to trade tensions as transitory. In the end, strong EM fundamentals should support the currencies over the medium term, against the backdrop of broad-based USD weakness, which should lead to positive returns for EM local currency bonds, including in Asia ex-Japan.

Figure 19: Negative currency returns have weighed on returns for EM local currency bonds

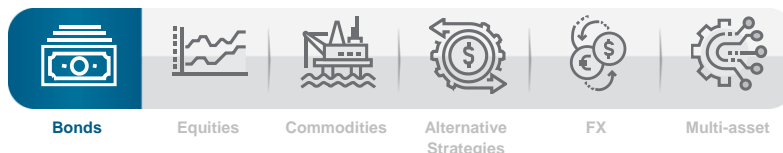


Source: Bloomberg, Standard Chartered

Asian USD bonds – Core holding

Asian USD bonds remain a core holding, given their high credit quality and defensive nature. Asia arguably remains the growth engine of the world and boasts stronger fundamentals compared to other EMs. We continue to like the approximate 4.5% yield and short maturity profile offered by these largely high-quality bonds.

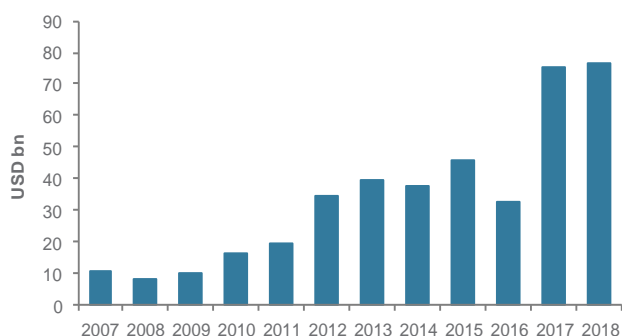
Over the past month, Asian USD bonds have seen their yield premiums increase owing to weaker demand, as investors assessed the impact of trade tensions on mainland Chinese and Hong Kong issuers (which account for nearly 60% of the



universe) and the large amount of new bond issuances. Bonds from Chinese issuers in the industrial and metals and mining sectors account for a small fraction (less than 3%) of the total universe. We remain sanguine about demand, given that Asia benefits from a strong regional investor base, with Chinese investors being the largest buyers of USD bonds issued by Chinese companies.

Figure 20: Heavy bond supply weighing on Asia USD bonds

Year-to-date supply of Asia ex-Japan G3 bonds (as of 23 March 2018)



Source: Bloomberg, Standard Chartered

Developed Market Investment Grade corporate bonds – Core holding

We retain DM IG corporate bonds as a core holding and expect them to outperform DM IG government bonds over the next 12 months despite the recent underperformance, which was driven by an increase in yield premiums.

Figure 21: US IG corporate bonds now offering a more attractive value versus US HY bonds, compared to a month back

US IG credit spread, or yield premium, and a ratio of US IG and US HY credit spreads



Source: Bloomberg, Standard Chartered

The underperformance means that US IG corporate bonds now offer a relatively better value compared to US HY bonds (as measured by the ratio of yield premiums). The valuations should be supported by an improvement in the credit quality owing to strong earnings. However, demand from foreign investors is likely to reduce as hedging costs have edged higher. Fund outflows and a sharp rise in government bond yields remain key risks to our view.

Developed Market High Yield corporate bonds – Core holding

DM HY bonds remain a core holding as the relatively attractive yield of around 5.75% is balanced by moderately expensive valuations and stretched corporate balance sheets. We believe most of the positives from stabilisation in credit quality in the US have been priced-in.

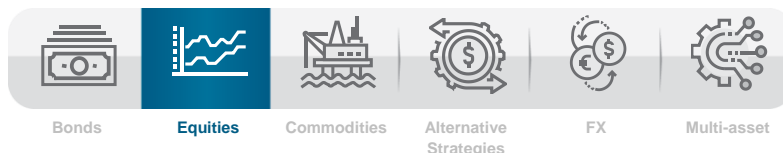
Although yield premiums have risen in March, valuations remain fairly expensive compared with the long-term average. Although low default rates support current valuations, we see limited scope for outperformance from here. Additionally, the yield offered by low quality or CCC-rated bonds has reduced over the past year, which means investors get less compensation for taking additional risks.

Developed Market Investment Grade government bonds – Less preferred

Expectations for rate hikes in the US and a reduction in monetary stimulus in Europe remain headwinds for DM IG government bonds, which are our least favoured bonds.

Though a normalisation of excessive short speculative positioning could cap the rise in US 10-year Treasury yields in the near term, we assign a significantly higher probability to yields ending above 3.0% over the next 12 months. Continued Fed rate hikes, additional net supply due to greater government borrowing and the continued reduction in the Fed's balance sheet are likely to push yields higher.

However, we continue to expect short-term (2-year) yields to rise faster than long-term (10-year). After factoring in current yields and interest rate sensitivity of bonds of different maturity, we believe a maturity profile of around five years offers the best risk/reward for investors of USD-denominated bonds.



Equities

IMPLICATIONS FOR INVESTORS

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

Solid earnings and attractive valuations

- Global equities remain our preferred asset class. Markets have had a rocky start to 2018 but are well supported by earnings growth and the recent reduced valuations.
- Asia ex-Japan is our preferred region. A weaker USD is fuelling fund inflows to the region, which at USD 11bn is the highest in five years. We expect fund inflows to continue in 2018 on moderate USD weakness. Relatively attractive valuations and improving corporate margins are positive fundamental factors for the region.
- US equities remain our core holding, implying we expect the market to perform broadly in line with global equities over the next 12 months. Corporate earnings growth remains attractive at 17% based on 2018 consensus forecasts. The recent index decline has reduced valuations, though an uncertain outlook for technology, which accounts for 26% of the index, could act as a drag on market performance.
- Euro area equities are a core holding. 2018 consensus earnings growth is lacklustre at 8%, and the region is at risk if talks of a trade war were to translate into actual protectionism measures. Export-orientated sectors – including industrials and autos, which are most at risk from higher tariffs – account for 22% of the index.
- Emerging Markets (EM) ex-Asia is a core holding, and we expect continued fund inflows to the region, similar to Asia ex-Japan. YTD, USD 44bn has flowed in, which is just over half the inflows for 2017. Russia is our preferred market in EM ex-Asia.
- Risks to our preferred equity view: increased trade tensions and margin weakness.

Figure 22: Where markets are today

Market	P/E ratio	P/B	EPS	Index level
US (S&P 500)	16x	2.9x	17%	2,605
Euro area (Stoxx 50)	13x	1.5	8%	3,331
Japan (Nikkei 225)	13x	1.2x	7%	21,031
UK (FTSE 100)	13x	1.8x	7%	7,045
MSCI Asia ex-Japan	13x	1.6x	11%	712
MSCI EM ex-Asia	12x	1.5x	17%	1,548

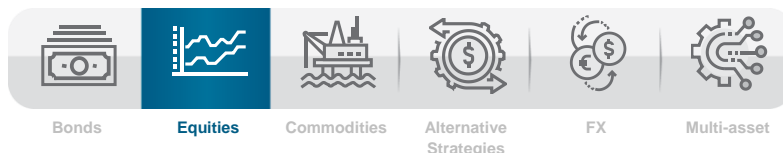
Source: FactSet, MSCI, Standard Chartered. Data refers to 2018. Note: Valuation and earnings data refer to MSCI indices as of 28 March 2018

Figure 23: Asia ex-Japan, preferred region; the UK, the 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 leading to earnings recovery
US	◆	●	●	●	●	●	Robust earnings growth, higher bond yields a drag on performance
Euro area	◆	●	●	●	●	●	Earnings under pressure from EUR strength; ROE improving
Japan	◆	●	●	●	●	●	JPY strength a drag on earnings outlook
UK	▼	●	●	●	●	●	Earnings under pressure and economic data 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 equities are a preferred holding, which means we expect them to outperform global equities over the next 12 months in USD terms. Our preferred view is underpinned by steady earnings growth, relatively undemanding valuations and modest USD weakness.

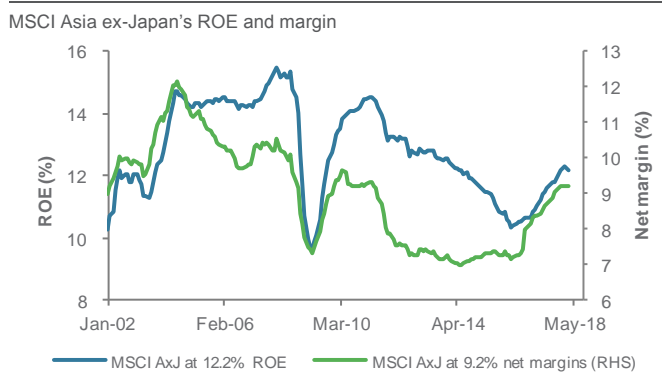
Earnings growth remains a positive factor for Asia ex-Japan with consensus 12-month EPS growth forecast at 13%. The earnings recovery in the financial and energy sectors, which together account for 27% of the MSCI Asia ex-Japan, is a key driver. Asia ex-Japan’s valuations remain attractive with a 12m forward P/E of 12.7x.

Trade tensions are a headwind, but the US accounts for only 10% of Asia ex-Japan export sales. History suggests a 76% probability of positive returns for Asia ex-Japan markets from current valuations in the coming 12 months, and our three-factor model signals the potential for 13% returns.

China is a preferred market within Asia ex-Japan. A stable political environment and the rise of the technocrats with financial expertise are positive for the ongoing state owned enterprise (SOE) reforms.

Korea is also a preferred market, trading at an attractive 33% discount to the region. The slowdown in semiconductor growth seems to have been priced in, while political risks have reduced.

Figure 24: Asia ex-Japan riding on rising ROE and margin expansion



Source: FactSet, MSCI, Standard Chartered

EM ex-Asia equities – Core holding

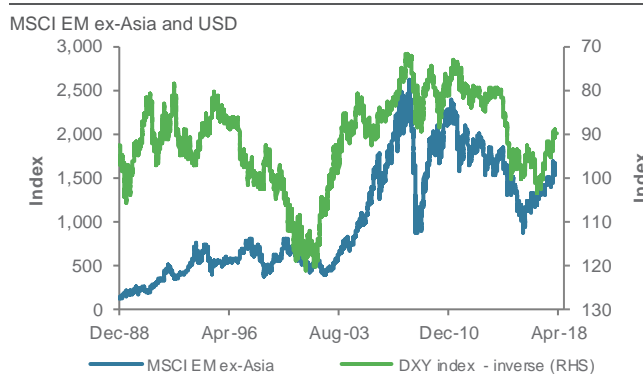
We retain EM ex-Asia equities as a core holding, which means we expect them to perform in line with global equities over the next 12 months in USD terms. Synchronised global economic growth, a recovery in commodity prices and a modestly weaker USD, which favour capital flows into EM ex-Asia, are positive factors.

Earnings growth has improved, benefitting from a pickup in commodity prices. Consensus 12-month EPS growth forecast is currently at 17%, with net margins expanding to 10% and ROE steady at 12.7%. The energy and materials sectors together account for 24% of the MSCI EM ex-Asia.

The impact of trade tensions on EM ex-Asia is modest. EM ex-Asia has a 6% revenue exposure to the US, while Mexico has the highest exposure with 16%. A renegotiation of the North America Free Trade Agreement (NAFTA) poses a risk for Mexico’s market. Political uncertainty, however, remains a concern for the region.

History suggests an 86% probability of positive returns from current valuations for EM ex-Asia equity markets in the coming 12 months, and our three-factor model signals the potential for 15% returns over the same period.

Figure 25: MSCI EM ex-Asia to benefit from weak USD



Source: FactSet, Bloomberg, MSCI, Standard Chartered



US equities – Core holding

US equities remain a core holding, which means we expect them to perform in line with global equities over the next 12 months. One of the biggest changes in March has been the decline in US equity market valuations. Corporate earnings have continued to improve, led by the energy and technology sectors. The fallout from the customer data scandal in the technology sector is a key market risk.

Consensus 12 month forward earnings are 17%. Earnings have been boosted by the recently announced corporate tax cuts and higher corporate margins. US technology, the largest sector in the market with a 26% weight, was primarily responsible for higher-than-expected US corporate margins.

The good news on technology margins has been partially offset by the customer data scandal. As the largest sector in the US market, prolonged uncertainty in this sector could act as a drag on market performance.

US equity valuations have fallen to 16.6x 12m forward consensus earnings forecasts, down from a high of 18.5x in November 2017. A combination of a decline in the index and earnings upgrades has lowered the market's P/E.

Upside risks to our cautious US equity view include upside surprise in the financial sector, which is a preferred sector. From current valuations, history suggests there is an 85% probability of positive returns for US equities in the coming 12 months, and our three-factor model signals the potential for 12% returns over the same period.

Figure 26: US market valuations have turned more attractive



Source: FactSet, MSCI, Standard Chartered

Euro area equities – Core holding

Euro area equities are a core holding, which means we expect them to perform in line with global equities over the next 12 months in USD terms. EUR strength is weighing on corporate earnings, and the region is at risk if US tariffs were increased. A potential positive catalyst is easier fiscal policy stimulating domestic demand.

The region's equity markets are at risk if talks of a trade war were to translate into actual protectionism measures. Export-orientated sectors – including industrials and auto, which are most at risk from higher tariffs – account for 22% of the index.

One potential positive for Euro area equities is easier fiscal policy stimulating domestic demand. We view an easier fiscal policy as the biggest upside risk to Euro area equity markets in the coming 12 months. Sectors that would benefit include food and beverage, media and consumer durables.

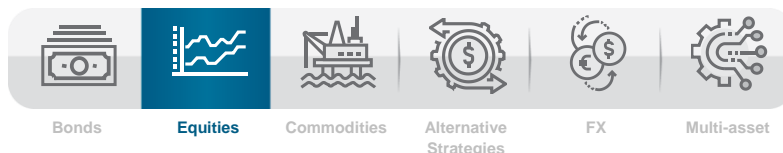
Valuations are not compelling at 13.4x 12m forward consensus earnings forecasts. This is slightly higher than the long-term average of 12.7x. Euro area corporate earnings consensus forecasts remain stuck at 8% for 2018, as analysts fret over the impact of EUR strength on the index.

Trade tensions and a change in ECB's monetary policy are risks for the region. From current valuations, history suggests an 80% probability of positive returns for Euro area equities in the coming 12 months, and our three-factor model signals the potential for 10% returns over the same period.

Figure 27: Euro area corporate earnings trends



Source: MSCI, Standard Chartered



Japan equities – Core holding

Japan equities remain a core holding, which means we expect them to perform in line with global equities over the next 12 months in USD terms. The outlook for corporate earnings in Japan is weak, weighed down by the prior JPY strength and low corporate margins. Valuations are attractive, but there are headwinds to recognising this value, including the high weight of cyclicals in the market.

Consensus expectations for Japan's corporate earnings in the coming 12 months are for 7% growth, down from 28% in 2017. The JPY's strength is the primary factor weighing on earnings. Corporate margins are an added drag.

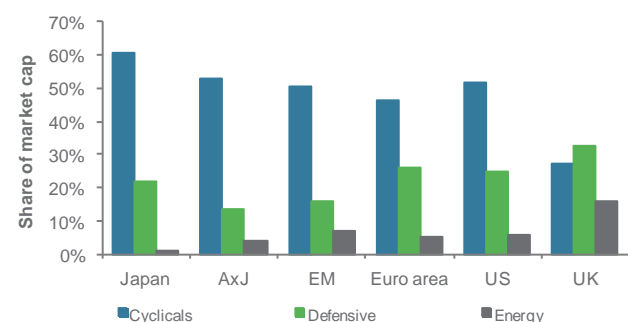
Japan equity valuations are attractive at 12.8x 12m forward earnings forecasts. Japan stands as the only large market where valuations are below their long-term average. All other countries are either at or significantly above these averages.

A potential obstacle to recognising this value is the high weight of cyclical sectors in Japan's market at 61%. We note that the market has the second-highest correlation with the US ISM index, which is showing signs of peaking. If confirmed, the cyclical exposure of Japan's market could act as a further drag on performance.

Continued JPY strength and a confirmation of a peak in the cyclical indicators are risks for Japan's market. From current valuations, history suggests a 62% probability of positive returns for Japan equities in the coming 12 months, and our three-factor model signals the potential for 9% returns over the same period.

Figure 28: Japan has a high weighting towards cyclical sectors

Markets exposure to cyclical, defensive and energy sectors



Source: FactSet, MSCI, Standard Chartered

UK equities – Less preferred

UK equities remain our least preferred region, which means we expect them to underperform global equities over the next 12 months in USD terms. UK corporate earnings forecasts have slowed sharply in recent months and valuations have been under pressure. The GBP's strength favours domestic over commodity sectors.

Consensus expectations for UK corporate earnings in the coming 12 months are for 8% growth, down from 25% in 2017, as the effects of the prior GBP weakness on the heavyweight commodity sectors wears off.

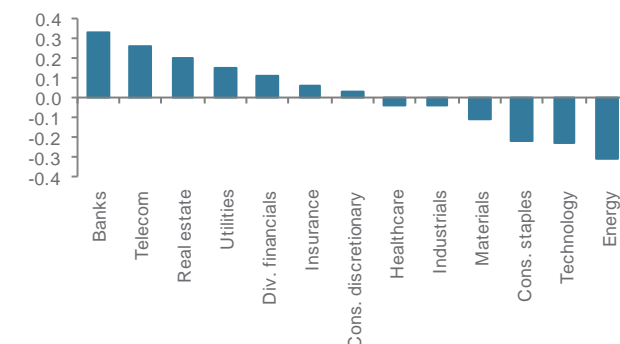
UK market valuations have been under pressure in recent months, moving from elevated to fair value (13x 12m forward consensus earnings forecasts).

UK equities are less at risk from trade tensions given the industrial and auto sectors account for 8% of the market. The GBP's strength is positive for sectors with exposure to domestic demand, including banks and retailers, given the positive correlation with the GBP.

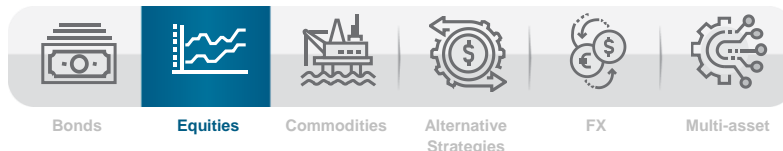
Risks include peaking global cyclical indicators and the ongoing uncertainty over Brexit. From current valuations, history suggests there is a 73% probability of positive returns for UK equities in the coming 12 months, and our three-factor model signals the potential for 11% returns over the same period.

Figure 29: Domestic demand sectors' have negative correlation with GBP

UK sector correlations with GBP



Source: MSCI, FactSet, Standard Chartered



Equity derivatives

Trade war unlikely to induce significantly higher volatility

Equities have stabilised somewhat since the sell-off in February 2018. The US equity market volatility index (VIX) has mostly been trading within 15-20, as we suggested in our last update.

Over the last few weeks, trade protectionism has been at the forefront of discussion among investors. A full-blown trade war could destabilise global equities. However, we believe the US tariffs are largely aimed at providing a starting point for bilateral US-China negotiations.

We had written in the last update that systematic outflows and extremely low liquidity during market stress were key to the February sell-off. It was similar to the price movement in August 2015. On both occasions, derivative dealers had to sell futures to hedge their short volatility exposure, thus exacerbating market downside.

Back in 2015, short-term momentum turned positive about one month after the initial sell-off, as short-term options expired. The rolling-off of these options cleaned up the residual positions that caused the technical sell-off. We may see a repeat of this technical phenomenon this time.

Fundamentally, both macro (eg, synchronised global growth) and corporate fundamentals (eg, strong upwards earnings revision in the US and EM) are stronger than in 2015. Meanwhile, the Fed did not revise 2018 dots higher, and Fed Chair Jerome Powell downplayed the importance of the 2019/2020 dots. There was no significant change in inflation expectations and growth outlook.

Currently, inflation remains significantly below the Fed's target, allowing the Fed to pursue a more modest tightening cycle than normal. As such, we may expect an environment similar to 2017 as long as inflation does not accelerate significantly, albeit with a modestly higher level of volatility, with the potential for occasional volatility spikes.

Figure 30: Inflation expectations key to longer-term bond yield outlook



Source: Bloomberg, Standard Chartered

Domestic sectors in focus for derivatives

Trade war rhetoric is likely to lead to a differentiation in sector performance. Due to such uncertainties, investors may focus on domestic themes over the next few months.

We believe there are opportunities for investors to take advantage of the elevated volatility levels to generate income from broad equity indices or, potentially, domestic sectors within China equities. This is because implied volatility has doubled in many cases.

With the re-election of President Xi Jinping, there are a number of themes for investors to look at:

- The rebalancing of the economy to consumption continues, which is positive for 'new economy' and online payment names
- With the merger of the banking and insurance regulatory commissions in China, the control on shadow-banking activities is likely to help revenues in large banks
- The environmental theme continues to be at the forefront of the government, favouring sectors such as electric vehicles and renewable energy



Commodities

IMPLICATIONS FOR INVESTORS

01 Oil prices unlikely to rise significantly from current levels

02 Gold to remain range-bound

03 Modest retracement of base metal prices likely

Fundamentals back in focus

- We expect commodities to post modest gains amid an improved global growth outlook over the coming 12 months.
- We do not expect oil prices to rise significantly from here as the supply-demand picture rebalances.
- Gold is expected to trade range-bound from current levels, supported by a weaker USD, but capped by rising real 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	●	●	OPEC cuts to offset US shale production, supporting prices
Gold	◆	●	●	●	●	●	●	Gradually rising rates to weigh on gold
Metals	◆	●	●	●	NA	●	●	Modest retracement likely as China demand stalls

Source: Standard Chartered Global Investment Committee

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

Diverging performances

Despite a strong start to the year, commodities, especially base metals, have largely given up their gains. Nevertheless, we remain moderately constructive on commodities amid solid global growth.

We do not expect oil prices to rise significantly from current levels over the next 12 months. Fundamentals in the oil market have been largely driven by perceptions of the relative size of global oil demand growth and US shale output growth. In our view, any resurgence in US shale output would be offset by continued OPEC cuts.

Although USD weakness has been a tailwind for gold prices, further gains are likely limited in the short term amid higher US real yields. We see an allocation to gold as a hedge against rising concerns over trade protectionism and increased geopolitical tensions.

Industrial metals resumed their downtrend amid rising trade tensions between the US and China. We believe slowing fixed asset investment in China will also be less supportive for the asset class moving forward.

Figure 31: Where markets are today

Commodity	Current level	1-month return
Gold (USD/oz)	1325	0.5%
Crude oil (USD/bbl)	70	7.4%
Base metals (index)	129	-4.7%

Source: Bloomberg, Standard Chartered



Crude oil – Supply remains key

We believe oil will continue to trade in a range for the remainder of 2018. We assign probabilities of 36% and 8% for oil trading within USD 65-75/bbl and above USD 75/bbl, respectively. Oil prices recently rebounded above USD 65/bbl, helped by an unexpected fall in US crude stockpiles (see Figure 33) and uncertainty over the future of Iran's nuclear deal.

Although rising geopolitical tensions, especially around Iran, Venezuela and Russia, could support oil prices in the near term, investor positioning remains relatively stretched. In our view, the rebalancing of markets will take more time.

Supply dynamics – the interaction between OPEC, Russia and the US shale – remain key to the outlook. While US shale producers have been beset by higher costs and operational limits, their quick reactions to higher prices should not be underestimated. OPEC's recent admission of shale's resurgence should also increase pressure for an extension of production cuts.

Gold – Supported by USD weakness

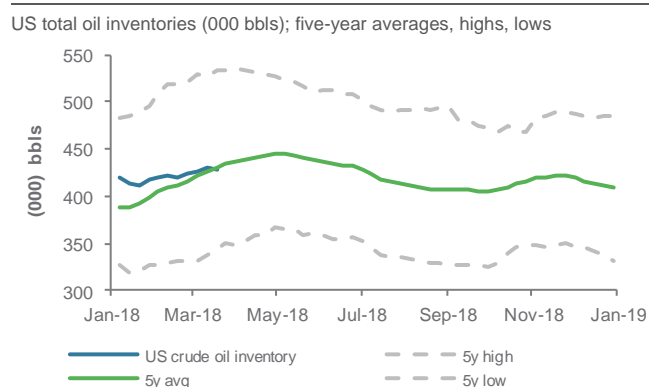
Gold prices were testing recent lows ahead of the March FOMC meeting but have since recovered, driven primarily by USD weakness and concerns over trade protectionism and political tensions.

Though we expect gold prices to trade largely range-bound, we are assigning a 25% probability that gold could trade within USD 1,350-1,400/oz, above current prices. Our view of further USD weakness and increased safe-haven asset demand could lend some support to gold prices in the near term. However, a faster-than-expected pace of rate hikes poses a key risk to our view.

Industrial metals – Range-bound for now

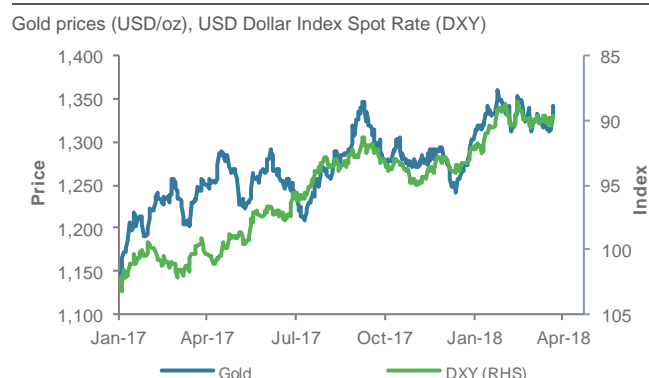
Industrial metals have given up their gains in recent weeks, underperforming both crude and gold. This can be largely attributed to concerns over proposed US trade sanctions on aluminium and steel imports. We believe prices could face some pressure, as we continue to see lower demand from China as fixed asset investment slows, especially in the infrastructure and real estate segments.

Figure 33: US crude inventories have fallen to 5-year averages



Source: Bloomberg, Standard Chartered

Figure 34: Gold continues to track the USD most closely



Source: Bloomberg, Standard Chartered

Figure 35: What has changed – Oil

Factor	Recent moves
Supply	OPEC continues to cut production; US crude oil stocks have been declining
Demand	Leading economic indicators in US continue to expand; stabilising in China
USD	Consolidating within a weaker trend

Source: Standard Chartered

Figure 36: What has changed – Gold

Factor	Recent moves
Interest rate expectations	US yields have risen given a rising growth outlook
Inflation expectations	Stabilising in US; moving down in Europe
USD	Consolidating within a weaker trend

Source: Standard Chartered



Alternative strategies

IMPLICATIONS FOR INVESTORS

01 Actively use both substitutes and diversifiers

02 Closely monitoring credit spreads given impact on core strategies

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

Diversifier helpful during volatility

- Alternatives allocation continues to deliver positive returns, up 0.9% since *Outlook 2018*, despite recent elevated volatility.
- A continuation of credit spread widening has impacted both Event Driven and Relative Value as core strategies, down -1.8% and -0.1%, respectively, in March.
- As a diversifier, Global Macro has delivered +0.4% since our last *Global Market Outlook*, benefitting from increased volatility stemming from ongoing trade tensions.

Review of alternative strategies

The recent bout of volatility has impacted our Alternatives allocation performance of late, as most strategies were flat to marginally negative. We acknowledge the outlook for higher volatility in 2018 remains a potential headwind. That said, a strong global economic backdrop continues to support our positive stance on Equity Hedge as a preferred strategy. We note that inter-stock correlations within the S&P500 remain at moderate levels, continuing to provide opportunities for Equity Hedge strategies.

We continue to keep Event Driven and Relative Value as core strategies despite a recent pullback due to wider credit spreads, a key driver for both strategies. The M&A outlook in 2018 remains positive for Event Driven and we expect lower correlation among asset classes to continue to support Relative Value. However, we are closely monitoring further changes in credit spreads.

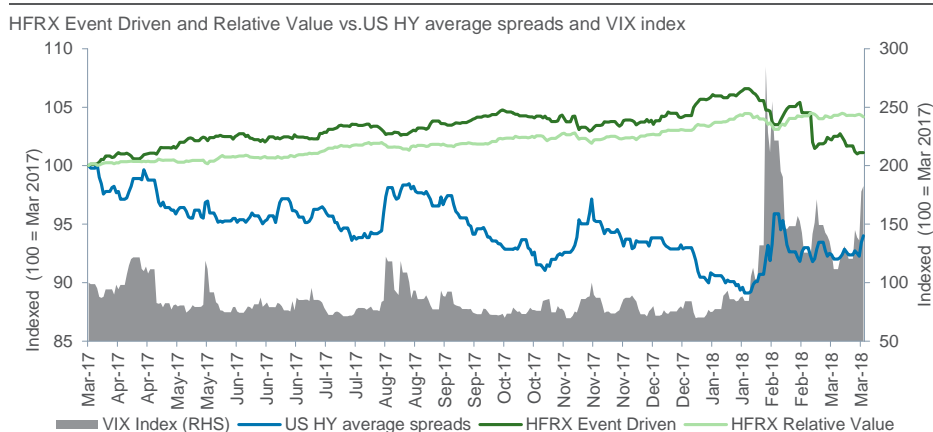
As a diversifier, Global Macro has delivered what was expected, up 0.4% in March amid the sell-off in equity markets. An increase in uncertainty around the global economic outlook due to potential trade war has driven this outperformance. That said, given our strong conviction in a reflationary scenario with limited impact from trade tensions, we continue to keep Global Macro as our least-preferred strategy.

Figure 37: Where markets are today

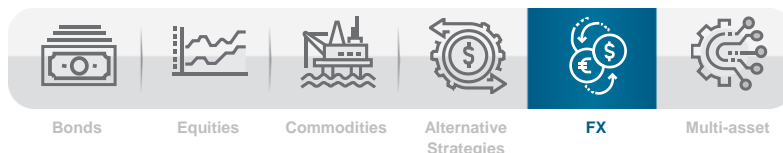
Alternatives	Since outlook	1m return
Equity Long/Short	2.9%	-0.8%
Relative Value	1.8%	-0.1%
Event Driven	-3.8%	-1.8%
Macro CTAs	0.5%	0.4%
Alternatives Allocation	0.9%	-0.8%

Source: Bloomberg, Standard Chartered

Figure 38: Changes in credit spreads remain an important driver for Event Driven & Relative Value



Source: HFRX, Bloomberg, Standard Chartered



FX

IMPLICATIONS FOR INVESTORS

01 USD weakness to resume medium-term

02 EUR strength medium term

03 SGD strength medium term

Trade tensions not USD supportive

- We expect USD weakness over the medium term, as 2018 Fed rate hikes are likely priced-in with a greater possibility of stimulus withdrawal elsewhere in G10.
- We expect further medium-term EUR strength; flows remain supportive, and the ECB is beginning to talk about possible interest rate hikes.
- We believe monetary policy fundamentals still argue for a weaker JPY. However, a rise in risk aversion and repatriation of capital flows could dominate this for now.
- In our view, Emerging Market (EM) currencies are likely to deliver positive returns in 2018 amid positive growth fundamentals; SGD remains a good proxy of 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	Fed rate hiking trajectory priced in
EUR	▲	●	●	NA	●	Monetary policy normalisation not yet complete
JPY	◆	●	●	NA	●	Pro-risk environment to limit JPY gains
GBP	◆	●	●	NA	●	Longer term Brexit challenges remain
AUD	◆	●	●	●	●	RBA policy could hamper gains
EM FX	▲	NA	●	●	●	Robust EM growth and weaker USD

Source: Bloomberg, Standard Chartered Global Investment Committee

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

Neither Fed policy, nor trade tension supportive for USD

Over the past year, currency markets have been largely driven by improving growth fundamentals outside the US, reflected in rising expectations of a future shift in monetary policy direction. However, recently, trade tensions appear to have played an increasingly important role in explaining currency returns YTD.

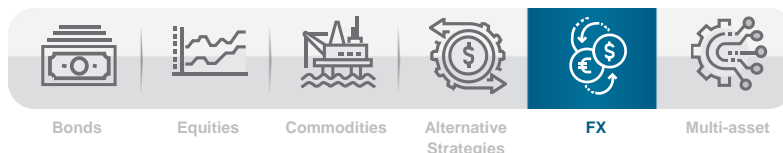
We believe the escalation in trade tensions is not a precursor to an all-out trade war. Even so, past instances of trade tensions involving the US (with Japan in early 1990s and the EU in early 2000s) have generally coincided with a weaker USD.

We also do not believe the current Fed rate hiking trajectory is likely to support the USD, with markets already pricing in two-three more hikes in 2018. In our view, the bar for the Fed to raise rates faster than this is quite high.

Figure 39: Where markets are today

FX (against USD)	Current level	1m change
Asia ex-Japan	111.71	0.7%
AUD	0.77	-1.3%
EUR	1.23	0.9%
GBP	1.41	2.3%
JPY	106.9	0.2%
SGD	1.31	-1.0%

Source: Bloomberg, Standard Chartered



EUR – Flow picture turning positive

We believe the prospect of ECB stimulus withdrawal, and ultimately higher rates in Europe, argues for a stronger EUR medium term. The recent ECB communication remains constructive on the outlook for the Euro area economy and continues to highlight the prospect of stimulus withdrawal as we move deeper into 2018. Furthermore, a balance of payment dynamics also supports room for further EUR gains. Both debt and equity capital outflows from the EU to the US have begun to reverse, with the economic bloc continuing to run a large current account surplus relative to the US.

JPY – Risk-off sentiment takes control

Recent gains in the JPY have largely been explained by rising trade tensions and an overall risk-off environment. As a result, further short-term JPY gains cannot be ruled out should cautious investor sentiment prevail.

However, we believe the JPY has diverged from its medium-term fundamentals based on US-Japan yield differentials. For instance, since October 2016, with Japan 10-year yields held close to zero, USD/JPY had closely followed the US 10-year Treasury yields. This relationship broke down this year, which also coincided with a significant pick-up in market volatility (see Figure 42). The JPY's status as a safe-haven currency largely stems from a significantly positive net-international investment position, with repatriation of capital taking place when the global market outlook dims. With the BoJ likely to retain its highly accommodative policy through 2018, our positive view on risk-assets should ultimately limit JPY gains.

GBP – Short-term gains, medium-term range

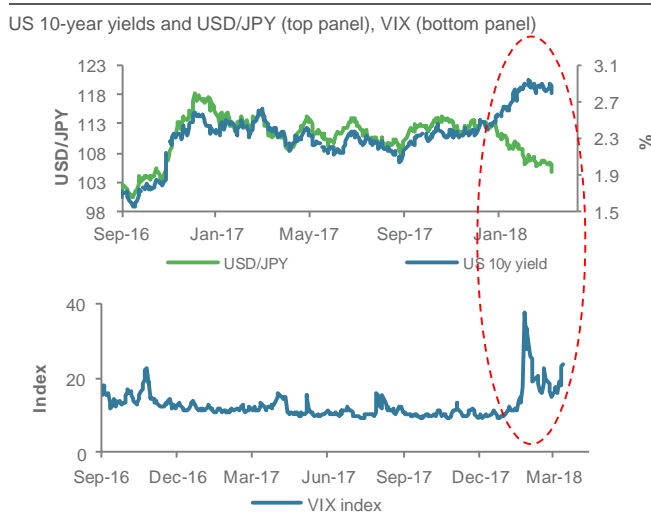
The GBP has gained recently, both against the USD and on a trade-weighted basis, following the announcement of a post-Brexit UK-EU transitional agreement (see Figure 43). Although this is likely to lower near-term risks to the GBP, it does not change the longer-term outlook, which is still guided largely by cyclicals and balance of payment fundamentals. At present, markets expect one to two BoE rate hikes in 2018, which we believe is a fair assessment. The UK's current account deficit and potential funding risks continue to pose long-term challenges.

Figure 41: What has changed – G3 currencies

Factor	Recent moves
Real interest rate differentials	Still USD supportive, but relationship with FX has broken down recently
Risk sentiment	Market sentiment deteriorated further in February with VIX above 20
Speculator positioning	JPY net-short positioning has reduced considerably, EUR net-longs remain at historical highs and GBP net-longs rise further

Source: Bloomberg, Standard Chartered

Figure 42: USD/JPY relationship with US-10 year yields broke down amid surge in risk-off sentiment

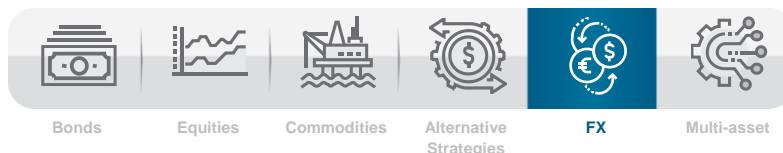


Source: Bloomberg, Standard Chartered

Figure 43: GBP trade-weighted index breaking higher after remaining largely flat after Brexit



Source: Bloomberg, Standard Chartered



AUD – Risks better priced

The AUD has declined recently amid a decline in 2018 RBA rate hike expectations, a pullback in iron ore prices and a rise in risk-off sentiment. Barring a significant further deterioration in market sentiment and/or prospect of a trade war, further AUD downside may be limited.

The market-implied probability of a RBA rate hike has declined to around 40% from as high as 80% earlier. We believe this is much more in line with domestic growth/inflation fundamentals. So far, a pick-up in select fixed asset investment indicators in China point to some support for iron ore prices. Nevertheless, we contend that a significant further escalation in trade tensions could result in reduced demand for the pro-cyclical commodity. The confluence of positive and negative risk factors at this time restricts us from turning bullish on the AUD on a 12-month horizon despite our outlook for a weaker USD.

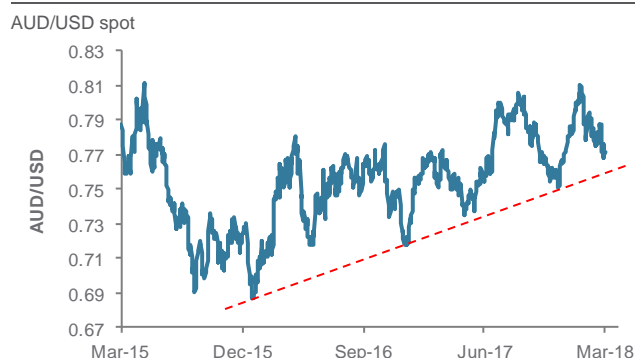
Emerging Market currencies – Longer-term positive fundamentals to prevail

Recent trade/geopolitical tensions notwithstanding, we continue to see further gains in EM currencies over the medium term. The three most significant factors supporting our view are: 1) the continuation of robust 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, as it remains a close proxy of our view of a weaker USD, and we believe the Monetary Authority of Singapore (MAS) is likely to adopt a more hawkish monetary policy stance). We also turn more constructive on the MYR, as we believe it is the most sensitive currency in Asia-ex-Japan to our bearish outlook on the USD and moderately constructive view on commodities.

Some concerns have risen recently regarding the reaction by China policymakers to a more aggressive US trade policy stance. At present, we do not believe China authorities are likely to abandon their structural/economic policies in response to trade rhetoric. So far, the PBoC has preferred a slight CNY appreciation against trade partner currencies, and we believe, any shift is more likely to be based on cyclical factors as opposed to a reaction to the US trade policy.

Figure 44: Recent decline has better priced near term risks ahead of key medium-term support



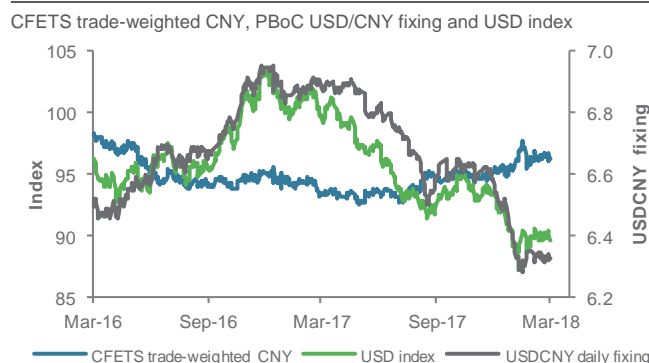
Source: Bloomberg, Standard Chartered

Figure 45: What has changed in EM currencies

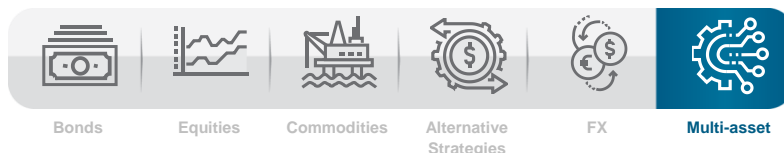
Factor	Recent moves
USD	USD has remained largely range-bound
China risks	China economic surprises remain positive
Risk sentiment	EM FX volatility has remained contained after shooting up in February

Source: Standard Chartered

Figure 46: PBoC still favours a moderately appreciating trade-weighted CNY, keeping USD/CNY fixing in line with the USD index



Source: Bloomberg, Standard Chartered



Multi-asset

IMPLICATIONS FOR INVESTORS

01 Multi-asset income strategy remains key for income investors looking to generate overall yield across assets

02 Diversification key in generating consistent allocation returns

03 Increasing asset class yields during market pullbacks can offer better value

Multi-income remains key conviction

- Our Global Investment Committee (GIC) continues to see Multi-asset income as a key conviction despite recent market volatility.
- Recent market pullbacks have increased yields for both equities and bonds, which are now at more attractive levels.
- We continue to balance our allocation across fixed income, equity and non-core income with our allocation (now yielding 5.0%).

As we come to the end of Q1 18, marked by increased volatility in asset markets, we review the performance of our multi-asset income allocation, which continues to be relevant for investors looking to generate an attractive yield across a diversified basket of asset classes. Given recent market performance, we see increased value among yielding assets, especially equities, which continue to resonate with our overall core reflationary scenario and positive outlook for equities. At the headline level, global dividend equities*, though down -2.7% YTD now carry an equity yield of 3.9%, up from 3.7% at the end of 2017.

Figure 48: Our current global Multi-asset income allocation

Asset class weights within our allocation

Non-core Income

Contigent Convertibles 3%
Preferred Equity 3%
Real Estate 2%
Convertibles 7%
Covered Call Strategy 7%

Fixed Income

Long Mat (20+ yrs) 2%
Mid Mat (5-7yrs) 3%
TIPS 3%

EM HC Sov IG 4%
DM IG Corp 8%
Asia IG Corp 7%
Leveraged Loans 9%
US HY 10%
EM LC Sov 8%
EM HC Sov HY 4%

Equity Income

Asia Divi Equity 10%
Europe Divi Equity 10%

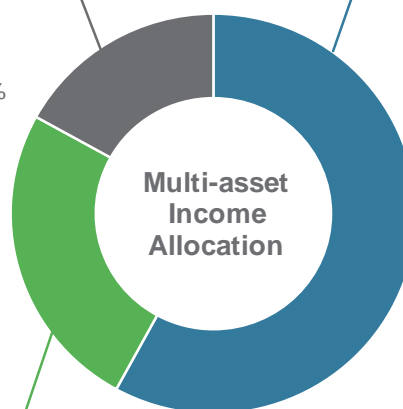


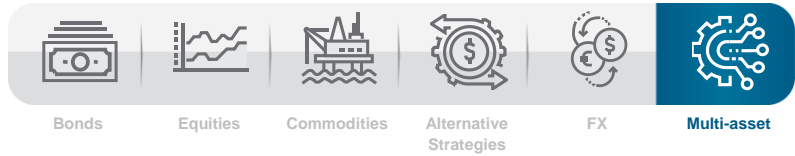
Figure 47: Key multi-asset views

Allocation performance	Since outlook	1m return
Balanced	1.4%	-1.6%
Multi-asset income	1.4%	-0.4%

Source: Bloomberg, Standard Chartered

Source: Bloomberg, Standard Chartered.

*MSCI AC World High Dividend Yield TR Index



As we review the performance of our allocation, we find the best-performing asset classes YTD include EM local currency bonds and Asia Dividend equity, up 4.1% and 2.8%, respectively. The largest laggard in our allocation has been Real Estate within Non-Core Income, down -3.6% YTD, possibly impacted by the spectre of rising interest rates.

Across the allocation, we continue to keep broad exposures along equity, fixed income and non-core income. We continue to favour EM debt, both EM USD bonds and EM local currency bonds, and we maintain respective weights in both. Currently, they provide yields of 6.2% and 5.8%, respectively.

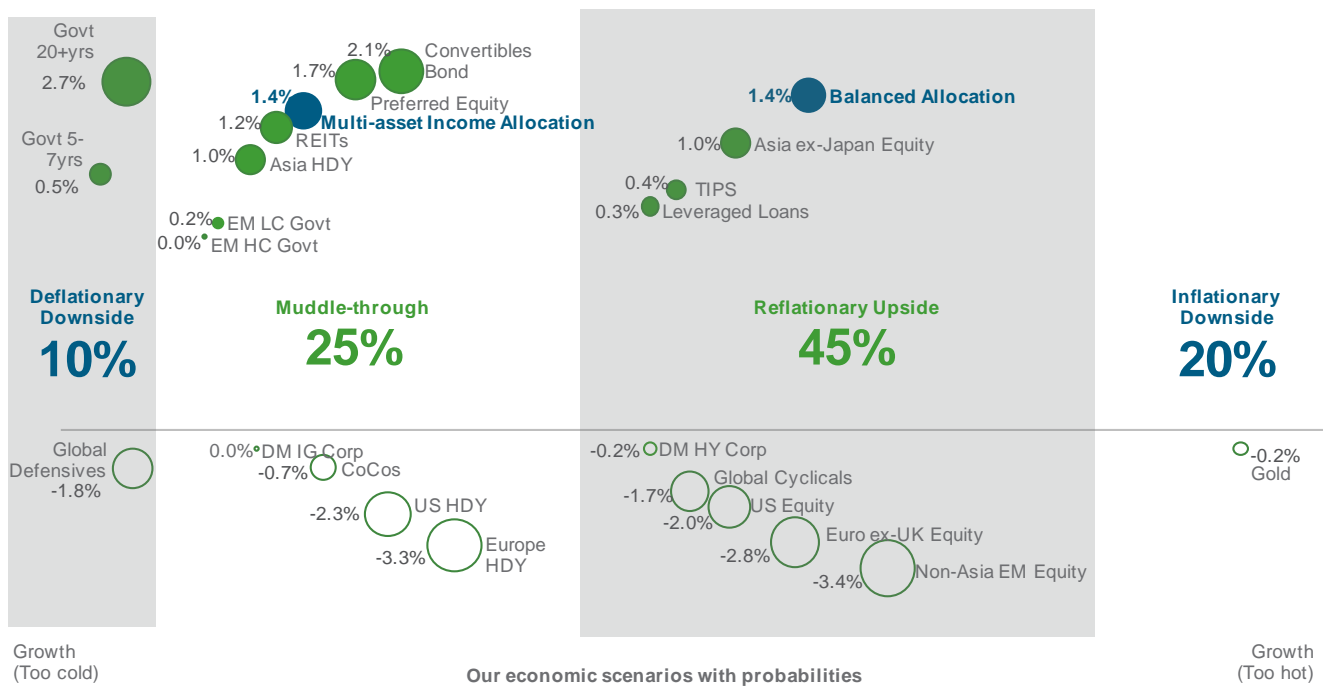
Supportive for our EM local currency view is our benign outlook for the USD vs. EM local currencies. EM local currency bond returns may possibly be enhanced by the USD currency impact.

Finally, our non-core income focus continues to be on assets that provide alternative income streams, with lower correlations to traditional assets, including fixed income and equities. Two key exposures include Covered Calls and Preferred shares, which have delivered -2.8% and -0.8% respectively YTD, a period which includes recent market volatility.

We continue to believe that for income investors, our multi-asset income allocation is an effective way to diversify across asset classes and generate an attractive yield, which currently stands at 5.0%. This allocation's performance has been 1.4% since *Outlook 2018*.

For more information on our allocation, please refer to our *Outlook 2018* publication.

Figure 49: Performance of various asset classes from our *Outlook 2018* publication to date (as of 28 March 2018)



Source: Bloomberg, Standard Chartered

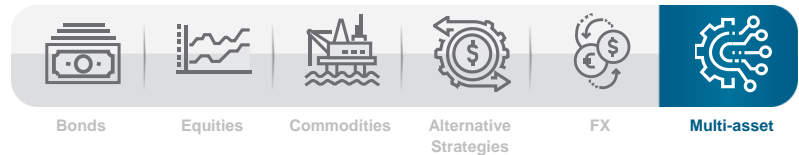


Figure 50: A three-pronged approach to assessing income assets

Asset classes	Yield	Income potential	Capital growth	Risk of pullback	Comments
Fixed Income	4.7	●	●	●	Portfolio anchor; source of yield; some pockets of value, but not without risks
Leveraged Loans	5.2	●	●	●	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	6.3	●	●	●	Valuations remain expensive; attractive yields; default rates remain contained
EM HC Sovereign Debt	5.8	●	●	●	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. Expectation of stronger EM FX is supportive
Investment Grade*	3.0	●	●	●	Portfolio anchor, structural carry; some interesting ideas, but interest rate sensitivity a risk
Corporate - DM IG*	2.8	●	●	●	Yield premiums have reduced, but valuations are 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, stable credit quality; key risks include concentration risk from China issuers and lower regional demand
TIPS	2.5	●	●	●	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 and Fed policy rates
Sovereign*	1.7	●	●	●	QE offers strong anchors for sovereign yields, but little, if any, value left. Risks include rate hikes, higher inflation and end of quantitative easing
Equity Income	4.9	●	●	●	Key source of income and modest upside from capital growth
North America	3.1	●	●	●	Fair-to-slightly elevated valuations; low yields; some sectors attractive
Europe	6.0	●	●	●	Fair valuations; attractive yields; overhang from political risk, mitigated by improving global growth outlook
Asia ex-Japan	3.8	●	●	●	Good payouts; selectively attractive valuations, but pullback a risk from challenges in China/US growth, earnings, Fed and leverage
Non-core Income	6.3	●	●	●	Useful diversifier for income and growth
Preferred	5.5	●	●	●	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. Policy mistake a risk
Property	4.1	●	●	●	Yield diversifier; stable real estate market; risk from higher rates, valuations stretched in some regions. Potential for large pullbacks
Covered Calls	11.2	●	●	●	Useful income enhancer assuming limited equity upside
Cocos	4.9	●	●	●	Moderate yields; relatively low sensitivity to rising yields and improving bank credit quality over the past few years

Source: Bloomberg, Standard Chartered Global Investment Committee; Yield data as of 28 March 2018; *Yield data as of 28 February 2018

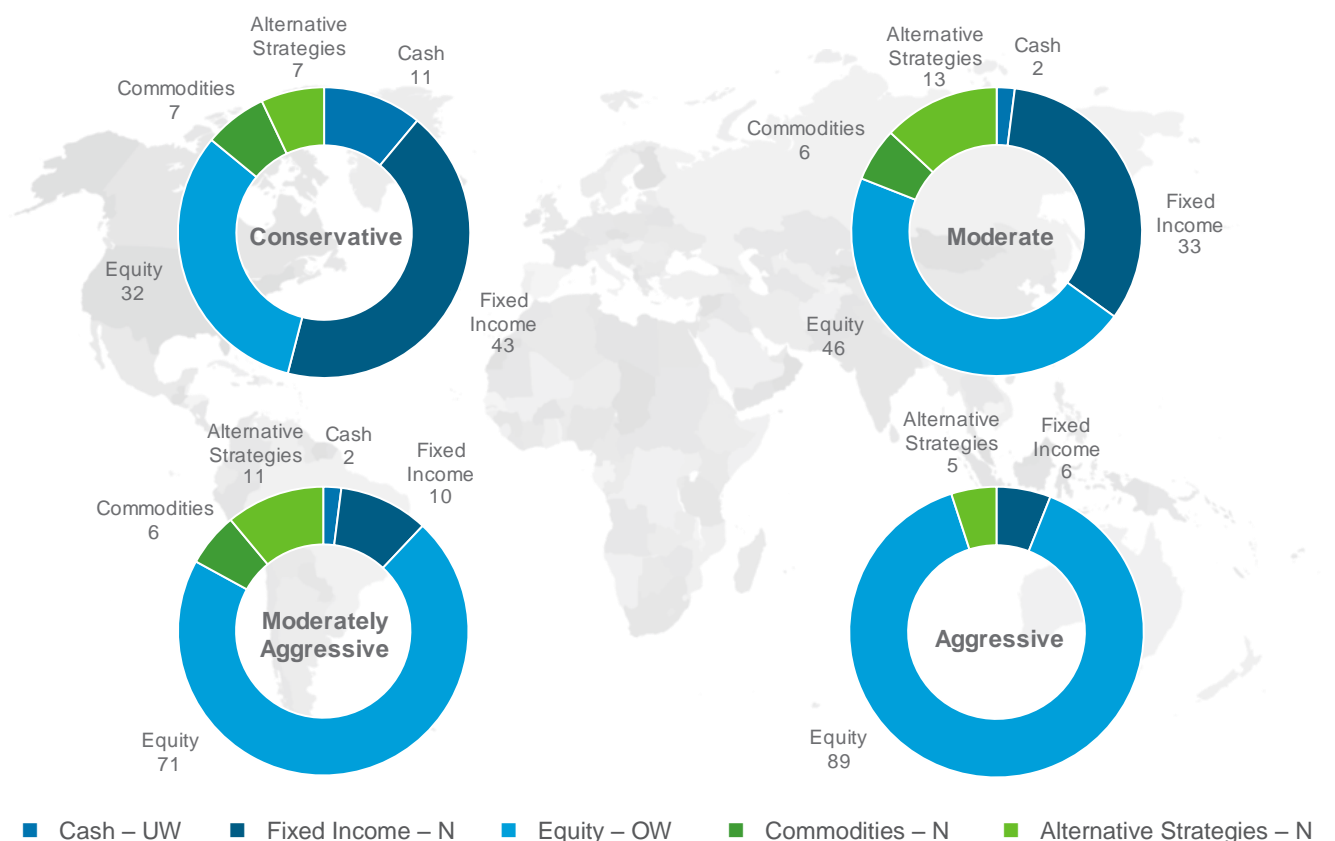
For indices used, refer to the end note at the conclusion of this section

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 - April 2018 (12m). All figures are in percentages.



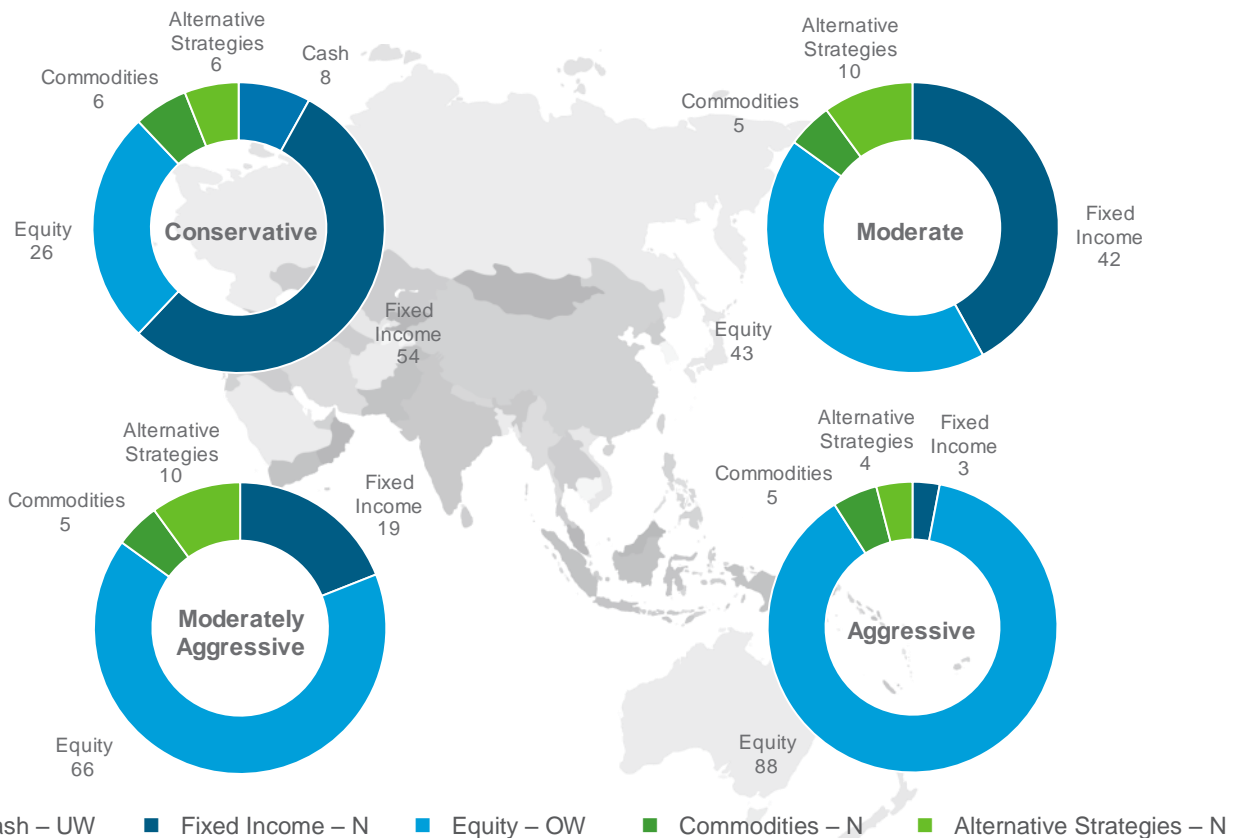
Asset class	Region	View vs. SAA	Conservative	Moderate	Moderately aggressive	Aggressive
Cash & Cash Equivalents	USD Cash	UW	11	2	2	0
	DM Government Bonds	UW	19	15	6	3
Developed Market Bonds	DM IG Corporate Bonds	N	15	12	4	3
	DM HY Corporate Bonds	N	4	2	0	0
Emerging Market Bonds	EM USD Sovereign Bonds	OW	5	4	0	0
	EM Local Ccy Sovereign Bonds	OW	0	0	0	0
	Asia Corporate USD Bonds	N	0	0	0	0
Developed Market Equity	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
Emerging Market Equity	Asia ex-Japan	OW	7	10	13	17
	Non-Asia EM	N	0	0	3	3
Commodities	Commodities	N	7	6	6	0
Alternative Strategies		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 - April 2018 (12m). All figures are in percentages.



Asset class	Region	View vs. SAA	Conservative	Moderate	Moderately aggressive	Aggressive
Cash & Cash Equivalents	USD Cash	UW	8	0	0	0
	DM Government Bonds	UW	8	7	3	0
Developed Market Bonds	DM IG Corporate Bonds	N	7	6	3	0
	DM HY Corporate Bonds	N	3	3	0	0
Emerging Market Bonds	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
Developed Market Equity	North America	N	6	11	17	23
	Europe ex-UK	N	4	7	11	15
	UK	UW	0	0	0	0
	Japan	N	2	2	3	4
Emerging Market Equity	Asia ex-Japan	OW	11	19	28	38
	Non-Asia EM	N	3	4	7	8
Commodities	Commodities	N	6	5	5	5
Alternative Strategies		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	-1.9% ↓	-3.0% ↓
Global High Dividend Yield Equities	-2.4% ↓	-2.1% ↓
Developed Markets (DM)	-2.2% ↓	-3.1% ↓
Emerging Markets (EM)	0.7% ↑	-2.6% ↓
BY COUNTRY		
US	-2.1% ↓	-3.8% ↓
Western Europe (Local)	-4.8% ↓	-2.4% ↓
Western Europe (USD)	-2.0% ↓	-1.2% ↓
Japan (Local)	-5.6% ↓	-3.3% ↓
Japan (USD)	0.1% ↑	-2.8% ↓
Australia	-5.8% ↓	-5.2% ↓
Asia ex- Japan	0.0% ↑	-2.1% ↓
Africa	-3.4% ↓	-6.0% ↓
Eastern Europe	3.0% ↑	-5.0% ↓
Latam	6.4% ↑	-2.5% ↓
Middle East	8.8% ↑	5.7% ↑
China	1.2% ↑	-3.8% ↓
India	-7.0% ↓	-3.6% ↓
South Korea	-1.9% ↓	1.0% ↑
Taiwan	5.3% ↑	0.9% ↑
BY SECTOR		
Consumer Discretionary	0.0% ↑	-3.6% ↓
Consumer Staples	-5.5% ↓	-0.6% ↓
Energy	-5.1% ↓	-0.7% ↓
Financial	-1.6% ↓	-4.4% ↓
Healthcare	-1.3% ↓	-2.3% ↓
Industrial	-2.6% ↓	-3.4% ↓
IT	1.4% ↑	-4.7% ↓
Materials	-4.6% ↓	-4.5% ↓
Telecom	-5.7% ↓	-1.7% ↓
Utilities	-1.4% ↓	3.7% ↑
Global Property Equity/REITS	-3.6% ↓	2.1% ↑

Bonds

	Year to date	1 month
SOVEREIGN		
Global IG Sovereign	2.4% ↑	1.6% ↑
US Sovereign	-1.4% ↓	0.7% ↑
EU Sovereign	3.3% ↑	2.5% ↑
EM Sovereign Hard Currency	-2.0% ↓	0.0% ↑
EM Sovereign Local Currency	4.1% ↑	1.2% ↑
Asia EM Local Currency	0.6% ↑	1.1% ↑
CREDIT		
Global IG Corporates	-0.9% ↓	0.4% ↑
Global HY Corporates	-0.4% ↓	-0.2% ↓
US High Yield	-0.9% ↓	-0.7% ↓
Europe High Yield	2.6% ↑	1.1% ↑
Asia High Yield Corporates	-1.3% ↓	0.0% ↑

Commodity

	Year to date	1 month
Diversified Commodity	-1.2% ↓	-1.4% ↓
Agriculture	0.5% ↑	-5.0% ↓
Energy	0.6% ↑	3.9% ↑
Industrial Metal	-6.8% ↓	-4.7% ↓
Precious Metal	-0.8% ↓	0.2% ↑
Crude Oil	5.2% ↑	7.4% ↑
Gold	1.7% ↑	0.5% ↑

FX (against USD)

	Year to date	1 month
Asia ex- Japan	1.8% ↑	0.7% ↑
AUD	-1.9% ↓	-1.3% ↓
EUR	2.5% ↑	0.9% ↑
GBP	4.2% ↑	2.3% ↑
JPY	5.5% ↑	-0.2% ↓
SGD	1.8% ↑	0.9% ↑

Alternatives

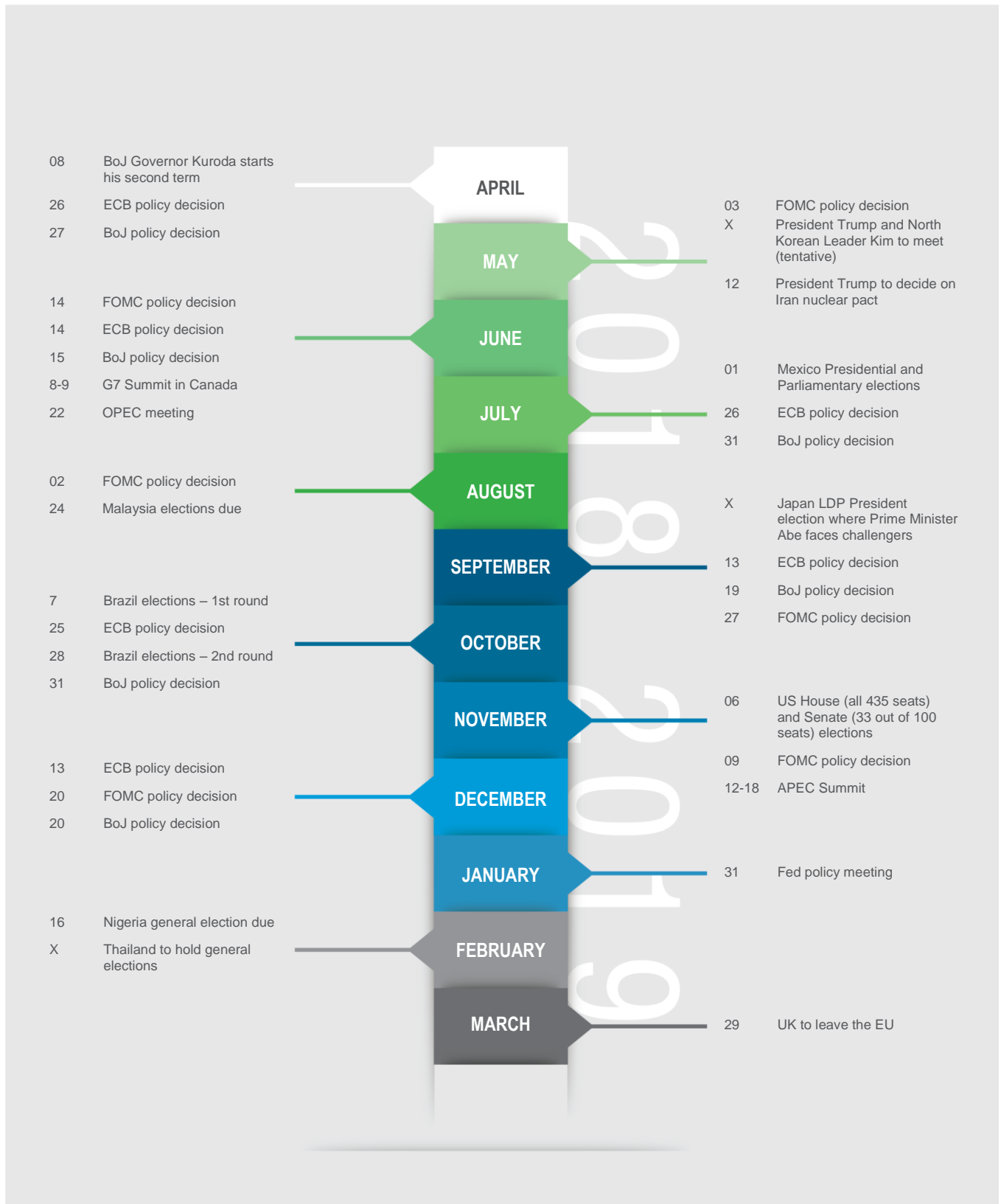
	Year to date	1 month
Composite (All strategies)	-0.7% ↓	-0.7% ↓
Relative Value	1.2% ↑	-0.1% ↓
Event Driven	-4.4% ↓	-1.8% ↓
Equity Long/Short	1.0% ↑	-0.8% ↓
Macro CTAs	-0.8% ↓	0.4% ↑

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 28 March 2018 and 1-month performance from 28 February 2018 to 28 March 2018

Events calendar



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

Wealth management



Art inspired by our footprint – Used with permission by Lincoln Seligman

As a Private Bank client, you have full access to our advisory views. But that is not all. We also provide the relevant solutions that help you capture the most of our investment themes.

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



Our experience and expertise help you navigate markets and provide actionable insights to reach your investment goals.

Alexis Calla

Chief Investment Officer

Steve Brice

Chief Investment Strategist

Clive McDonnell

Head
Equity Investment Strategy

Manpreet Gill

Head
FICC Investment Strategy

Arun Kelshiker, CFA

Senior Investment Strategist
Asset Allocation and Portfolio Solutions

Christian Abuide

Head
Discretionary Portfolio Management

Daniel Lam, CFA

Senior Investment Strategist
Asset Allocation and Portfolio Solutions

Belle Chan

Senior Investment Strategist

Rajat Bhattacharya

Senior Investment Strategist

Ajay Saratchandran

Discretionary Portfolio Manager

Samuel Seah, CFA

Discretionary Portfolio Manager

Audrey Goh, CFA

Senior Investment Strategist
Asset Allocation and Portfolio Solutions

Tariq Ali, CFA

Investment Strategist

Francis Lim

Quantitative Investment Strategist

Jill Yip, CFA

Senior Investment Strategist

Abhilash Narayan

Investment Strategist

Cedric Lam

Investment Strategist

Trang Nguyen

Analyst
Asset Allocation and Portfolio Solutions

DJ Cheong

Investment Strategist

Disclosure appendix

THIS IS NOT A RESEARCH REPORT AND HAS NOT BEEN PRODUCED BY A RESEARCH UNIT.

This document is not research material and it has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. This document does not necessarily represent the views of every function within Standard Chartered Bank, particularly those of the Global Research function.

Standard Chartered Bank is incorporated in England with limited liability by Royal Charter 1853 Reference Number ZC18. The Principal Office of the Company is situated in England at 1 Basinghall Avenue, London, EC2V 5DD. Standard Chartered Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

Banking activities may be carried out internationally by different Standard Chartered Bank branches, subsidiaries and affiliates (collectively "SCB") according to local regulatory requirements. With respect to any jurisdiction in which there is a SCB entity, this document is distributed in such jurisdiction by, and is attributable to, such local SCB entity. Recipients in any jurisdiction should contact the local SCB entity in relation to any matters arising from, or in connection with, this document. Not all products and services are provided by all SCB entities.

This document is being distributed for general information only and it does not constitute an offer, recommendation or solicitation to enter into any transaction or adopt any hedging, trading or investment strategy, in relation to any securities or other financial instruments. This document is for general evaluation only, it does not take into account the specific investment objectives, financial situation or particular needs of any particular person or class of persons and it has not been prepared for any particular person or class of persons.

Investment involves risks. The prices of investment products fluctuate, sometimes dramatically. The price of investment products may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling investment products. You should not rely on any contents of this document in making any investment decisions. Before making any investment, you should carefully read the relevant offering documents and seek independent legal, tax and regulatory advice. In particular, we recommend you to seek advice regarding the suitability of the investment product, taking into account your specific investment objectives, financial situation or particular needs, before you make a commitment to purchase the investment product.

Opinions, projections and estimates are solely those of SCB at the date of this document and subject to change without notice. Past performance is not indicative of future results and no representation or warranty is made regarding future performance. Any forecast contained herein as to likely future movements in rates or prices or likely future events or occurrences constitutes an opinion only and is not indicative of actual future movements in rates or prices or actual future events or occurrences (as the case may be). This document has not been and will not be registered as a prospectus in any jurisdiction and it is not authorised by any regulatory authority under any regulations.

SCB makes no representation or warranty of any kind, express, implied or statutory regarding, but not limited to, the accuracy of this document or the completeness of any information contained or referred to in this document. This document is distributed on the express understanding that, whilst the information in it is believed to be reliable, it has not been independently verified by us. SCB accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental or consequential loss or damage) from your use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any part thereof or any contents.

SCB, and/or a connected company, may at any time, to the extent permitted by applicable law and/or regulation, be long or short any securities, currencies or financial instruments referred to on this document or have a material interest in any such securities or related investment, or may be the only market maker in relation to such investments, or provide, or have provided advice, investment banking or other services, to issuers of such investments. Accordingly, SCB, its affiliates and/or subsidiaries may have a conflict of interest that could affect the objectivity of this document. This document must not be reproduced, forwarded or otherwise made available to any other person without the express written consent of SCB, nor

should it be distributed into any other jurisdiction unless permitted by the local laws and regulations of that jurisdiction. Neither SCB nor any of its directors, employees or agents accept any liability whatsoever for the actions of third parties in this respect.

Copyright: Standard Chartered Bank 2018. Copyright in all materials, text, articles and information contained herein is the property of, and may only be reproduced with permission of an authorised signatory of, Standard Chartered Bank. Copyright in materials created by third parties and the rights under copyright of such parties are hereby acknowledged. Copyright in all other materials not belonging to third parties and copyright in these materials as a compilation vests and shall remain at all times copyright of Standard Chartered Bank and should not be reproduced or used except for business purposes on behalf of Standard Chartered Bank or save with the express prior written consent of an authorised signatory of Standard Chartered Bank. All rights reserved. © Standard Chartered Bank 2018.

Standard Chartered Private Bank is the private banking division of SCB. Private banking activities may be carried out internationally by different SCB legal entities and affiliates according to local regulatory requirements. Not all products and services are provided by all SCB branches, subsidiaries and affiliates. Some of the SCB entities and affiliates only act as representatives of the Standard Chartered Private Bank, and may not be able to offer products and services, or offer advice to clients. They serve as points of contact only.

Country Specific Disclosures

Botswana: This document is being distributed in Botswana by, and is attributable to, Standard Chartered Bank Botswana Limited which is a financial institution licensed under the Section 6 of the Banking Act CAP 46:04 and is listed in the Botswana Stock Exchange.

China – Hong Kong: In Hong Kong, this document, except for any portion advising on or facilitating any decision on futures contracts trading, is distributed by Standard Chartered Bank (Hong Kong) Limited (“SCBHK”), a subsidiary of Standard Chartered Bank. SCBHK has its registered address at 32/F, Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong and is regulated by the Hong Kong Monetary Authority and registered with the Securities and Futures Commission (“SFC”) to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activity under the Securities and Futures Ordinance (Cap. 571) (“SFO”) (CE No. AJ1614). The contents of this document have not been reviewed by any regulatory authority in Hong Kong and you are advised to exercise caution in relation to any offer set out herein. If you are in doubt about any of the contents of this document, you should obtain independent professional advice. Any product named herein may not be offered or sold in Hong Kong by means of any document at any time other than to “professional investors” as defined in the SFO and any rules made under that ordinance. In addition, this document may not be issued or possessed for the purposes of issue, whether in Hong Kong or elsewhere, and any interests may not be disposed of, to any person unless such person is outside Hong Kong or is a “professional investor” as defined in the SFO and any rules made under that ordinance, or as otherwise may be permitted by that ordinance. In Hong Kong, Standard Chartered Private Bank is the private banking division of Standard Chartered Bank (Hong Kong) Limited.

China - Mainland: This document is being distributed in China by, and is attributable to, Standard Chartered Bank (China) Limited which is mainly regulated by China Banking Regulatory Commission (CBRC), State Administration of Foreign Exchange (SAFE), and People’s Bank of China (PBOC).

Ghana: Standard Chartered Bank Ghana Limited accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental or consequential loss or damage) from your use of these documents. Past performance is not indicative of future results and no representation or warranty is made regarding future performance. You should seek advice from a financial adviser on the suitability of an investment for you, taking into account these factors before making a commitment to invest in an investment. To unsubscribe from receiving further updates, please click [here](#). Please do not reply to this email. Call our Priority Banking on 0302610750 for any questions or service queries. You are advised not to send any confidential and/or important information to the Bank via e-mail, as the Bank makes no representations or warranties as to the security or accuracy of any information transmitted via e-mail. The Bank shall not be responsible for any loss or damage suffered by you arising from your decision to use e-mail to communicate with the Bank.

India: Standard Chartered Bank is registered with Securities and Exchange Board of India as an Investment Advisor (Registration Number: INA000002249) under the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013. You can avail of investment advisory services of Standard Chartered Bank only upon (i) executing separate documents with the Investment Advisory Group of Standard Chartered Bank for availing 'Investment Advice' (as defined in the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013); and (ii) paying specific fees (if applied by Standard Chartered Bank) for such 'Investment Advice'. Standard Chartered Bank acts as a distributor of mutual funds and referrer of other third party financial products, for which Standard Chartered Bank receives commission / referral fees from the product provider.

Jersey: In Jersey, Standard Chartered Private Bank is the Registered Business Name of the Jersey Branch of Standard Chartered Bank. The Jersey Branch of Standard Chartered Bank is regulated by the Jersey Financial Services Commission. Copies of the latest audited accounts of Standard Chartered Bank are available from its principal place of business in Jersey: PO Box 80, 15 Castle Street, St Helier, Jersey JE4 8PT. Standard Chartered Bank is incorporated in England with limited liability by Royal Charter in 1853 Reference Number ZC 18. The Principal Office of the Company is situated in England at 1 Basinghall Avenue, London, EC2V 5DD. Standard Chartered Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority. The Jersey Branch of Standard Chartered Bank is also an authorised financial services provider under license number 44946 issued by the Financial Services Board of the Republic of South Africa. Jersey is not part of the United Kingdom and all business transacted with Standard Chartered Bank, Jersey Branch and other Standard Chartered Group Offices outside of the United Kingdom, are not subject to some or any of the investor protection and compensation schemes available under United Kingdom law.

Kenya: Investment Products and Services are distributed by Standard Chartered Investment Services Limited, a wholly owned subsidiary of Standard Chartered Bank Kenya Limited (Standard Chartered Bank/the Bank) that is licensed by the Capital Markets Authority as a Fund Manager. Standard Chartered Bank Kenya Limited is regulated by the Central Bank of Kenya.

Malaysia: This document is being distributed in Malaysia by Standard Chartered Bank Malaysia Berhad. Recipients in Malaysia should contact Standard Chartered Bank Malaysia Berhad in relation to any matters arising from, or in connection with, this document.

Singapore SCBSL: This document is being distributed in Singapore by, and is attributable to, Standard Chartered Bank (Singapore) Limited ("SCBSL"). Recipients in Singapore should contact SCBSL in relation to any matters arising from, or in connection with, this document. SCBSL is an indirect wholly-owned subsidiary of Standard Chartered Bank and is licensed to conduct banking business in Singapore under the Singapore Banking Act, Chapter 19. IN RELATION TO ANY FIXED INCOME AND STRUCTURED SECURITIES REFERRED TO IN THIS DOCUMENT (IF ANY), THIS DOCUMENT TOGETHER WITH THE ISSUER DOCUMENTATION SHALL BE DEEMED AN INFORMATION MEMORANDUM (AS DEFINED IN SECTION 275 OF THE SECURITIES AND FUTURES ACT, CHAPTER 289 ("SFA"). IT IS INTENDED FOR DISTRIBUTION TO ACCREDITED INVESTORS, AS DEFINED IN SECTION 4A OF THE SFA, OR ON TERMS THAT THE SECURITIES MAY ONLY BE ACQUIRED AT A CONSIDERATION OF NOT LESS THAN S\$200,000 (OR ITS EQUIVALENT IN A FOREIGN CURRENCY) FOR EACH TRANSACTION. Further, in relation to fixed income and structured securities mentioned (if any), neither this document nor the Issuer Documentation have been, and will not be, registered as a prospectus with the Monetary Authority of Singapore under the SFA. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the product may not be circulated or distributed, nor may the product be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons other than a relevant person pursuant to section 275(1) of the SFA, or any person pursuant to section 275(1A) of the SFA, and in accordance with the conditions, specified in section 275 of the SFA, or pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Singapore dollar deposits of non-bank depositors are insured by the Singapore Deposit Insurance Corporation, for up to S\$50,000 in aggregate per depositor per Scheme member by law. Foreign currency deposits, dual currency investments, structured deposits and other investment products are not insured.

Singapore SCB, Singapore Branch: This document is being distributed in Singapore by SCB, Singapore branch only to accredited investors, expert investors or institutional investors, as defined in the Securities and Futures Act, Chapter 289 of Singapore. Recipients in Singapore should contact SCB, Singapore branch in relation to any matters arising from, or in connection with, this document. In Singapore, Standard Chartered Private Bank is the Private Banking division of SCB,

Singapore branch. SCB, Singapore branch (Registration No. S16FC0027L) (GST Registration No.: MR-8500053-0) is licensed to conduct banking business under the Banking Act, Chapter 19 of Singapore. IN RELATION TO ANY FIXED INCOME AND STRUCTURED SECURITIES REFERRED TO IN THIS DOCUMENT (IF ANY), THIS DOCUMENT TOGETHER WITH THE ISSUER DOCUMENTATION SHALL BE DEEMED AN INFORMATION MEMORANDUM (AS DEFINED IN SECTION 275 OF THE SFA). IT IS INTENDED FOR DISTRIBUTION TO ACCREDITED INVESTORS, AS DEFINED IN SECTION 4A OF THE SFA. Further, in relation to fixed income and structured securities mentioned (if any), neither this document nor the Issuer Documentation have been, and will not be, registered as a prospectus with the Monetary Authority of Singapore under the SFA. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the product may not be circulated or distributed, nor may the product be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons other than a relevant person pursuant to section 275(1) of the SFA, and in accordance with the conditions, specified in section 275 of the SFA, or pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Singapore dollar deposits of non-bank depositors are insured by the Singapore Deposit Insurance Corporation, for up to S\$50,000 in aggregate per depositor per Scheme member by law. Foreign currency deposits, dual currency investments, structured deposits and other investment products are not insured. In relation to any collective investment schemes referred to in this document (if any), this document is for general information purposes only and is not an offering document or prospectus (as defined in the SFA). This document is not, nor is it intended to be (i) an offer or solicitation of an offer to buy or sell any financial product; or (ii) an advertisement of an offer or intended offer of any financial product.

Thailand: Please study the Scheme Information Documents carefully e.g. investment policy, risks, fund performance before investing.

UAE: DIFC - Standard Chartered Bank, Dubai International Financial Centre (SCB DIFC) having its offices at Dubai International Financial Centre, Building 1, Gate Precinct, P.O. Box 999, Dubai, UAE is a branch of Standard Chartered Bank and is regulated by the Dubai Financial Services Authority ("DFSA"). This document is intended for use only by Professional Clients and is not directed at Retail Clients as defined by the DFSA Rulebook. In the DIFC we are authorized to provide financial services only to clients who qualify as Professional Clients and Market Counterparties and not to Retail Clients. As a Professional Client you will not be given the higher retail client protection and compensation rights and if you use your right to be classified as a Retail Client we will be unable to provide financial services and products to you as we do not hold the required license to undertake such activities. For Islamic transactions, we are acting under the supervision of our Shariah Supervisory Committee. Relevant information on our Shariah Supervisory Committee is currently available on the Standard Chartered Bank website in the Islamic banking section [here](#).

UAE: For residents of the UAE – Standard Chartered Bank UAE does not provide financial analysis or consultation services in or into the UAE within the meaning of UAE Securities and Commodities Authority Decision No. 48/r of 2008 concerning financial consultation and financial analysis.

Uganda: Our Investment products and services are distributed by Standard Chartered Bank Uganda Limited, which is licensed by the Capital Markets Authority as an investment adviser.

United Kingdom: Standard Chartered Bank (trading as Standard Chartered Private Bank) is an authorised financial services provider (licence number 45747) in terms of the South African Financial Advisory and Intermediary Services Act, 2002.

Zambia: This document is distributed by Standard Chartered Bank Zambia Plc, a company incorporated in Zambia and registered as a commercial bank and licensed by the Bank of Zambia under the Banking and Financial Services Act Chapter 387 of the Laws of Zambia.

Market Abuse Regulation (MAR) Disclaimer

Standard Chartered Bank is incorporated in England with limited liability by Royal Charter 1853 Reference Number ZC18. The Principal Office of the Company is situated in England at 1 Basinghall Avenue, London, EC2V 5DD. Standard Chartered Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority. Banking activities may be carried out internationally by different Standard Chartered Bank branches, subsidiaries and affiliates (collectively "SCB") according to local regulatory requirements. Opinions may contain outright "buy",

“sell”, “hold” or other opinions. The time horizon of this opinion is dependent on prevailing market conditions and there is no planned frequency for updates to the opinion.

This opinion is not independent of SCB’s own trading strategies or positions. SCB and/or its affiliates or its respective officers, directors, employee benefit programmes or employees, including persons involved in the preparation or issuance of this document may at any time, to the extent permitted by applicable law and/or regulation, be long or short any securities or financial instruments referred to in this document or have material interest in any such securities or related investments. Therefore, it is possible, and you should assume, that SCB has a material interest in one or more of the financial instruments mentioned herein. If specific companies are mentioned in this communication, please note that SCB may at times do business or seek to do business with the companies covered in this communication; hold a position in, or have economic exposure to, such companies; and/or invest in the financial products issued by these companies. Further, SCB may be involved in activities such as dealing in, holding, acting as market makers or liquidity providers, or performing financial or advisory services including but not limited to, lead manager or co-lead manager in relation to any of the products referred to in this communication. SCB may have received compensation for these services and activities. Accordingly, SCB may have a conflict of interest that could affect the objectivity of this communication.

SCB has in place policies and procedures, logical access controls and physical information walls to help ensure confidential information, including material non-public or inside information is not disclosed unless in line with its policies and procedures and the rules of its regulators.

Please refer to <https://www.sc.com/en/banking-services/market-disclaimer.html> for more detailed disclosures, including past opinions in the last 12 months and conflict of interests, as well as disclaimers. This document must not be forwarded or otherwise made available to any other person without the express written consent of SCB.

THIS IS NOT A RESEARCH REPORT AND HAS NOT BEEN PRODUCED BY A RESEARCH UNIT.