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Wealth Management Chief Investment Office
25 March 2022

Global Market Outlook

More conviction

→ A comparison of recent equity market volatility with past pullbacks, geopolitical events and start of Fed rate hiking cycles gives us confidence in our positive view on equities within foundation allocations. We would continue to use the opportunity to buy the dip across risky assets. Rising oil prices are a risk, but gold should provide a good hedge.

→ Within equities, we continue to prefer Asia ex-Japan equities, with the recent extreme volatility in China/Hong Kong equities possibly marking an extreme in negative sentiment. US and Euro area equities should still do well, in line with global equities.

→ The rapid rise in US bond yields means we are more comfortable incrementally adding rate-sensitive bonds where the reward warrants the risk. We see EM USD government bonds as a good example of this, alongside US/European HY and Asia USD bonds.

Important disclosures can be found in the Disclosures Appendix.

Global Market Outlook

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Is it time to take advantage of higher yields through a multi-asset income allocation?

Chinese equities appear undervalued. Is it time to add exposure?

Is the world facing stagflation risks?

Contents

Investment strategy and key themes

Steve Brice
Chief Investment Officer

Manpreet Gill
Head, FICC Investment Strategy

Our foundation allocation preferences over a 12m horizon

- Prefer Global Equities and Gold
- *In equities:* Asia ex-Japan
- *In bonds:* DM HY, Asia USD, EM USD govt
- *In FX:* Bearish USD; Bullish EUR, GBP, AUD, NZD, CAD, CNY

Longer-term (3-5-year) themes

- The Winds of Climate Change
- Embracing a Digital Future
- China's 'Common Prosperity'

Sector preferences over a 12-month horizon

- *US:* Energy, Financials, Healthcare
- *Europe:* Financials, Energy, Industrials, Healthcare
- *China:* Energy, Industrials, Financials

More conviction

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- Within equities, we continue to prefer Asia ex-Japan equities, with the recent extreme volatility in China/Hong Kong equities possibly marking an extreme in negative sentiment. US and Euro area equities should still do well, in line with global equities.
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Putting the pullback in perspective

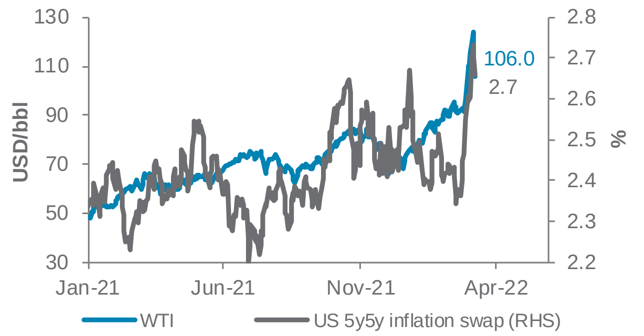
Since the start of 2022, we have used a few historical experiences to place the YTD pullback in risky assets in perspective. Of these, we used one lens to see how key asset classes have behaved in the months before and after the first rate increase in a Fed hiking cycle. We used a second lens to compare the current pullback in equities with past drawdowns within bull markets (S&P500 faced six 10%+ pullbacks during the 2009-2020 bull market). A third was to look back at how equities performed after prior geopolitical events.

Placing this year's equity market volatility in different historical contexts helps provide some perspective. On the first, equity volatility started to rise c.2.5 months before the first rate hike of this cycle. This is arguably consistent with history, which shows that while equities can be briefly volatile in the 1-3 months before and after the first Fed rate hike, they subsequently reverted to their long-term trend. On the second, the peak-to-trough pullback in the S&P500 has thus far been about 12%, well within the range of historical pullbacks in the middle of bull markets. On the third, so far, equities appear to be on track to repeat the historical experience that geopolitical events only have a temporary impact on equity markets.

The constructive view is also supported by our recession indicators that are currently not showing any signs of concern. There is some concern about the narrowing gap between 10-year and 2-year bond yields (the 'yield curve'), which dovetails into a broader concern that continued, aggressive Fed tightening could worsen the growth outlook significantly at some point. However, we would not be excessively concerned at this time: (i) Fed rates are only just lifting off zero and are unlikely to reach restrictive levels till 2023 or 2024, (ii) the 10y-2y

Fig. 1 Rising oil prices have pushed market inflation expectations sharply higher in recent weeks

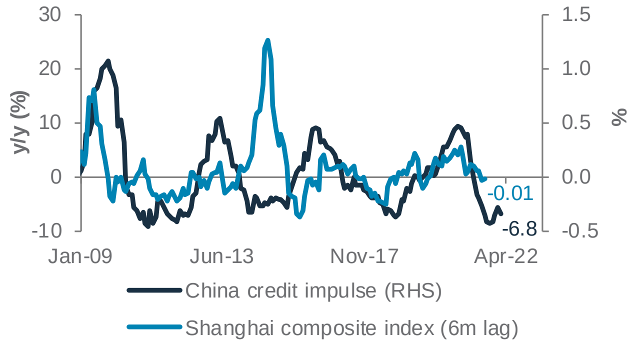
WTI oil (USD/bbl) and US long-term inflation expectations*



Source: Bloomberg, Standard Chartered; *based on inflation swaps

Fig. 2 A rising credit impulse is usually supportive for Chinese equities, but often with a lag

Shanghai Composite vs China credit impulse (%y/y)



Source: Bloomberg, Standard Chartered

yield curve only sends a recession signal once it turns negative, not when it is low, and (iii) the 10y-3m yield curve is arguably a stronger recession signal, and this remains far from turning negative. The historical context and the recession indicators support our preference for equities within a diversified investment allocation. While staying constructive on risk assets, we would hedge against unexpected risks through a high allocation to gold.

Fig. 3 The vast majority of US recession indicators are currently not sending any warning signals

A summary of key indicators of a US recession

Recession indicator		Trigger	Current
Yield curve	10y-2y (bps)	< 0	21.1
	10y-3m (bps)	< 0	183.7
Lead econ indicator	Conf Board Leading Indicator (%y/y)	< 0	7.6
Fed fund rate	Fed rate/Fed neutral rate^ (Ratio)	> 1	0.2
Labour data	Jobless claims, 4-WMA ('000)	> 0	-71.0
	Unemployment rate (%)	> 0	-38.7
Consumer spending	Univ of Mich Confidence (Index)	< 75	59.7
	Conf Board Confidence (Index)	< 0	16.1
	Real retail sales (%y/y)	< 0	0.5
Business sentiment	ISM Manufacturing (Index)	< 50	58.6
	ISM New Orders/Inventories (Ratio)	< 1	1.2
Corp. Credit Spreads	Baa credit spreads (bps)	> 194.5*	150.0

Source: Bloomberg, Standard Chartered *Average value at start of last 5 recessions; ^est. at 2.5%; As of 25 Mar

What about China?

While much of this analysis applies to US and Euro area equities, we continue to believe Asia ex-Japan equities have room to outperform. The four reasons we highlighted last month – supportive China policies, the pricing in of a much more pessimistic outlook, Asia's gradual emergence from COVID-19 restrictions and several markets' correlation to a global recovery – remain valid, in our view. Chinese equities have clearly faced two new shocks in the form of COVID-19 restrictions across several major cities and the threat of US de-listing of several Chinese companies from US exchanges.

As a result, we now expect Chinese equities to perform in line with our bullish Asia ex-Japan view, instead of outperforming the region. If anything, recent events may have pushed Asian markets to peak pessimism, as illustrated by the Hang Seng index at one point being the most oversold since 1987.

Looking for opportunities as bond yields rise

The rise in US bond yields is creating several opportunities, in our view. The 10-year US government bond yield is already within our expected 2.00%-2.25% range. While there are clearly upside risks to this view, the yield move from under 1% just over a year ago means we would be comfortable extending average maturity profiles moderately, where doing so is rewarded by higher yields and inexpensive valuations.

EM USD government bonds offer one such opportunity today, in our view, despite their relatively high sensitivity to rising bond yields. Valuations in this asset class have cheapened sharply over the last few weeks, led by the Emerging Europe region as a result of the Ukraine conflict.

We also maintain our preference for US/European HY bonds and Asia USD corporate bonds. Within the latter, our preference for Asian HY bonds remains in place, although a policy shift towards improving liquidity access for China's property developers is likely needed to unlock performance.

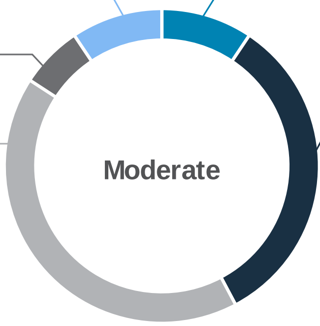
Commodity currencies and oil

Oil prices are one risk to our constructive outlook for risky assets. We see a rising risk that oil prices remain elevated and even rise further, given OPEC and US shale oil producers' failure so far to respond to high prices with accelerated output. There is also the risk that a significant amount of Russian oil supply becomes less easily accessible. Europe is likely most vulnerable to this risk. Having said that, the world's energy intensity (energy per unit of GDP) has almost halved since the 1970s, making global economic growth much more resilient to high oil prices.

Commodity currencies could offer one route to add some protection against the risk of a further rise in oil and other commodity prices. We continue to like the AUD, NZD and CAD. The EUR, GBP, CNY and SGD should also gain from our view of weaker USD over a 12-month horizon.

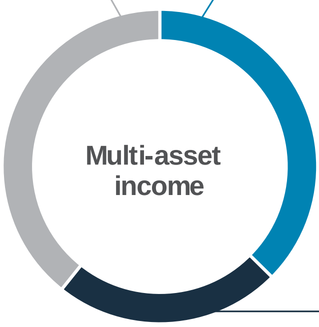
Tactical asset allocations

Global* allocation for a moderate risk profile



Alternatives	**9%**
Alternatives	9%
Gold	**6%**
Gold	6%
Equity	**42%**
North America Equities	20%
Europe ex-UK Equities	4%
UK Equities	2%
Japan Equities	2%
Asia ex-Japan Equities	10%
Non-Asia EM Equities	4%
Cash	**9%**
USD cash	9%
Bond	**33%**
DM IG Government Bonds	3%
DM IG Corporate Bonds	4%
DM HY Corporate Bonds	9%
EM USD Government Bonds	5%
EM Local Ccy Government Bonds	4%
Asia USD Bonds	7%

Multi-asset income allocation for a moderate risk profile



Bonds	**39%**
DM IG Govt	2%
DM IG Corp	2%
DM HY Corp	13%
EM HC Govt	8%
EM LC Govt	4%
Asia USD Corp	7%
Asia HY Corp	3%
Equity	**37%**
Global high-dividend yield	30%
Europe high-dividend yield	8%
Non-core	**23%**
Covered calls	11%
Sub financials	9%
Others	3%

	View	Detail
USD cash	◆	+ Safety, ability to invest opportunistically || - Close to no yield
Bonds		
DM Govt	▼	+ High credit quality, rising yields || - Outperformance difficult due to low yield level
DM IG Corporate	▼	+ High credit quality || - Very sensitive to rising US bond yields, expensive
DM HY Corporate	▲	+ Attractive yield, low rate sensitivity || - Falling credit quality
EM USD Govt	▲	+ Attractive yield, attractive value || - Sensitive to rising yields
EM Local Ccy Govt	◆	+ Moderate yield, USD weakness over 6-12 months || - Rising policy rates in some EMs
Asia USD	▲	+ Moderate yield, low volatility || - Default contagion risks
Equities		
North America	◆	+ Above-trend growth, earnings rebound || - Faster Fed tightening, rising cost pressures
Europe ex-UK	◆	+ Above-trend growth, policy support || - Ukraine crisis impact, rising cost pressures
UK	◆	+ Attractive valuation || - Policy tightening risk, Brexit-related uncertainty
Japan	▼	+ Global economic recovery, policy support || - China slowdown, structural deflation
Asia ex-Japan	▲	+ Earnings rebound, China policy support || - COVID-19 risk, regulatory tightening
Gold	▲	+ Weak USD, equity volatility hedge || - Return of risk appetite, short-lived inflation
Alternatives	◆	+ Diversifier characteristics || - Equity, corporate bond volatility

Source: Standard Chartered Global Investment Committee; *See page 18 for our Asia-focused allocations

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

Multi-asset income at a glance

Trang Nguyen
Portfolio Strategist

Key themes

Yields on offer across our income universe improved significantly on the back of a rising US 10-year government bond yield over the past three months. Since we published our *2022 Outlook*, our multi-asset income allocation experienced a -3.3% total return due to a spike in equity and bond markets volatility, although this means the allocation now yields 5.4%. As growth is expected to slow for the rest of the year, income is likely to become the main driver for the allocation's total return in the next 6-12 months.

Within the income basket, we believe high yielding credit assets, such as Developed Markets (DM) High Yield (HY), Emerging Markets (EM) and Asia USD bonds, and global high dividend equities (especially in Europe) should be core holdings of any multi-asset income foundation allocation. Specifically, within our income allocation, we prefer a more balanced tilt between credit and high dividend equities. We maintain our conviction in European high dividend equities and Asia HY USD bonds.

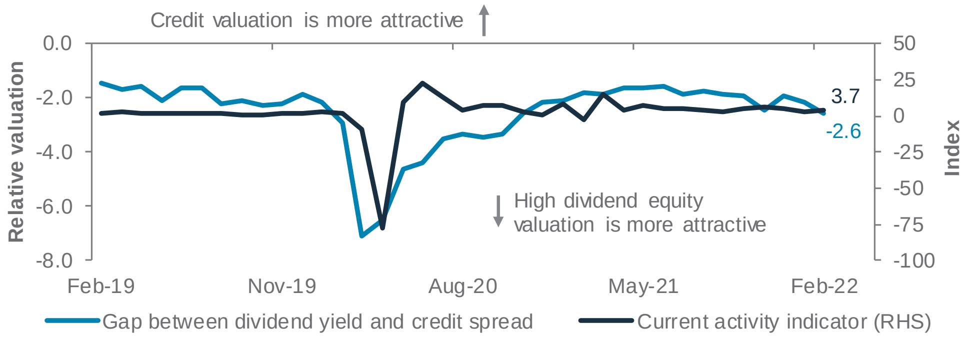
Diversifying credit exposure towards sub-financials and floating rate notes (FRNs) should not only help improve overall income potential, but also mitigate the risks of rising rates and inflation staying higher for longer than expected. Supplementing dividend equity exposure with covered calls and REITs can help boost capital appreciation potential should market sentiment stabilise.

Key chart

High dividend equities and credit remain key components of a multi-asset income foundation allocation

Fig. 4 We prefer a more balanced tilt between credit and high dividend equity as growth is expected to slow

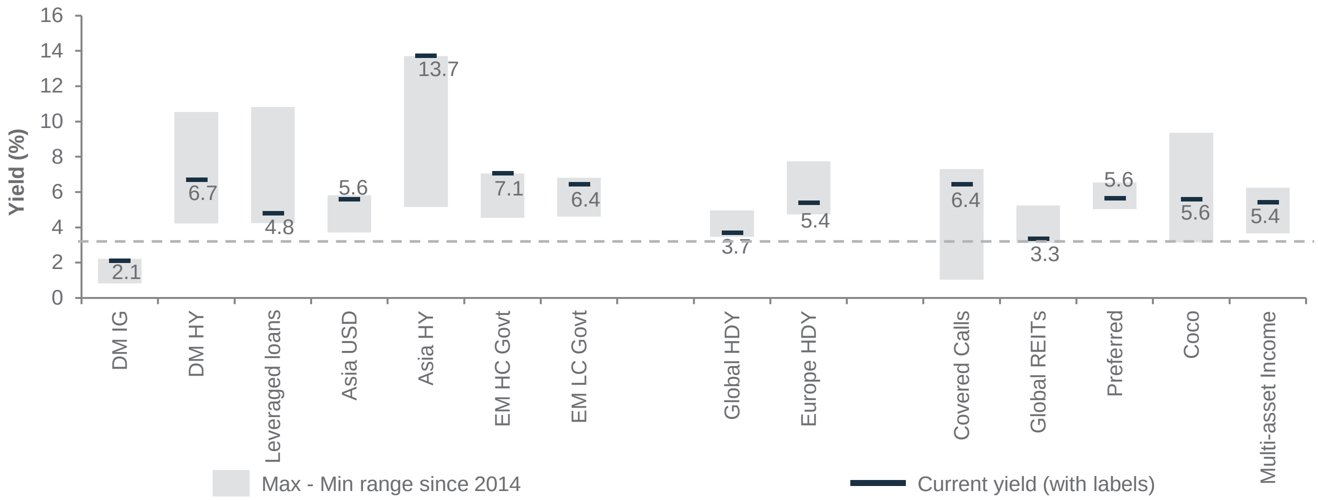
Current activity indicator vs relative valuation between credit and equity



Source: Bloomberg, Standard Chartered. Data as of 28 February 2022

Fig. 5 Pocketful of opportunities as yields on offer across the income universe significantly rose YTD

Yield to worst/dividend yield (%) as of 24 March 2022



Source: Bloomberg, Standard Chartered. Refer to Explanatory notes related to Contingent Convertibles at the end of this document.

Geopolitical risk from Russia/Ukraine, the risk of higher-for-longer inflation due to the continued rise in commodity prices and higher interest rates are likely to remain key forces at work driving asset prices over the next 12 months. Nevertheless, rising bond yields and elevated market volatility have created pockets of attractive income opportunities. To help income-focused investors with their asset allocation process, here we outline some key considerations in positioning a multi-asset income allocation over the next 12 months.

High dividend equity and high yielding credit to set foundation for an income allocation

Over the past three months, yields on offer across our income universe rose significantly on the back of a rising US 10-year government bond yield (figure 5). Income investors are increasingly spoilt for choice when targeting a yield of 3.5%-5.0%. That said, to sustain this yield target while minimising potential pullbacks in price returns, the foundation of a multi-asset income portfolio should be built on assets that not only offer attractive valuations and income potential, but also solid fundamentals.

1) Global high dividend equities, including in Europe – fundamentally, we are constructive on these assets for three reasons: (i) valuations are highly attractive – yields are comparable with many fixed income counterparts; (ii) the pay-out ratio remains low versus history, suggesting less pressure for dividend cuts should we see earnings affected by slower growth; and (iii) high dividend equities should benefit from continued outperformance of Value equities vs Growth peers as interest rates rise.
2) Traditional high yielding credit, including DM HY, EM USD and Asia USD bonds (including Asia HY) – with spreads across these assets having widened significantly, we believe most of the bad news has been priced in. Expectations of a further rise in commodity prices should be supportive for these assets as well.
3) Tactically, we prefer a more balanced tilt between equity and credit. This is supported by (i) increased attractiveness in credit valuations given recent spread widening; (ii) our expectation that economic growth will remain supported, but slow further in H2 2022. Figure 4 shows a positive relationship between the direction of global economic activity and the relative valuation between equity and credit (proxied by a gap between equity dividend yield and DM HY credit spreads).

Diversify credit exposure to maximise income potential while minimising interest rate risks

As the Fed has embarked on a rate hiking cycle, interest rate risk (proxied by 'duration', or the change in price of the bond to a change in yield,) has become an important consideration for income investors in positioning their income portfolio.

Figure 6 shows the simulated returns of various fixed income components in the event of a shift in US 10-year government bond yields by +/- 50bps, 100bps and 150bps. A couple of observations emerge from this study:

1) Investors can substitute some quality government bonds with treasury inflation protected bonds (TIPS) to reduce overall portfolio duration and increase protection against any persistent rise in inflation.
2) We prefer diversified EM debt exposure that incorporates Asia HY bonds to help reduce interest rate sensitivity and boost the overall yield potential.
3) There is still a case for FRNs that can offer a decent level of yield with much lower interest rate risk. Like what we have seen YTD, FRNs have been historically resilient in a rising rate environment. Fundamentally, the default rate in this asset class is expected to remain below historical averages, while the recovery rate is aligned with long-term averages.
4) We also like subordinated financials, such as Contingent Convertibles (CoCos) and preferred securities (yielding 5.6% and 5.6%, respectively), for income and capital appreciation potential. We believe spread-widening YTD has been overdone, suggesting potential positive capital appreciation in the next 12 months. Their large exposure to financials means we expect low defaults and outperformance during a rising interest rate environment.

Fig. 6 **Total return of fixed income assets assuming different shifts in bond yields**

Yield to worst (YTW) and duration of fixed income assets on 24 Mar 2022; returns based on various degrees of yield* change

		Asia HY	EM USD Govt	DM HY	EM LCY Govt	Coco	Asia USD	FRNs	DM IG Corp	DM IG Govt	TIPS
YTW		13.7%	7.1%	6.7%	6.4%	5.6%	5.6%	4.8%	3.6%	2.1%	1.9%
Duration		3.0	7.3	4.4	5.0	3.7	4.8	0.3	8.2	7.4	2.6
Change in yield*	-1.5%	18.2%	18.1%	13.3%	14.0%	11.1%	12.8%	5.2%	16.0%	13.2%	5.7%
	-1.0%	16.7%	14.4%	11.1%	11.5%	9.3%	10.4%	5.0%	11.8%	9.5%	4.4%
	-0.5%	15.2%	10.7%	8.9%	9.0%	7.4%	8.0%	4.9%	7.7%	5.8%	3.2%
	0.0%	13.7%	7.1%	6.7%	6.4%	5.6%	5.6%	4.8%	3.6%	2.1%	1.9%
	0.5%	12.2%	3.4%	4.5%	3.9%	3.7%	3.2%	4.7%	-0.5%	-1.6%	0.6%
	1.0%	10.7%	-0.3%	2.3%	1.4%	1.9%	0.8%	4.5%	-4.6%	-5.3%	-0.7%
	1.5%	9.3%	-4.0%	0.1%	-1.1%	0.0%	-1.6%	4.4%	-8.8%	-9.0%	-1.9%

Source: Bloomberg, Standard Chartered. Simulated returns are calculated assuming a parallel shift across the whole yield curve. Refer to Explanatory notes related to Contingent Convertibles at the end of this document. *US 10-year government bond yield

Perspectives on key client questions

Audrey Goh, CFA
Senior Cross Asset Strategist

Hannah Chew
Portfolio Strategist

China equities – The big picture

Chinese equities witnessed one of the sharpest sell-offs in recent years, with the Hang Seng China Enterprise index and CSI Overseas China Internet index down 25%-40%, peak to trough, in the past month. While Chinese onshore equities fared relatively better, they too were down 12%-15% peak to trough, reigniting questions about 'how investable' Chinese assets are.

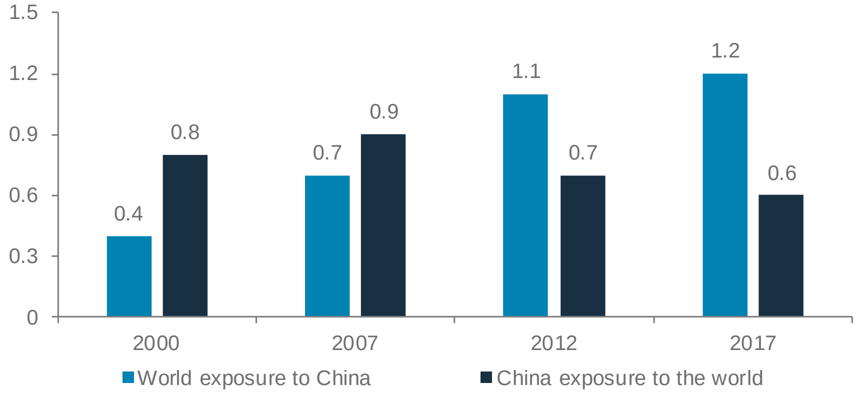
In our view, many of the short-term economic headwinds are now well known: slowing growth, property sector deleveraging, an unprecedented regulatory clampdown, zero-COVID policies, fears of US sanctions and worries of US-listed stock de-listings. While we have taken a little risk off the table by reducing China to a core holding within Asia ex-Japan equities (See pages 15-16), we continue to expect positive absolute returns and outperformance relative to global equities.

While the macro backdrop may remain challenging for now, we believe it would be remiss of investors to take fright and avoid Chinese equities altogether.

- **Fears of wide-ranging US sanctions on China are likely overblown**. China is the second largest economy in the world. In an analysis of 186 countries, a McKinsey study noted China is the largest export destination for 33 countries and the largest source of imports for 65. The country's imports accounted for c.12% of the world's in 2021. It would be practically difficult to implement broad-based financial or trade sanctions on China without a considerably negative impact on many other major economies, including the US.
- **US-listed Chinese equities (ADRs, or American Depositary Receipts) represent just 3.5% of the aggregated value of Chinese equities.** The bulk of Chinese equity market capitalisation resides domestically in the A-shares market where foreign ownership remains small, at a mere 4.5%. While there may be concerns about a disproportionate impact on specific industries, we continue to believe many sectors can benefit from policy tailwinds, including those that align with China's Common Prosperity goals, such as clean energy and high-tech manufacturing. Indeed, these remain long-term themes for us.

Fig. 7 **China is increasingly integrated with the global economy**

indices* showing the world's exposure to China (trade, technology and capital)

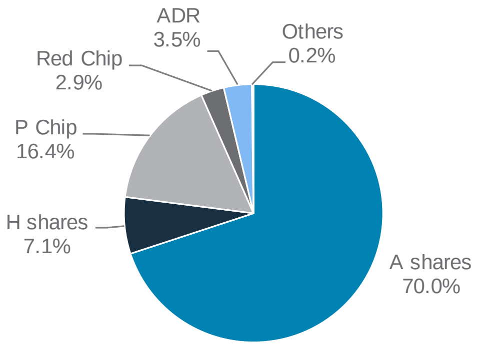


Source: McKinsey Global Institute Analysis, Standard Chartered

* Weighted average exposure of seven largest economies (US, China, Japan, Germany, France, India and the UK) = 1.0

Fig. 8 **China ADRs represent just 3.5% of the total market cap of China equity markets**

Breakdown by listing type for Chinese equities

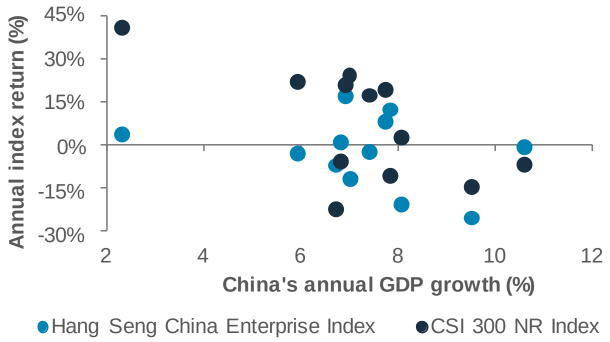


Source: MSCI, FactSet, Standard Chartered

- **The link between Chinese economic growth and asset prices is weak.** While economic growth is expected to moderate towards 5%, this would still outpace the 3.9% growth in Developed Markets, with consumption likely to contribute to more than 60% of China's growth. Market factors, including the speed of liberalisation, market reforms, progress in achieving China's new Common Prosperity agenda and relationship with the rest of the world, will probably be more important in determining the direction of China's financial markets than just headline growth.

Fig. 9 **Relationship between economic growth and equity returns is uncertain and variable**

China GDP growth (%) vs HSCEI index and CSI 300 index returns from 2010 to 2021



Source: Bloomberg, World Bank, Standard Chartered

- **Market accessibility is likely to continue to improve** as China undertakes reforms and further financial market opening. The numerous Stock Connects and the creation of Beijing stock exchange in late 2021 are likely to improve accessibility for foreign investors. For the past five years, China has reduced its negative list of sectors for foreign participation. In financial markets, foreign investors are significantly underrepresented. While China accounted for more than 17% of the global economy in 2020, China's stocks only made up c.4% of global indices, while Chinese bonds made up c.7% of global bond indices. These weights are expected to grow as China continues to liberalise foreign investor access to domestic markets.
- A survey by Blackrock suggests the explicit allocation to China is just 0.3% to equities and 0.5% to bonds. Overall, foreign ownership is low even as index inclusions have picked up, and a key to how quickly allocations rise will depend on how transparent policies become for offshore creditors. Nonetheless, over the long term, investors should look to increase allocation to China as it continues to liberalise market access.
- **China equities' long-term valuations appear cheap** and at a significant discount to DM markets. Given the prevalence of retail investors, China assets markets tend to be very momentum-driven, with large overshoots on both the upside and downside, as we have seen once again recently. We believe this creates opportunities for skilled investors. While policy rhetoric has started to turn more constructive, improvements in credit tend to impact the economy and financial assets with a lag.

Fig. 10 **MSCI China valuation is cheap**

MSCI China relative P/E to MSCI All Country World Index

Source: Bloomberg, Standard Chartered

While it remains debatable whether China outperforms other Asian equity markets over the next 12 months, we retain our conviction that it is likely to outperform global equities on the back of inexpensive valuations, a policy-easing pivot and low investor positioning.

Besides near-term factors, we believe it is important for investors to take a long-term view on Chinese assets. Higher relative growth, improving market access, underrepresentation of foreign investors and a rapidly growing consumption economy will present an attractive long-term opportunity set for investors, in our assessment.

Thematic

Hannah Chew
Portfolio Strategist

Here we provide a brief overview of our currently open thematic ideas, coupled with some recent highlights. For further details, please read our Thematic Investing Q2 2022 Update.

Key themes	
Embracing a digital future	The tech landscape continues to be impacted by a rising interest rate environment. Our innovation basket has sold off alongside the Global Tech sector, although recently they have been steadily recovering their losses. We have closed two of our sub-themes, FinTech and Blockchain. We continue to prefer the Cybersecurity theme amid strong earnings upgrades, which in turn supports its rich valuations (12-month forward P/E of 34.9x). Internet of Things (IoT) valuations are also trading at a premium to global equities (28.7x vs 16.6x, respectively) and earning revisions are more muted. Cyberattacks continue and the 2017 NotPetya cyberattack demonstrates the spillover risk to entities beyond the intended target. Reports suggest Russia had initially targeted the Ukrainian government and financial entities, but it ultimately affected computer systems across the globe, with damages amounting to billions of dollars. Fast forward to 2022, and the Ukraine invasion is threatening the security of businesses and governments, and e-crime has also increased as online digital actors have sought to take advantage of the on-the-ground military conflict. Government agencies are encouraging organisations to strengthen their cybersecurity measures and we believe this will continue to support structural trends in favour of cybersecurity as further innovation and digitalisation take place.
The winds of climate change	Performance of climate-related themes have recently picked up, even amid rising interest rates, with Green Capex outperforming global equities YTD by over 9%. We have also reopened the Clean Technology sub-theme as renewed urgency among governments to secure energy independence drives its long-term performance. Earnings revisions are mixed, with upward revisions for Water, and downward revisions for Clean Tech. Valuations remained largely flat since our last update (12-month forward P/Es of Clean Tech, Electric Vehicles, Water and Green infrastructure at 30.8x, 19.7x, 24.0x, and 19.1x, respectively). We believe climate-related themes have turned increasingly attractive. Europe currently imports over 40% of natural gas and a third of its oil from Russia. With threats of Russia cutting off supply, there is an impetus for Europe to relook at its energy independence. Earlier this month, the EU Commission announced that it intends to eliminate its dependence on Russian gas before 2030. The Commission introduced the REPowerEU plan, which aims to make EU-wide energy system more resilient based on two pillars: (i) Diversifying gas supplies and reducing the use of fossil fuels at a faster pace by boosting energy efficiency, (ii) increasing renewables and electrification, and addressing infrastructure bottlenecks. The push for energy independence is driving countries like Germany to increase installations of renewable energy plants to reduce fossil fuel within the energy mix. While temporary solutions, such as increased coal usage, might be tapped to mitigate the shortfall in energy outputs, we still see the Ukraine crisis as a trigger for energy transition to accelerate. This would benefit our climate theme over a multi-year horizon.
China's 'Common Prosperity'	The 'Common Prosperity' campaign seems to have been sidelined as China sets out an ambitious target of 5.5% GDP growth amid rising geopolitical tensions and rising COVID-19 cases, which are taking a toll on domestic consumption. Despite an apparent recalibration of priorities, we retain our conviction in the theme as we believe the political willpower to achieve 'Common Prosperity' will remain a key driver. However, regulatory pressures and elevated US-China tensions lead us to close the Chinese internet sub-theme. Valuations for high-tech manufacturing and renewables continue to retrace lower, turning increasingly comparable with the broader Chinese market (12-month forward P/E of 20.1x and 15.2x, respectively, vs 10.4x). According to a government work report submitted to the national legislature for deliberation, China will continue to pursue its green development agenda. We see potential for increased use of renewables to achieve China's dual goal of GDP growth and 'Net Zero' emissions. This lends greater support for the manufacturing of key inputs into clean technology and infrastructure grid to enhance green development.

Source: Bloomberg, Standard Chartered

Macro overview at a glance

Rajat Bhattacharya
Senior Investment Strategist

Han Zhong Liang
Investment Strategist

Key themes

Our Investment Committee has raised its Fed rate expectations further – we now expect the policy rate to end the year in the 1.75%-2.0% range, compared with 1.25% envisaged a month ago. The revision is based on two main factors that have changed over the past month: (i) a breakout in US long-term inflation expectations as the Russia-Ukraine conflict led to a further rise in oil and commodity prices; (ii) a tighter job market leading to further wage pressures, against the backdrop of more broad-based gains in consumer prices. Our Fed rate call is now broadly aligned with the Fed and market estimates.

We remain constructive on the global recovery and still expect the US and Europe to grow above their pre-pandemic trend amid accommodative monetary policies and strong job markets. Nevertheless, the Russia-Ukraine conflict has significantly increased uncertainty about the economic outlook, leading to cuts to growth estimates for the US and Europe. Our economic monitors are still indicating a low probability of a US recession in the next 6-12 months (see page 4) – the probability would rise if the US government bond yield curve inverts (ie, if the two-year yield rises above the 10-year yield). Meanwhile, we expect the ECB to end asset purchases and start rate hikes in Q3 to counter inflation pressures, still ending the year with a negative benchmark deposit rate. China is likely to continue easing fiscal and credit policies to stabilise growth around 5%.

Key chart

US and European economies are expected to still grow at above their long-term trend. China's growth and inflation estimates remain relatively stable despite the Russia-Ukraine conflict

Fig. 11 **Russia-Ukraine conflict has led to cuts to growth & upgrades to inflation estimates**
Consensus estimates for 2022 GDP growth and inflation in the US, Euro area and China

Source: Bloomberg, Standard Chartered; Day of invasion = Russia's invasion of Ukraine on 24 February

Monetary policy	Macro factors positive for risk assets	Macro factors negative for risk assets
US ▽ ◇ ▲	+ Above-trend growth; less exposed to Ukraine + Job gains, savings to lift demand for services + Business restocking, infrastructure boost + Still-high fiscal support, lagged Covid stimulus	– Fiscal cliff, low chance of another fiscal boost – Low job participation; precautionary savings – Ukraine crisis to prolong supply bottlenecks – Inflation, Fed policy error, mid-term polls
Euro area ▽ ◇ ▲	+ Above-trend growth; reopening economies + Excess savings; improving job market + Low ECB rates; more fiscal spending	– Ukraine crisis dampening growth outlook – Energy supply shortage; cost push inflation – ECB tapering; French election risks
China ▼ ◇ △	+ Strong exports; more infrastructure boost + Credit growth rebound; easier monetary policy + Growth priority; front-loaded fiscal easing	– Omicron spread leading to more lockdowns – Global economic slowdown to slow exports – Property sector weakness; geopolitical risks
Japan ▽ ◆ △	+ Strong exports, pent-up global auto demand + Demand recovery as Covid restrictions lifted + Relatively dovish BoJ; more govt stimulus	– Global economic slowdown to slow exports – Precautionary savings; still-weak consumption – Structural deflationary forces
UK ▽ ◇ ▲	+ Above-trend growth; less exposed to Ukraine + Energy fiscal package to support consumption + Higher public spending; likely delayed tax	– High food inflation to dampen consumption – Brexit-led disruption to job market, supplies – More BoE rate hikes to tame inflation

Source: Standard Chartered Global Investment Committee

Legend: ▲ Tighter policy | ▼ Easier policy | ◆ Neutral policy

Is the world facing stagflation risks?

Technically, stagflation is defined by slowing economic growth and rising inflation, accompanied by high or rising unemployment. It is a rare phenomenon last seen in the Developed Markets (especially the US) in the 1970s, when the Fed was forced to raise interest rates sharply to bring inflation back down to sustainable levels. Typically, equities and bonds both suffer negative returns during stagflationary periods.

Partial risk: The sharp fall in growth expectations and rise in inflation estimates in the US and Europe in the past month, primarily due to the Russia-Ukraine conflict, mean conditions in the two economies partially meet the definition of stagflation. The backdrop of US inflation at 40-year highs even before the Russia-Ukraine conflict flared up adds to the risk.

Missing factor: However, there is a key factor missing - job markets are strong, with the US jobless rate below the Fed's 4% neutral rate for unemployment and the Euro area's at its lowest since records began in 1998. Strong job markets are enabling central banks to turn their focus to taming inflation.

We believe stagflation risks can be contained as long as the job markets hold up and monetary policies remain accommodative over the coming months. Indeed, we (like the broader market) expect above-trend growth in both the US and the Euro area this year as plentiful jobs and rising wages support consumption. Households have amassed significant savings during the pandemic, which are likely to be deployed for services consumption as the economies reopen.

In Europe, the Russia-Ukraine conflict has accelerated plans to boost spending into defence and energy infrastructure, supporting growth. Meanwhile, the Fed's revised projections mean its policy rate will be c.2% by the end of the year; that is still accommodative, given its 2.4% estimate for the long-run 'neutral' rate. The Fed is likely to turn less hawkish if the job market weakens. For the Euro area, we expect the ECB's benchmark deposit rate to stay negative at the year-end even if it ends asset purchases and starts raising rates in Q3. The above outlook for consumption, fiscal spending in Europe and still-easy policy rates leave us constructive on the outlook for the world's two biggest economic blocs.

China's revival: China's economy is on a divergent path from the US and Europe – China's consumer inflation remains well below the central bank's 3% target, while growth is stabilising around 5%. Low consumer inflation is enabling policymakers to implement a range of targeted policy measures – from easing credit growth to embarking on infrastructure spending – to meet the ambitious 5.5% growth target for 2022. Recent statements from Vice Premier Liu He and several regulators, pledging coordinated actions to support financial markets and economic sentiment, point to further measures in the near term. A revival in economic activity in China, albeit much restrained compared with the past, is likely to act as a stabiliser for global growth in the coming months.

What to watch: When we published our 2022 Outlook in December, we flagged oil prices and long-term inflation expectations, besides further COVID-19 waves, as the key risks to our constructive view on growth. Unfortunately, the sudden flare up of the Russia-Ukraine conflict (a 'Black Swan' event) has meant two of the three key risks have come to pass, with oil prices surging almost 46% YTD. Given the close link between oil prices and long-term inflation expectations, US 10-year inflation expectations have broken above their pre-pandemic trend, forcing the Fed to turn more hawkish.

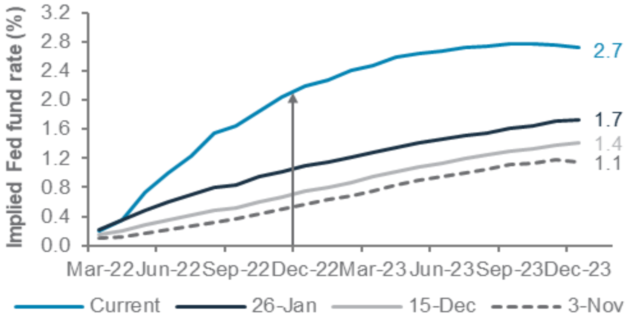
Given the turn of events, we will need to watch the following factors (apart from those discussed above) to ensure our constructive view continues to hold: (i) **Deterioration in any of the recession indicators (see page 4)** – most indicators are implying a low probability of a recession, but the 10-year-2-year yield curve is close to inverting. (ii) **Russian energy flows** – further Western sanctions against Russian energy exports or any Russian decision to cut off supplies is likely to further fuel energy prices and inflation expectations, forcing central banks to turn more hawkish, (iii) **Conflict broadening beyond Ukraine's borders** – for now, we see a low probability, given Russia would want to avoid direct NATO involvement, (iv) **Supply shortages from China's lockdowns** – China's lockdowns of Shanghai and major auto and tech hubs (Jilin and Shenzhen) could prolong global supply bottlenecks, keeping US and European inflation higher for longer.

Fig. 12 **Breakout in long-term inflation expectations**

WTI crude oil price and US 10-year inflation expectations*

Fig. 13 **The market revised Fed rate forecasts higher**

Market estimates of Fed rates after its last four meetings



Source: Bloomberg, Standard Chartered; *Based on inflation-protected Treasury securities

Bonds at a glance

Abhilash Narayan
Senior Investment Strategist

Cedric Lam
Senior Investment Strategist

Key themes

2022 has been one of the most challenging years for bond investors, as persistent inflationary concerns due to strong economic momentum and higher commodity prices have led to a sharp increase in future rate hike expectations and absolute bond yields. With bond markets signalling increased growth slowdown concerns, we continue to see 2.0%-2.25% as the likely range for 10-year US government bond yields over the next 6-12 months, but acknowledge the risks are skewed to the upside.

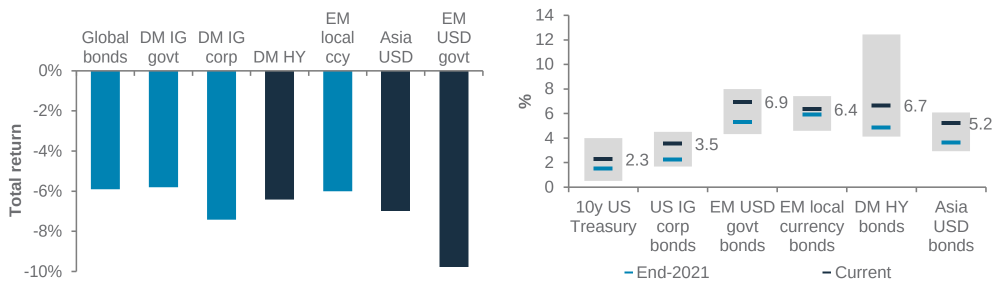
Corporate and Emerging Market (EM) bonds have also seen yield premiums increase, given weakening risk sentiment, especially after the start of the Russia-Ukraine conflict. However, the clear positive of the sell-off is that a lot more value has been created in the bond universe. We upgrade EM USD government bonds to a preferred holding as the recent increase in yield premiums, despite higher commodity prices, has led to attractive value on offer. In addition, we continue to like Developed Market (DM) High Yield (HY) bonds and Asian USD bonds, given their attractive yield and short maturity profile.

Key chart

Total returns of various bond sub-asset classes in 2022; the combination of a rise in US government bond yields and credit spreads has led to sharp increase in yields offered by DM HY, EM USD and Asian USD bonds. Grey boxes indicate yield range since 2010

Fig. 14 **The sharp YTD sell-off has created significant value in bonds**

YTD returns; current yields of various bond asset classes vs the start of 2022



As of 21 March 2022. Source: Bloomberg, Standard Chartered.

Preference order	The bullish case	The bearish case
DM HY corporate ▽ ◇ ▲	+ Rating upgrades outpacing downgrades + Default rates likely to remain low + Relatively low interest rate sensitivity	– Moderately expensive valuations – Unexpected slowdown in US growth
Asia USD ▽ ◇ ▲	+ Strong aggregate credit quality (BBB+) + Attractive valuations relative to the US + Signs of policy easing in China	– Likelihood of higher defaults in China – Lower yields vs other EM bonds
EM USD government ▽ ◇ ▲	+ Higher commodity prices + Cheaper valuations vs US IG/HY bonds + Improvement in EM FX reserves	– High sensitivity to rising yields – Low vaccination rate – Risk of outflows due to Fed rate hikes
EM local currency ▽ ◆ △	+ Attractive yield of nearly 6% + Expectation of EM growth rebound + Higher commodity prices	– Further monetary policy tightening – Risk of outflows due to Fed rate hikes – Near-term USD strength
DM IG corporate ▼ ◇ △	+ Strong credit fundamentals + Attractive hedged yield for foreign investors	– Expensive valuations – High sensitivity to rising yields – Low absolute and inflation-adjusted yield
DM IG government ▼ ◇ △	+ High credit quality + Role of portfolio hedge in a risk-off scenario	– Negative inflation-adjusted yield – Fed rate hikes in 2022 – Unfavourable demand-supply balance

Source: Standard Chartered Global Investment Committee

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

Should investors be invested in bonds, given the multiple Fed rate hikes on the horizon?

Conventional wisdom would indicate that higher interest rates usually result in a rise in bond yields and a decline in bond prices. Hence, purely on that basis, it may be tempting to consider drastically reducing one's allocation to bonds. However, while we clearly favour equities over bonds, we believe a reasonable allocation to bonds is warranted due to three key reasons:

1. From a financial market perspective, the actual number of hikes vs expectations is what matters more than the number of projected hikes. At present, bond markets have priced in over eight rate hikes in the next 12 months. Hence, unless the Fed hikes rates by more than what is currently priced in, the 10-year US government bond yield is unlikely to rise meaningfully from current levels.
2. 5-year US government bond yields are now higher than 10-year yields, signalling growth slowdown concerns. While the widely followed 10s2s curve has not inverted yet, it has declined sharply in recent months. Persistent inflation, along with the oil price spike, has clearly increased the risk of a stagflation. Historically, bonds have significantly outperformed equities in such an environment. Hence, from an asset allocation perspective, having reasonable exposure to bonds takes on even more importance.
3. Given that yield premiums for corporate bonds have increased sharply since the start of the year, we see much better value on offer for investors.

Why have you turned bullish on EM USD government bonds?

EM USD government bonds have been among the worst-performing areas of bond markets as they have been hurt by both a rise in US government bond yields given their interest rate sensitivity and the increase in credit spreads – both due to the presence of Russian bonds in the index as well as weak risk sentiment. However, the impending removal of Russian bonds from the index should limit the exposure to Russia.

At an aggregate level, EM countries are net commodity exporters. Hence, the sharp rise in the price of oil, gas and several other metals is likely to benefit EM countries overall. While certain commodity importers, especially in Asia, would be negatively impacted, the relative resilience of EM USD bond spreads, when markets re-adjusted rate hike expectations, shows that higher FX reserves have led to key EM countries being in stronger position vs 2013.

As vaccination rates improve and concerns around COVID-19 fade, we believe EM economies could benefit from a growth catch-up. Hence, given the current valuations and our expectation of largely stable US government bond yields, we favour adding exposure to EM USD government bonds.

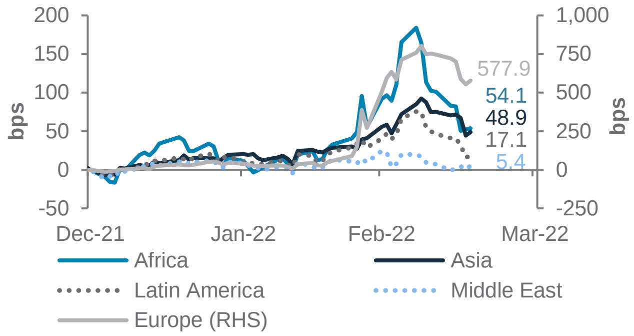
Are there any signs of a turnaround for Asian USD bonds, especially HY bonds?

While Asia USD bonds have broadly declined in line with the global bond market, the aggregate returns do mask the sharp divergence between the performance of Investment Grade (IG) and HY bonds. IG-rated bonds, which account for over 80% of the universe, have been more defensive than their US counterparts, in line with our expectations. Although higher oil prices are a negative for China, India and the Philippines, the robust underlying growth momentum and sizeable FX reserves should provide a buffer in the near term.

On the other hand, HY bonds have posted double-digit negative returns, largely driven by the continued underperformance of Chinese HY bonds. While the authorities in China have taken multiple small steps to stabilise the real estate sector, they have clearly fallen short of what is required. As a result, we have seen multiple defaults and distressed exchanges in the first three months of 2022. Additionally, persistent concerns and uncertainty around government policy have led to sharp declines in Chinese HY bond prices in other sectors, such as gaming and industrials. However, with over 40% of Asian HY bonds trading below the price of 60 (largely driven by Chinese issuers), we see limited further downside. If the recent supportive comments from Chine Vice-Premier are backed by concrete measures, it could act as a catalyst for potential outperformance of HY bonds.

Fig. 15 **EM USD bonds have become more attractive given the recent increase in yield premiums**

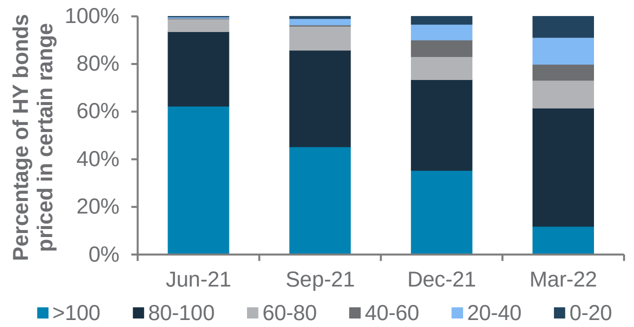
YTD change in yield premiums across key regions



Source: Bloomberg, Standard Chartered

Fig. 16 **Asian HY bonds have priced in a significant amount of bad news**

Percentage of bonds (count) trading in various price buckets



Source: JP Morgan, Standard Chartered

Equity at a glance

Daniel Lam, CFA
Senior Cross-asset Strategist

Fook Hien Yap
Senior Investment Strategist

Key themes

Global equities remain a preferred asset class on a 12-month horizon. While earnings growth in 2022 is likely to slow significantly from 2021's extraordinary recovery, equities remain attractively priced, compared with assets such as bonds.

Asia ex-Japan continues to be most preferred, and valuations are relatively undemanding. China has been easing its monetary policy and we expect further stimulus from the government in order to hit its ambitious 5.5% GDP growth target.

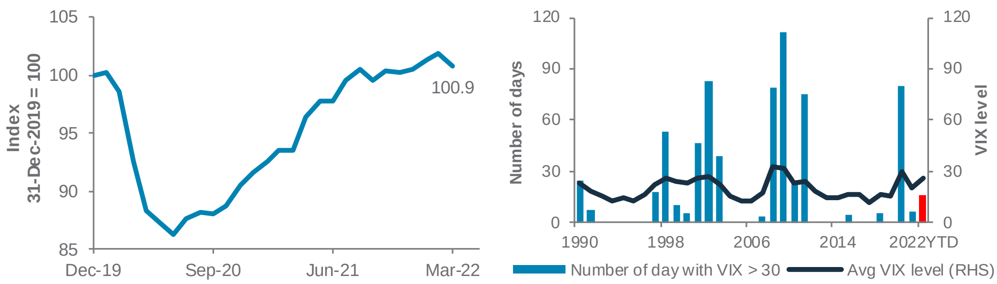
We have downgraded China down to neutral within the region as geopolitical risks may persist in the short term. However, we emphasise that Chinese equities are still likely to outperform global equities due to policy support and relatively cheap valuation.

Key chart

2022 earnings for global equities have recovered to pre-pandemic levels. Markets have been abnormally volatile, and we expect volatility to fall over a 12-month horizon

Fig. 17 **Consensus 2022 earnings for global equities have recovered to pre-pandemic levels; YTD, VIX has spent more days above 30 than 2012 to 2019 combined**

Consensus 2022 global equities earnings; count of VIX level above 30 on a yearly basis since 1990



Source: MSCI, FactSet, Standard Chartered

Preference order	The bullish case	The bearish case
Asia ex-Japan equities ▽ ◇ ▲	+ China easing monetary and fiscal policies + Improving Chinese credit impulse + Relatively attractive valuations	– Risk of China ADR delisting – Higher oil prices – Earnings revisions still weak
Within AxJ	India equities ◆ South Korea equities ◆	China equities* ◆
Euro area equities ▽ ◆ △	+ Relatively inexpensive valuations + EU recovery fund distribution + Limited downside risk to earnings	– High energy prices hurting growth – Geopolitical risks from the Russia-Ukraine conflict
UK equities ▽ ◆ △	+ Relatively attractive valuations + Strong commodity prices + Performs well in rising yields environment	– Political issues (e.g. local elections in May) – Uncertainties over post-Brexit regulations
US equities ▽ ◆ △	+ Safe havens under extreme geopolitical tensions + Leads other regions in innovation	– Still expensive, despite the YTD correction – Tightening monetary conditions – Weakening consumer trends
Japan equities ▼ ◇ △	+ Reopening can stimulate the economy + Relatively attractive valuations + Light positioning	– Supply chain disruption hurts production – High oil prices means higher cost for a net importer – New government focuses on re-distribution

Source: Standard Chartered Global Investment Committee

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

*We are neutral China onshore vs offshore equities.

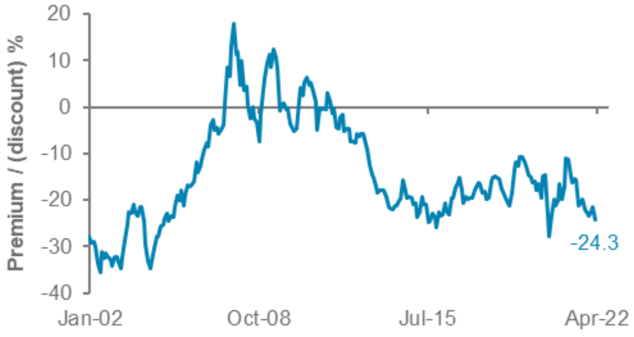
Asia ex-Japan continues to be preferred; China neutral within the region

We continue to expect Asia ex-Japan equities to outperform global equities. Valuations remain undemanding, with earnings growth of around 10% y/y expected.

Policies continue to be supportive in the Asia ex-Japan region. China is likely to continue easing monetary and fiscal policies as it tries to achieve its ambitious 5.5% GDP growth target. Infrastructure stimulus is likely to increase, particularly in areas such as green development where China aims to be self-sufficient.

Fig. 18 **Asia ex-Japan has undemanding valuations relative to global equities**

Relative 12-month forward P/E of MSCI Asia ex-Japan vs MSCI AC World



Source: MSCI, FactSet, Standard Chartered

Note that we did downgrade China to neutral within the Asia ex-Japan region. We believe geopolitical risks have risen since our last update, and this has led to sharp volatility in Chinese equities. The threat of delisting of some Chinese ADRs for failing to adhere to the Holding Foreign Companies Accountable Act (HFCAA) is likely to be a key driver for Chinese equities over the next few months.

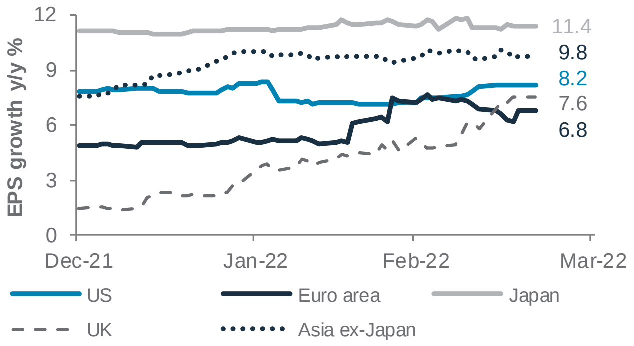
This development, we believe, is offset positively by the government's commitment to "actively release policies favourable to markets" and ensure any regulation that could have "a significant impact on capital markets" is coordinated with financial management departments in advance, leading to a rapid rebound in Chinese equities.

With the reasonable valuation in Chinese equities as well as heavy stimulus that the Chinese government is likely to put forward in order to hit its ambitious 5.5% growth target, we continue to expect Chinese equities to outperform global equities.

We maintain our core holding view on the Euro area, UK and the US. The high inflation figures, exacerbated by the Russia-Ukraine conflict, are forcing the Fed's hand in withdrawing liquidity from the economy. The expectation of higher rates is likely to hurt valuations of Growth stocks that make up the majority of US markets. This is offset by continued strong US growth, the "safe-haven" status should geopolitical risks rise further and the valuation premium that US equities command over other regions due to their companies' leadership status in many of the key industries.

Fig. 19 **Asia ex-Japan continues to show healthy EPS growth**

2022 EPS growth y/y%



Source: FactSet, Standard Chartered

Euro area and UK equities may continue to benefit from their "Value-style" bias, which bodes well under an inflationary scenario. Their valuation continues to be undemanding, compared with US equities, and positioning remains relatively light. Sentiment in these regions would most likely improve if the Russia-Ukraine conflict gets resolved

Fig. 20 **The latest fall in MSCI China matches the last two major drops (peak to trough) in the index**

MSCI China index

Source: MSCI, Bloomberg, Standard Chartered

Finally, we downgraded Japan to least preferred. We believe supply chain disruptions, high oil prices and the new government's emphasis on redistribution are likely to keep the upside limited for Japanese equities.

Equity sector views

Fook Hien Yap
Senior Investment Strategist

Elevated oil and yields: prefer energy and financials

Add healthcare for some defensive exposure

We continue to prefer the energy and financials sectors across the US, Europe and China, supported by elevated oil prices and higher bond yields, as monetary policy tightening continues. The more volatile environment prompts us to add some defensive exposure via the healthcare sector, upgraded to preferred in the US and Europe.

US

Energy remains preferred as elevated oil prices support strong earnings and energy equities still lag crude oil prices. We expect post-pandemic demand to continue recovering, while supply remains disciplined. US gas and LNG producers also have a role in helping Europe diversify away from Russian gas. Supported by strong earnings, the sector's valuation still looks cheap by historical standards.

Financials remain preferred as we expect the Fed to continue with its rate hikes, supporting higher interest income for banks. Continued US economic expansion also should support loan growth and asset quality.

Healthcare is upgraded to preferred to add defensive exposure in volatile market conditions. The sector continues to trade at a big valuation discount to the market and its steady earnings growth should be helped by a post-pandemic pick-up in healthcare visits and elective procedures.

Europe

Financials remain preferred, with expected higher bond yields. Exposure to the Russia-Ukraine conflict appears manageable, with banks maintaining strong capital positions. Valuations have become more attractive and we expect the good operating momentum to continue. Life insurers should also benefit from higher yields.

Energy remains preferred as the catch-up opportunity to oil prices remains. The sector's write-off of Russian assets appears priced in. Valuations remain cheap and companies are distributing more cash to shareholders.

Healthcare is upgraded to preferred to add some defensive exposure in volatile markets. The sector offers good earnings growth given its valuation, compared with the broader market.

Industrials is upgraded to preferred to benefit from the green capex build and new infrastructure to diversify away from Russian gas. An expected rise in defence spending is also a tailwind, although aerospace and defence comprises only 12% of the sector. Transportation (11% of sector) is expected to benefit from business reopening and travel revival.

China

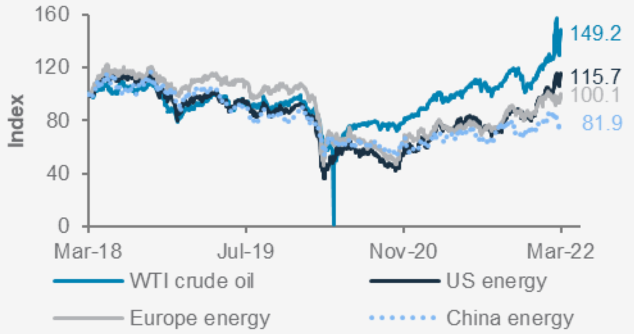
Energy remains preferred as oil prices are elevated and equities have an opportunity to catch up.

Financials remain preferred. Policies to stabilise growth help alleviate credit concerns for China banks that trade at significant discount to book value.

Industrials remain preferred as we continue to see the sector aligned with policymakers' goal to upgrade manufacturing expertise. The infrastructure framework to boost growth, including green capex, is supportive of the sector. Valuations still look cheap, compared with the broader market.

Fig. 21 **Energy equities still lag the oil price rebound and a "catch-up" opportunity remains**

Performance of WTI crude oil, MSCI US energy, MSCI Europe energy and MSCI China energy indices. (Rebased Mar-2018=100)



Source: FactSet, MSCI, Standard Chartered

Fig. 22 **Our sector views by region**

US	Europe	China
Energy	Financials	Energy
Financials	Energy	Industrials
Healthcare	Healthcare	Financials
Industrials	Industrials	Communication
Materials	Materials	Materials
Technology	Technology	Staples
Communication	Communication	Healthcare
Discretionary	Utilities	Technology
Staples	Discretionary	Discretionary
Real Estate	Staples	Real Estate
Utilities	Real Estate	Utilities

Source: Standard Chartered

Legend: Preferred | Core holding | Less preferred

FX at a glance

Manpreet Gill
Head, FICC Strategy

Francis Lim
Senior Quantitative Strategist

Key themes

Our 6-12-month USD view is bearish, but the journey may be replete with yet more twists and turns. The conflict in Ukraine and the starkly higher revision of the Fed's expected rate hike projections have added uncertainty and pushed the USD index (DXY) to new highs – although considering these key events, the gains have thus far been relatively muted. In our view, real yield differentials will weigh on the USD, as will relative growth expectations shifting in favour of non-US markets. Capital flows should rotate away from the US as both the Euro area and China add stimulus.

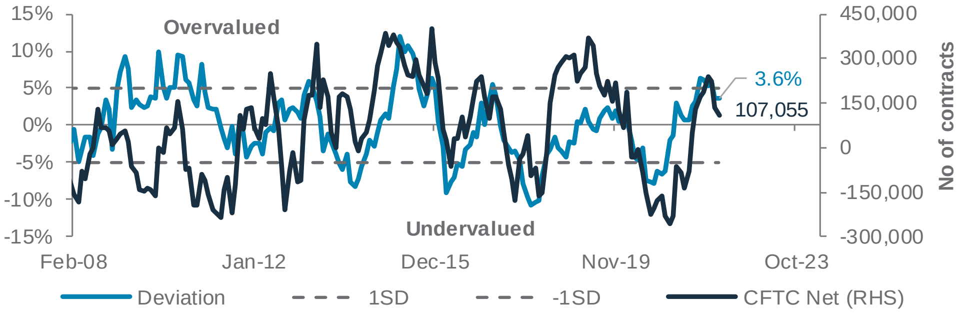
We also see a rising risk of some central banks reducing their holdings of USD-denominated reserves following the sanctions imposed on the assets of the Russian central bank. Domestic political agitation ahead of the US mid-term elections in November could also undermine investor confidence in the USD, with the large twin US deficits being an additional negative factor.

Over the next three months, however, we expect currency bifurcation to dominate as the current geopolitical issues may take time to resolve. Commodity exporters may extend their outperformance over importers via Terms of Trade channels. The ECB has retained its hawkish bias, but the EUR recovery also relies on a hopeful resolution of the Ukraine crisis, and a more united Europe pushing closer towards fiscal union to mutually fund its intended pan-European defence and energy security objectives.

Key chart

Our DXY model uses real yields, equity prices, inflation, current accounts and commodities as inputs. A significant deviation from 0% implies potential USD misvaluation. Despite the recent USD rise, it is less overvalued and long positioning is rolling over

Fig. 23 **Our model suggests the USD overvaluation has eased modestly**
Deviation of the DXY value vs our model; CFTC net USD positioning



Source: Bloomberg, Standard Chartered

Fig. 24 **Summary of major currency drivers**

12-month outlook	The bullish case	The bearish case	12-month outlook	The bullish case	The bearish case
USD (DXY) ▼	+ Hawkish Fed policy divergence vs G3 + US growth, asset price exceptionalism	– Global growth rotation ex-US – Low real US rates, ample USD liquidity	USD/ JPY ◆	+ Interest rate policy divergence + Energy import dependency	– Potential for BoJ to shift policy – Undervalued JPY & large short positions
EUR/ USD ▲	+ ECB moves to normalise policy + Fiscal spending rise attracts foreign flows	– Energy dependency weighs on economy – Geopolitical risk remains elevated	USD/ CNY ▼	+ Failure to provide sufficient stimulus + Vulnerability to global sanctions	– Policy support boost from Q2 onwards – Anti-fragile asset CGB/CNY demand
GBP/ USD ▲	+ Strong growth and employment + Hawkish BoE	– Vulnerable to stagflation pressure – Geopolitical risk	USD/ CAD ▼	+ BoC eventually constrained vs Fed + Property bubble risk	– CAD cheap vs rates growth & oil prices – BoC hikes and QT
AUD/ USD ▲	+ Cheap vs Terms of Trade; RBA will hike + China/global growth boosts commodities	– RBA remains dovish on low inflation trend – Vulnerable to global risk-off sentiment	NZD/ USD ▲	+ RBNZ most hawkish + Robust growth and housing; new tourism inflows	– Vulnerable to global risk sentiment fall – RBNZ hiking cycle may end earlier

Source: Standard Chartered Global Investment Committee

Legend: ▲ Bullish | ▼ Bearish | ◆ Rangebound

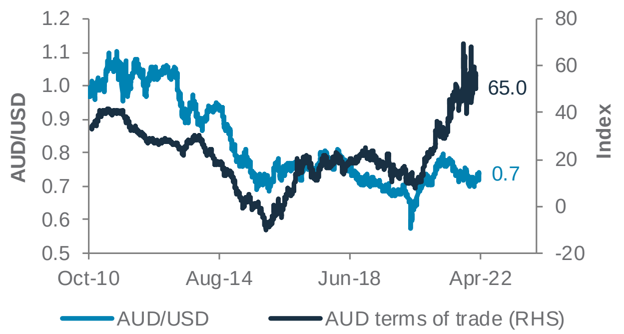
A bifurcated USD likely leads to a weaker USD

EUR/USD has taken the brunt of the Ukraine conflict's FX impact, given the region's vulnerability to energy import supplies. Further escalation could open downside risk towards the 2020 low at 1.0635 and beyond, but **given its cheap valuation and the potential for strong EU fiscal spending, declines should be brief and create a platform for a consolidation towards 1.13**. The ECB is likely to push for policy normalisation and some members have suggested a weak EUR will only underpin import price inflation.

GBP/USD has held support at 1.30, but also remains somewhat vulnerable to the Ukraine uncertainty, as well as the domestic economy being more prone to stagflation concerns. **The BoE policy may be constrained by faltering growth and employment, but we expect GBP/USD to build a base for a steady rally towards 1.36 over the next 12 months. The Ukraine crisis may create a more positive EU-UK working relationship that overcomes prior Brexit squabbles.**

Fig. 25 **AUD terms of trade surge allows stronger AUD**

AUD/USD vs Australia Terms of Trade index*



Source: Bloomberg, Standard Chartered; *Export/import price ratio

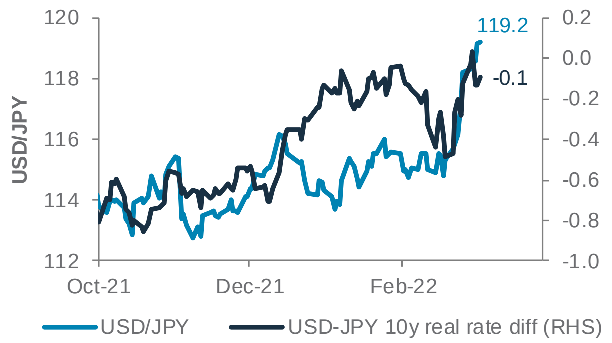
AUD Terms of Trade have eased from post-invasion peaks, but **there is still ample room for the undervalued AUD/USD to appreciate towards 0.76 in the next three months and to 0.80 over 12 months.** The current account is in surplus and the domestic economy is strong, likely prompting the RBA to normalise quickly, especially if Chinese stimulus expands.

NZD/USD is likely to follow the AUD higher towards 0.70 in the near term as the RBNZ has already begun its rate hiking cycle and its exports improve on elevated dairy prices. The opening of borders will also boost tourism that should further boost growth. NZD gains may slow over the 6-12-month period, but we expect 0.71 to be tested.

Strong Canadian growth and employment data, a buoyant housing market and rising inflation should mean **the BoC is focused on raising rates and reducing its balance sheet, at least as fast as the Fed. Elevated oil prices are also a tailwind for USD/CAD and we expect a steady decline towards 1.23 over 6-12 months.** Elevated household debt could constrain the central bank and should be monitored.

Fig. 26 **USD/JPY stretched after sharp US yield rise**

USD/JPY vs USD-JPY 10-year real rate differential



Source: Bloomberg, Standard Chartered

USD/CNY has been well-anchored, despite strong domestic economic policy initiatives to rebalance the economy and the need to import considerable volumes of commodities. Now that **China's credit impulse is likely to rise and officials have committed to support an aggressive growth target and domestic markets, we believe USD/CNY has scope to move lower towards 6.25 over 6-12 months**.

USD/JPY surged higher post-invasion since the economy is vulnerable to higher energy prices. BoJ has not adjusted its policy, and the global commodity crunch has not caused a broader financial crisis, where the safe-haven JPY would be expected to outperform. However, **we believe USD/JPY is strongly overbought and overvalued and is likely to slip back towards 115 in the medium term.** A stronger JPY could also reduce the impact of expensive energy imports if inflation begins to feed into data after the fiscal year end.

Fig. 27 **Summary of Asian currency drivers**

12-month outlook	USD/SGD ▼	USD/INR ◆	USD/MYR ▼	USD/KRW ◆
The bullish case	+ Vulnerable to any China weakness + Geopolitical trade risk	+ Current account deficit risk & INR expensive + Oil price vulnerability	+ BNM may build FX reserves from exports + Easy policy re inflation	+ Vulnerability to global growth and trade + Capital outflows
The bearish case	– Pandemic exit boost for tourism, businesses – Tighter MAS policy	– FDI inflows on growth, bond indices inclusion – Strong FX reserves	– Strong Terms of Trade, FDI inflows – Cheap MYR, reopening	– Hawkish BoK – Cheap valuation and chip cycle upturn

Source: Standard Chartered Global Investment Committee **Legend:** ▲ Bullish | ▼ Bearish | ◆ Rangebound

Gold, crude oil at a glance

Manpreet Gill
Head FICC Strategy

Key themes

Gold looks attractive despite the Fed hawkishness. We continue to favour gold despite markets being focused on upcoming rate hikes and potentially higher real yields. Gold does well against a weaker USD, and we think that the USD will peak as growth differentials in Asia vs US could trigger substantial capital outflows from the US. Investment demand for gold ETFs has picked up since 2020 and central banks' demand for physical gold is likely to accelerate owing to reserve diversification benefits and geopolitical reasons. On a shorter horizon, gold has proven itself to be a good hedge in a "risk-off" scenario, and geopolitical tensions are expected to remain elevated. Hence, we continue to see the precious metal as a valuable portfolio diversifier.

Oil pushes higher on tight global supply. We are bullish on oil prices as fears of a disruption in global supply due to additional sanctions on Russian exports remain elevated. While the base case scenario is for OPEC+ to ramp up production, we see upside risks to oil as OPEC+ has already been struggling to meet its monthly increase in quotas, coupled with low spare capacity and crude oil inventories being at its lowest level in four years. We expect US shale producers to ramp up production to capitalise on higher oil prices, but only with a significant lead time. To further exacerbate the current tightness in oil markets, the Joint Comprehensive Plan of Action (JCPOA) talks with Iran were cancelled, reducing the potential oil supply from Iran and adding a higher risk premium into oil from the Middle East. We believe oil prices will rise until we see sufficient demand destruction, which would help rebalance the market.

Key chart

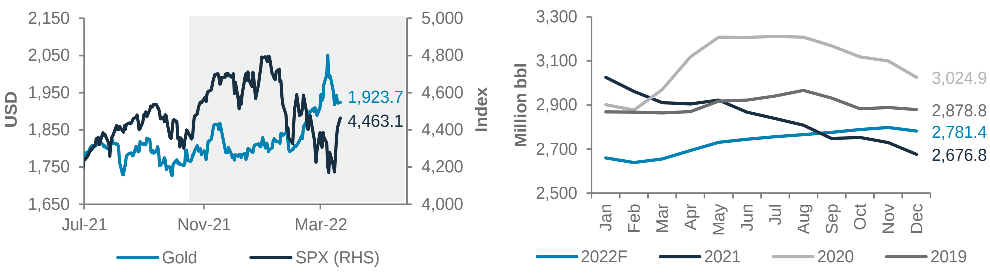
Gold offers an attractive hedge if the Russia-Ukraine conflict drags on longer than we expect; physical demand is likely to be supportive

Supply-side constraints are more prolonged; likely to be more prolonged; Iran's return to oil production is looking dimmer

Fig. 28 **Gold has been an effective hedge against equity markets' drawdown; OECD crude oil and liquid fuel inventory is likely to remain at a 4-year low through most of 2022**

LHS chart: Gold vs S&P500 index*

RHS chart: OECD crude oil and liquid fuel inventory from 2019 to 2022F**



Source: Bloomberg, Standard Chartered

**Shaded area is from 22 October 2021, when we upgraded gold to most preferred; ** US Dept of Energy*

	The bullish case	The bearish case
Gold *12m TAA* ▲ *Absolute* ▲	+ Lower real yields amid rising inflation, less hawkish Fed + Peaking USD + Recovery in physical markets, investment demand via ETF + Increasing demand from central banks due to reserve diversification	– Fed tapering could happen at a faster-than-expected pace – Rising real yields increase opportunity costs of holding gold – Russian central bank could sell gold to stablise its currency – Demand destruction due to high prices
Crude oil *Absolute* ▲	+ Resumption of international travel; broad recovery of global oil demand + Inventory levels remain low; dwindling OPEC+ spare capacity + Failure of the JCPOA talks will hinder Iran's exports	– Faster-than-expected return of Iranian barrels – Demand destruction due to high prices – Higher non-OPEC supply (ie, Brazil, Canada, Mexico etc) – US shale producers incentivised to increase output due to higher prices

Source: Standard Chartered Global Investment Committee

Legend: ▲ Bullish / Preferred | ▼ Less preferred / Bearish | ◆ Core holding / Range-bound

Liquid alternatives at a glance

Trang Nguyen
Portfolio Strategist

Key themes

Against the backdrop of heightened market volatility, Liquid Alternative strategies delivered -1.7% compared with -6.6% from global equities and -6.4% from global bonds YTD. Over the next 12 months, we continue to see an investment case for this asset as a core holding alongside a traditional equity/bond allocation. Liquid Alternative Strategies offer exposure to differentiated returns that are not accessible via long-only investments in stocks and bonds and are likely to allow investors to improve risk-return profiles, income potential and diversification benefits.

Within Alternatives, Equity-Hedge remains most preferred as wider dispersion in performance across equity sectors and regions caused by rising inflation expectations should be positive for this strategy. Low inter-sector correlation (figure 29) due to varying degrees of recovery across regions and sectors globally can also create opportunities for alpha generation.

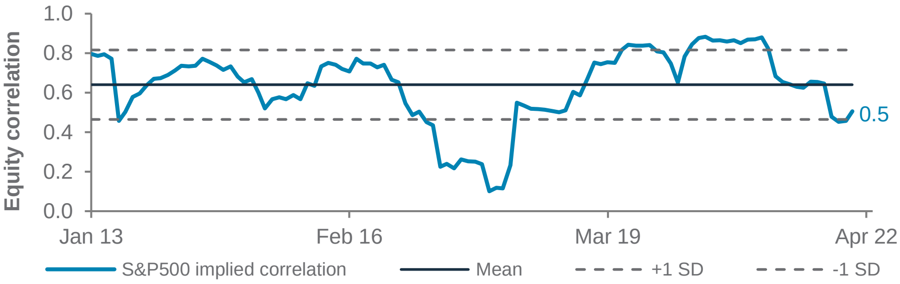
We continue to view Event-Driven as a core holding. M&A activity is expected to stay healthy, supportive for this strategy to perform well. However, implication of rising interest rates on market liquidity and funding cost can pose challenges for Equity Hedge. Global Macro/CTA remains a core holding. This strategy's resilient performance has been, and should continue to be, supported by higher commodities prices over the next 12 months. That said, macroeconomic uncertainty remains a headwind for trend-following managers. We view Relative Value as least preferred. This strategy tends to underperform in an environment of rising interest rates historically. Its underperformance YTD has been mostly attributed to spikes in both equity and rate volatility.

Key chart

Low inter-sector correlation due to varying degrees of recovery across regions and sectors globally can also create opportunities for Equity Hedge strategies

Fig. 29 **Inter-sector correlation has continued to move lower, creating opportunities for alpha generation**

Historical inter-sector correlation of S&P500 index



Source: Bloomberg, Standard Chartered

Preference order	The bullish case	The bearish case
Equity Hedge ▽ ◇ ▲	+ Positive equity market outlook + Improved risk sentiment + Low intra-equity correlations	– Expensive equity valuations – Unexpected short covering activity
Event Driven ▽ ◆ △	+ Positive M&A activity outlook + Positive corporate earnings outlook + Low funding cost, falling deal spreads	– Rising interest rates
Global Macro ▽ ◆ △	+ Clear broad market trends in commodities, currency markets + High credit/equity market stress	– Rising equity markets
Relative Value ▼ ◇ △	+ Low funding cost for leverages + Wide dispersion in credit sector performance for relative value opportunities	– Rising interest rates – Tightening liquidity in credit markets – Spikes in bond market volatility

Source: Standard Chartered Global Investment Committee

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

Quant perspective
US market risk model – remains cautious

Francis Lim
Senior Quantitative Strategist

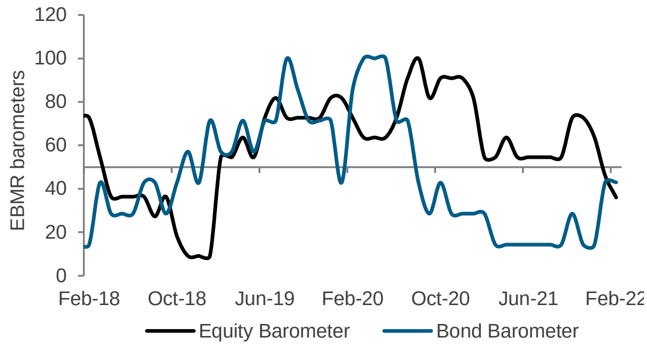
Cautious in the near term

Our US Equity-Bond Market Risk (EBMR) models the downside risks in US equities and the 10-year US government bonds. It uses 11 economic and market factors to create equity and bond risk barometers. If the value of a barometer falls below 50, it signals higher downside risks and vice versa.

March marks the second month the US EBMR model is in Stage 4 (similar to a stagflation scenario), where both equity and bond market volatilities are expected to be elevated. This means the model continues to oppose taking on excessive risk in US equity and government bond markets. The recent positive reaction in US equities after a hawkish tone from the Fed has not affected the model's projections, as it is too short-term, and the model generally views rising interest rates under high inflation to be a negative factor for equity market risks.

Fig. 30 **EBMR bearish on equity and bond market risks**

US equity and bond market risk barometers



Source: Standard Chartered

In March, the equity barometer deteriorated further, from 46 in February to 36 currently. This is driven by still weak equity momentum across both our short-term and long-term horizons, alongside the negative signals from rising interest rates and high inflation. Economic factors, such as US money supply and housing starts, remain supportive of the equity barometer, but consistent with the Fed tapering since Nov-21, the former factor has turned less bullish recently.

Meanwhile, our bond barometer remains at 43, marking the 19th straight month of being bearish on government bond market risks, with US 10-year government bond yield rising by c.162bps over the period. The barometer rebounded from 14 to 43 previously as signals for risky assets, such as slowing ISM Manufacturing PMI and negative equity momentum, turned bearish, in favour of safer assets such as the US government bonds. However, rising commodity prices and continued fall in initial jobless claims are projecting lower bond prices.

Based on the model's projections, the probability of remaining in Stage 4 after March has increased to 29%, but this remains low compared with the 69% probability of reverting to Stage 3. While this implies US equities could still outperform over the longer timeframe, this view now carries a higher degree of uncertainty.

Implications on global assets

Data since 1999 suggest gold is the most preferred in Stage 4, which is consistent with the inflation narrative. The model's preference for the asset is based on its long-term relationship with the market cycle, which favours gold as an inflation-hedge under Stage 4.

Fig. 31 **Scenarios over the coming months till July 2022 vs December 2021 (Outlook 2022) projections**

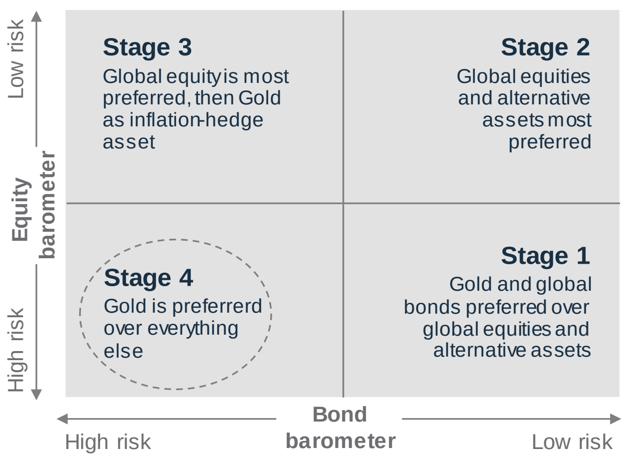
Probability of the evolution of financial market risk cycle from the current Stage 4 and preferred assets

Model's estimated probabilities in December 2021

Stage	Dec-21	Jan-21	Feb-22	Mar-22
1	0%	0%	0%	0%
2	0%	0%	0%	0%
3	**100%**	**100%**	**100%**	**99%**
4	0%	0%	0%	0%

Model's estimated probabilities in March 2022

Stage	Apr-22	May-22	Jun-22	Jul-22
1	0%	1%	1%	1%
2	2%	5%	7%	13%
3	**69%**	**85%**	**87%**	**81%**
4	29%	9%	5%	5%

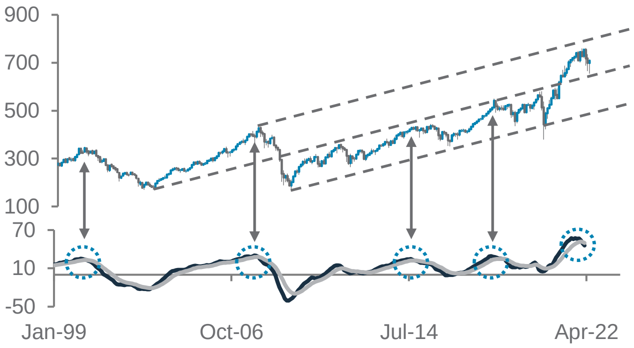


Source: Standard Chartered

Technicals

Manish Jaradi
Senior Investment Strategist

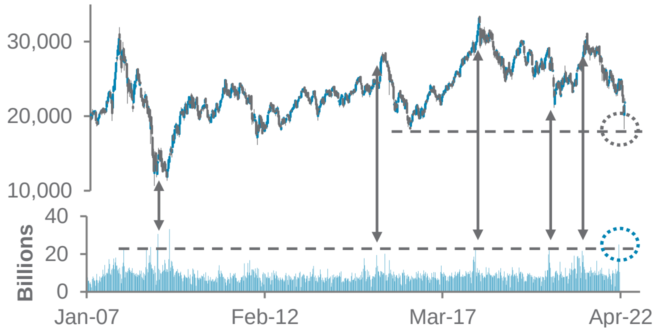
Fig. 32 Global equities: A short-term range
MSCI All Country World index monthly chart with MACD



Source: Refinitiv, Standard Chartered

While the index may have found a floor around the channel support, the MACD has staged a bearish crossover on the monthly chart, suggesting a runaway move (like that of 2020-2021) is unlikely, at least as of now. In the past, bearish crossovers have been followed by a soft bias in the index. However, there is no change in the broader uptrend.

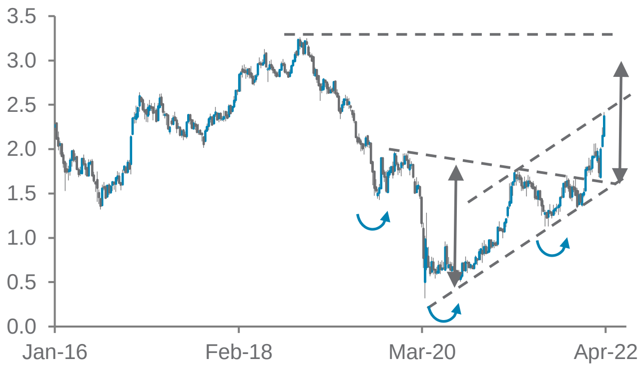
Fig. 33 Hong Kong equities: Stabilisation ahead
Hang Seng index weekly chart with volume



Source: Refinitiv, Standard Chartered

In recent years, volume surges have been a good indicator of meaningful highs/lows in the index. Last week, just as the index tested strong support at the 2016 low, volume hit the highest level since the Great Financial Crisis, raising the chance of 'capitulation'. Still, a break above 25,050 is needed for the downward pressure to fade.

Fig. 34 US 10-year Treasury yield: Trend remains up
US 10y Treasury yield weekly chart



Source: Refinitiv, Standard Chartered

The yield's break above a downward-sloping trendline from 2019 has triggered a reverse head and shoulders pattern – a risk we highlighted in the 2022 outlook published in December. The price objective of the pattern points to a rise towards 3.0%. However, a minor pause cannot be ruled out around 2.40% (the upper edge of the channel).

Fig. 35 Crude oil: Trending phase could be over for now
Crude oil continuous contract daily chart

Source: Refinitiv, Standard Chartered

The inverted V-shaped pattern raises the odds that the trending phase could be over for now. In other words, sharp gains in the last leg followed by a retracement of the entire move are a reflection that bulls are exhausted. The path of least resistance is a range in the short term. No change in the medium-term upward trajectory.

Tracking market diversity

Francis Lim
Senior Quantitative Strategist

About our market diversity indicators

Our market diversity indicators help to identify a potential change in short-term trends due to a fall in market breadth across equities, credit, FX and commodities. When market diversity falls, it implies either buyers or sellers are dominating, leading to a rapid rise or fall in asset prices. This is usually unsustainable and is likely to be followed by a slowdown or a reversal. Our diversity indicator is based on a statistical index called fractal dimension; a value below 1.25 serves as a guideline that prices are rising or falling too fast.

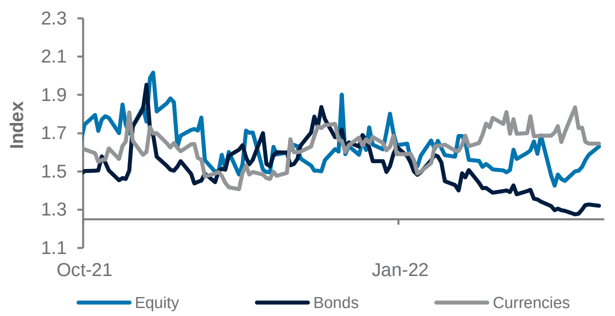
Where is diversity falling or rising this month?

Since our February report, market diversity for several assets fell below the 1.25 reversal threshold intra-month. While some of these assets have reverted to above the threshold due to large single day corrections (-12% in WTI and -5% in nickel), there remain assets with diversity below this threshold, which should be monitored.

Among assets with diversity currently below 1.25 is the US energy sector. We argued for keeping a close eye on the sector for reversal risks last month as its diversity level was falling close to the 1.25 threshold. The diversity of the sector has since deteriorated further and remains below the reversal threshold as it did not share the same extreme movements witnessed in WTI oil.

Fig. 36 Average market diversity score within asset class

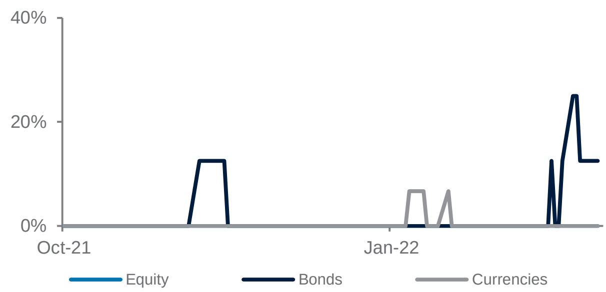
Market diversity for bonds continues to deteriorate



Source: Standard Chartered

Fig. 37 Percentage of assets with diversity score <1.25

Red flags are in DM bonds



Source: Bloomberg, Standard Chartered

The diversity in DM government bonds has also fallen below the reversal threshold, while DM corporate bonds are coming really close to it too. These changes came in conjunction with the steep rise in US 10-year government bond yield as the recent hawkish tone from the Fed sparked renewed concerns of more aggressive rate hikes. However, the momentum in DM bonds remain very negative, and any near-term reversal will more likely depend on market expectations of Fed rate hikes.

Fig. 38 Diversity across key assets/sectors

Level 1	Market diversity	30-day diversity trend
FTSE World Broad IG Bond	○	↓
MSCI All Country World	●	→
Gold	◐	↓
HRFX Global Hedge Fund Index	●	↓
US Sectors		
Information Technology	●	→
Consumer Discretionary	●	↓
Energy	○	→
EU Sectors		
Information Technology	●	↓
Consumer Discretionary	◐	↓
Energy	◐	↓
China Sectors		
Information Technology	◐	↓
Consumer Discretionary	●	→
Energy	◐	↓
Commodities		
WTI	◐	↓
Nickel	◐	→

Source: Bloomberg, Standard Chartered; as on 23 March 2022

Legend: ○ Very low ◐ Low/moderate ● High

Asset allocation summary

Summary	View	ASIA FOCUSED Conservative	ASIA FOCUSED Moderate	ASIA FOCUSED Moderately Aggressive	ASIA FOCUSED Aggressive	GLOBAL FOCUSED Conservative	GLOBAL FOCUSED Moderate	GLOBAL FOCUSED Moderately Aggressive	GLOBAL FOCUSED Aggressive
Cash	◆	21	9	4	0	21	9	4	0
Fixed Income	▼	56	33	23	6	56	33	23	6
Equity	▲	23	42	57	84	23	42	57	84
Gold	▲	0	6	6	6	0	6	6	6
Alternatives	◆	0	9	9	4	0	9	9	4
Asset class									
USD Cash	◆	21	9	4	0	21	9	4	0
*DM Government Bonds**	▼	4	2	2	0	5	3	2	1
*DM IG Corporate Bonds**	▼	5	3	2	1	7	4	3	1
DM HY Corporate Bonds	▲	11	6	5	1	16	9	6	2
EM USD Government Bonds	▲	12	7	5	1	9	5	4	1
EM Local Ccy Government Bonds	◆	10	6	4	1	8	4	3	1
Asia USD Bonds	▲	15	9	6	2	12	7	5	1
North America Equities	◆	6	12	16	23	11	20	27	40
Europe ex-UK Equities	◆	5	9	12	17	2	4	6	9
UK Equities	◆	1	2	3	4	1	2	3	4
Japan Equities	▼	1	1	2	3	1	2	2	3
Asia ex-Japan Equities	▲	8	15	20	29	5	10	14	20
Non-Asia EM Equities	◆	2	4	5	8	2	4	5	8
Gold	▲	0	6	6	6	0	6	6	6
Alternatives	◆	0	9	9	4	0	9	9	4

Source: Standard Chartered; *FX-hedged
All figures in %; Allocation figures may not add up to 100 due to rounding
Legend: ▲ Most preferred | ▼ Least preferred | ◆ Core holding

Performance of our calls

Fig. 39 Summary of our 2022 calls year-to-date

		Open Date	Close Date	Absolute	Relative
Foundation allocations	Global moderate			-4.7%	-0.1%
	Asia moderate			-5.2%	-0.2%
	Multi-asset income			-3.3%	–
Thematic ideas	The winds of climate change	9-Dec-21	**Open**	-3.7%	–
	Embracing a digital future	9-Dec-21	**Open**	-10.3%	–
	China 'Common Prosperity'	9-Dec-21	**Open**	-21.0%	–

Source: Bloomberg, Standard Chartered

Performance measured from 9 December 2021 or when the call was opened, to 24 March 2022 or when the view was closed.

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.

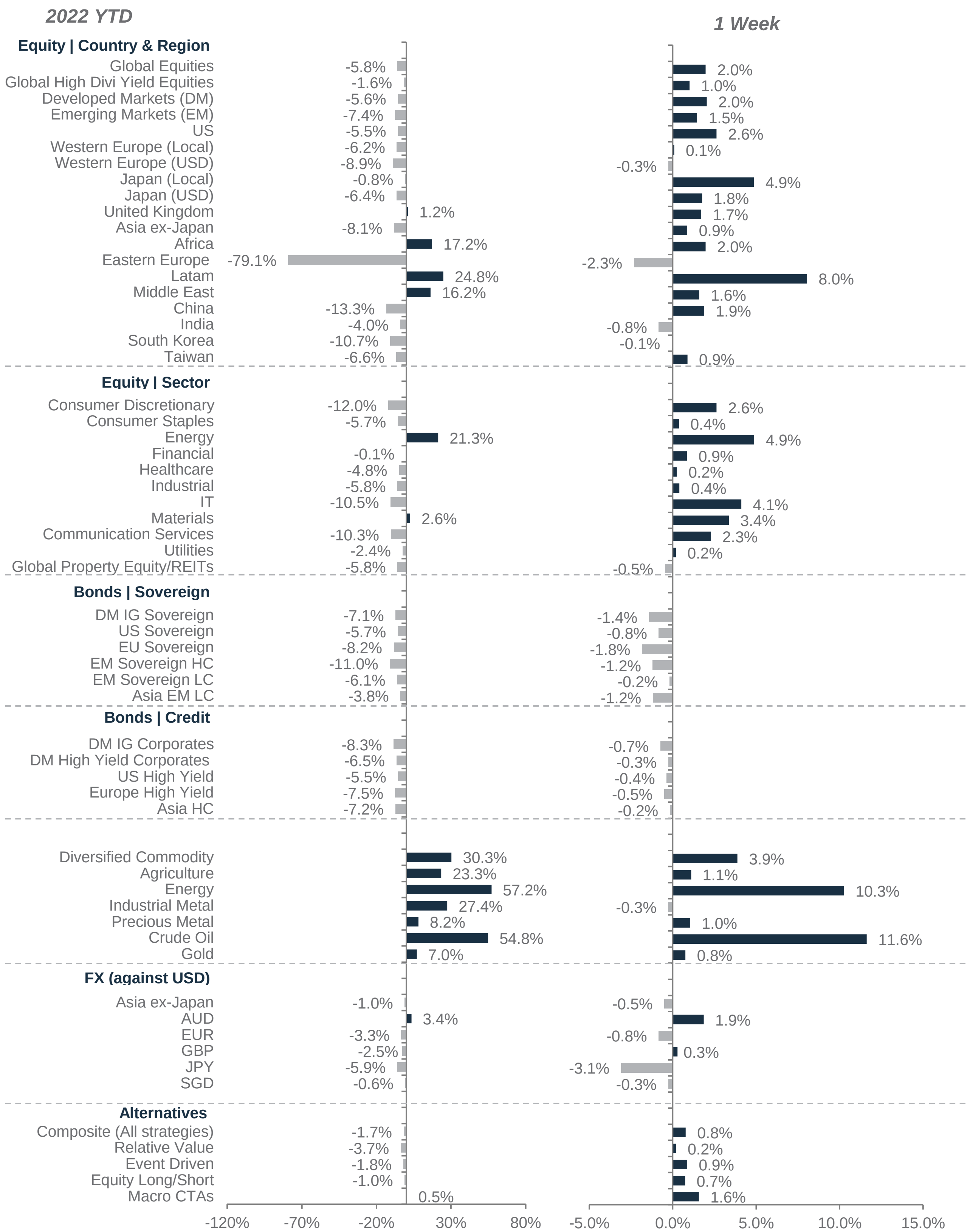
'Absolute' represents the simple absolute return. 'Relative' tracks our Tactical Asset Allocations vs. our Strategic Asset Allocation, or if a relative measure was specified in individual themes.

Global moderate and **Asia moderate** comprise our Tactical Asset Allocations as described in the Global Market Outlook publications. **Broad asset class** allocations are represented by MSCI AC World, FTSE Non-MBS WorldBIG Index, Bloomberg commodities ex-agriculture & livestock, HFRX total return and J.P. Morgan 3m cash indices. **Equity allocations** are represented by MSCI USA, EMU, UK, Japan, Asia ex-Japan and Other EM total return indices. **Bond allocations** are represented by FTSE WorldBig Government Index, FTSE WorldBig Corp Index, J.P. Morgan EMBI Global Diversified, EM Local, Asia Credit Index and Bloomberg Global High Yield indices.

In our **Multi-Asset Income** allocation, **bond allocations** are represented by Bloomberg Global High Yield Index, S&P Global Leveraged Loan Index, J.P. Morgan EMBI Global Diversified, EM Local, Asia Credit and Asia Credit Index Non- Investment Grade, FTSE WorldBig Corp Index and FTSE WorldBig Government Index. **Equity allocations** are represented by MSCI AC World and AC Europe High Dividend Yield Index. **Non-core allocations** are represented by Chicago Board Options Exchange S&P 500 BuyWrite Index, Barclays Global Contingent Capital Index Value Unhedged USD, SPDR ICE Preferred Securities ETF, FTSE EPRA/NAREIT Asia Pacific Index and FTSE EPRA/NAREIT Global Index.

For indices used to measure **thematic ideas**, please refer to the respective thematic publications.

Market performance summary*



Source: MSCI, JPMorgan, Barclays, Citigroup, Dow Jones, HFRX, FTSE, Bloomberg, Standard Chartered
*All performance shown in USD terms, unless otherwise stated
*YTD performance data from 31 December 2021 to 24 March 2022 and 1 week-performance from 17 March 2022 to 24 March 2022

Key events

2022

APR
- 10-24 Apr > France Presidential elections
- 14 Apr > ECB policy decision
- 28 Apr > BoJ policy decision

MAY
- 04 May > FOMC policy decision
- 05 May > BoE policy decision

JUN
- 09 Jun > ECB policy decision
- 15 Jun > FOMC policy decision
- 16 Jun > BoE policy decision
- 17 Jun > BoJ policy decision

JUL
- 20 Jul > BoJ policy decision
- 21 Jul > ECB policy decision
- 27 Jul > FOMC policy decision

AUG
- 04 Aug > BoE policy decision

SEP
- 08 Sep > ECB policy decision
- 15 Sep > BoE policy decision
- 21 Sep > FOMC policy decision
- 22 Sep > BoJ policy decision

OCT
- 27 Oct > ECB policy decision
- 28 Oct > BoJ policy decision

NOV
- 02 Nov > FOMC policy decision
- 03 Nov > BoE policy decision
- 08 Nov > US House/Senate elections

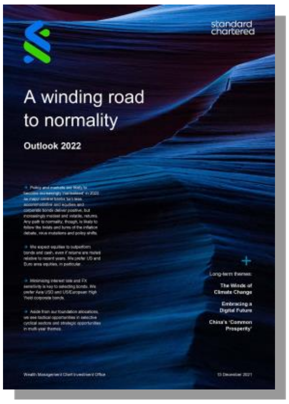
DEC
- 14 Dec > FOMC policy decision
- 15 Dec > ECB policy decision
- 15 Dec > BoE policy decision
- 20 Dec > BoJ policy decision

Central bank policy | Geopolitics | EU politics

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

Our key advisory publications

ANNUALLY



Annual Outlook – The Annual Outlook highlights our key investment themes for the year, the asset classes we expect to outperform and the likely scenarios as we move through the year.

MONTHLY

Global Market Outlook – Our monthly publication which presents the key investment themes and asset allocation views of the Global Investment Committee for the next 6-12 months.

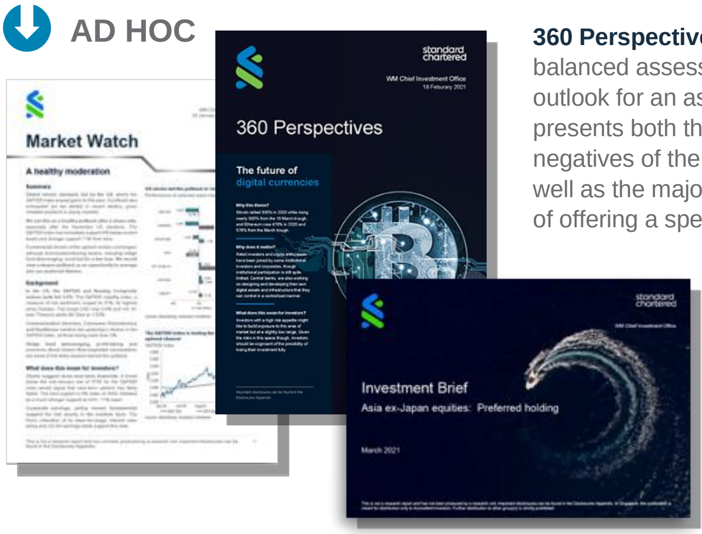
WEEKLY

Weekly Market View – Our weekly publication which provides an update on recent developments in global financial markets and their implications for our investment views.

DAILY

Global Wealth Daily is an early morning update of major economic and political events and their day-today impact on various assets classes the previous day.

AD HOC



360 Perspectives provides a balanced assessment of the outlook for an asset class. It presents both the positives and negatives of the asset class, as well as the major drivers, instead of offering a specific view.

Market Watch focuses on major events or market developments and their likely impact on our investment views.

Investment Brief explains the rationale behind our views on an asset class, incorporating the fundamental and technical drivers.

Speak to your Relationship Manager/Investment Advisor today for access to our security specific publications.

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Explanatory notes

1. The figures on page 5 show allocations for a moderate risk profile only – different risk profiles may produce significantly different asset allocation results. Page 5 is only an example, provided for general information only and they do not constitute investment advice, an offer, recommendation or solicitation. They do not take into account the specific investment objectives, needs or risk tolerances of a particular person or class of persons and they have not been prepared for any particular person or class of persons.

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Disclosures

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