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WS Global Chief Investment Office
26 April 2024

Global Market Outlook

Passing **Showers**

We believe the equity market pullback and the rise in bond yields have created an opportunity to add exposure to diversified Foundation allocations.

Higher-than-expected US inflation has been a key market concern, but most scenarios point to temporary weakness in markets as we expect disinflationary trends to return.

Within Foundation allocations, we continue to be Overweight equities, with a preference for the US and Japan, and Neutral bonds. Gold performed well as a short-term hedge, but may be due for a breather.

We also add Europe energy sector equities and South Korean stocks as Buy ideas within Opportunistic allocations

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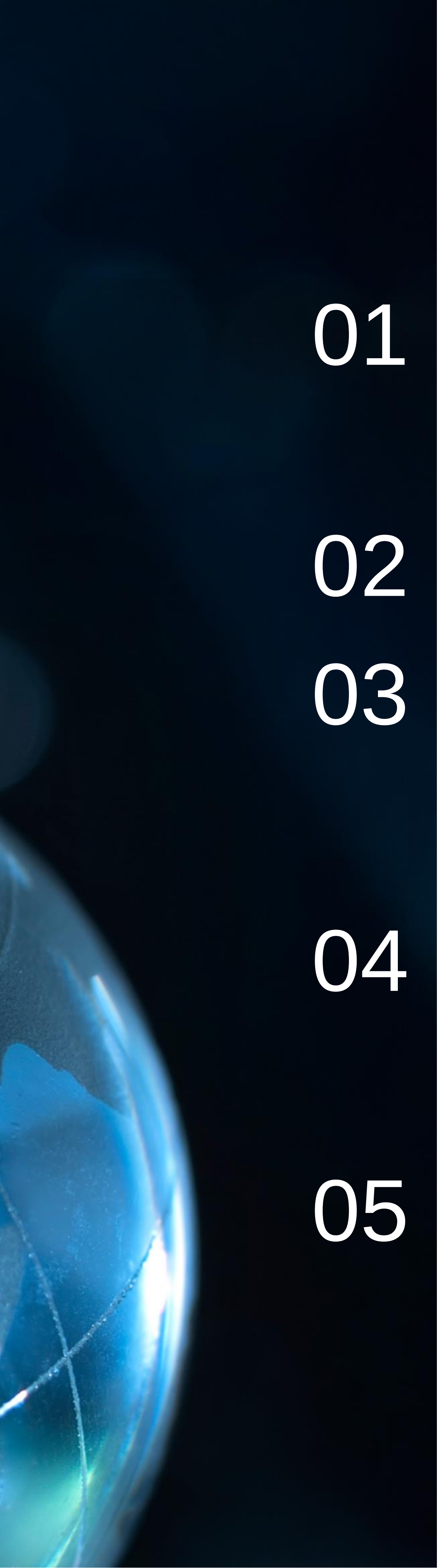
How to navigate an uncertain market environment?

What are the changes to your Strategic Asset Allocation model?

What is the signal from the quantitative models?



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Passing Showers

- We believe the equity market pullback and the rise in bond yields have created an opportunity to add exposure to diversified Foundation allocations. Higher-than-expected US inflation has been a key market concern, but most scenarios point to temporary weakness in markets as we expect disinflationary trends to return.
- Within Foundation allocations, we continue to be Overweight equities, with a preference for the US and Japan, and Neutral bonds. Gold performed well as a short-term hedge, but may be due for a breather.
- We add Europe energy sector equities and South Korean stocks as Buy ideas within Opportunistic allocations.

Inflation remains the central factor

After a stellar Q1 for equity markets, global equities turned almost 4% lower from a record high hit on 22 March amid two key concerns.

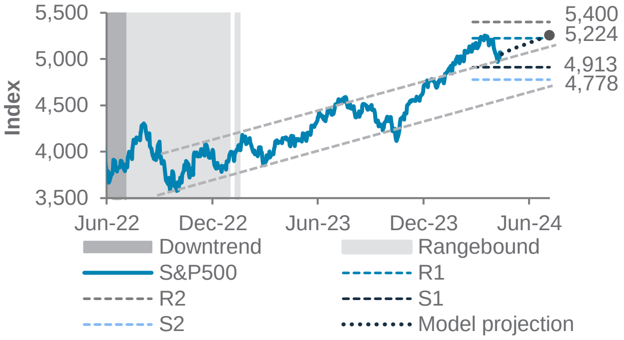
First, fears of an inflation resurgence. Several US inflation measures have beaten expectations in recent months. This led Fed Chair Powell to note that it may take 'longer than expected' to get to a point where the Fed would be comfortable cutting interest rates. Financial markets have slashed expectations for US interest rate cuts this year, from more than 150bps at the start of the year to around 40bps, pushing bond yields higher and equity markets lower.

Second, geopolitical concerns. Iran's attack on Israel raised concerns of an escalation of the conflict, which in turn could potentially disrupt the production and transportation of oil in the Middle East. However, these concerns seem to be ebbing with Israel's response seemingly aimed at avoiding further escalation.

Looking forward, we believe inflation holds the key to the outlook. In our view, a US soft landing environment is still the most likely outcome, but inflation has undoubtedly been hotter than what we would prefer. Therefore, while we still expect the Fed to cut rates this year, we believe the start of policy easing will be delayed beyond June and the Fed will cut only twice in 2024.

Fig. 1 Our technical model points to a short-term pullback in US stocks

S&P500 index and key technical levels



Source: Bloomberg, Standard Chartered

Fig. 2 US inflation has surprised on the upside in recent months

US inflation surprises index

Source: Citigroup, Bloomberg, Standard Chartered

Buy the dip

Against this backdrop, we believe that the current pullback is indeed temporary, based on two reasons.

The first reason is based on our view that US disinflation is likely to resume. In this scenario, 'immaculate disinflation' continues – a positive outcome for equities. A second scenario is one where growth and inflation both gradually decelerate – also a positive outcome for equities as long as a recession is avoided. A third scenario involves inflation continuing to rise, forcing the Fed to hike – a negative outcome for equities. We believe the third scenario remains the least likely. Therefore, we remain positive on equities as both the likely scenarios should be supportive.

The second reason is based on signals from our quantitative models. These remain bullish on equities and other risky assets on a 6-12-month horizon, regardless of whether we consider models focused on economic or market signals.

How large could a potential pullback turn out to be? Of the 3 key indicators in our short-term technical model, momentum has turned modestly negative. However, volatility and volume indicators remain supportive. Our short-term technical model overall remains bullish on the S&P500 over a 3-month horizon. This suggests that while near-term risks have risen, the chances of a deep and prolonged sell-off remains low.

This context, together with the well-known difficulty in precisely timing market peaks and troughs, is why we believe this is an opportunity to add exposure to diversified Foundation allocations that would benefit from the pullback in both equities and bonds. Investors who can hold on – and preferably add – to a diversified allocation through a market downswing are quite likely to outperform most other investors.

Taking a regional lens

Within equities, our regional preferences remain largely unchanged. We remain Overweight the US for its growth resilience, sensitivity to rate cuts and earnings. We are also Overweight Japan for its ongoing focus on shareholder-friendly reforms and continued JPY weakness - factors that give us confidence that the recent weakness is likely temporary. In contrast, we remain Underweight Euro area equities given the region's downside growth risks and likely underperformance of value-style equities in the current environment. However, we close our Underweight on UK equities given higher bond yields may not be as much of a headwind as we previously expected.

Within bonds, we raise our allocation to EM USD government bonds to Overweight while reduce EM local currency bonds to Underweight. On the first, we see the recent rebound in bond yields creating an opportunity of a still-attractive yield pick-up over US government bonds and improving fiscal balances. On the second, we believe EM currencies are relatively more vulnerable to recent USD strength, a factor that risks overwhelming the asset class's otherwise attractive yield.

Gold and other hedges

Gold has performed unusually well in 2024, rising about 13% year-to-date, on the back of US inflation surprises, demand for havens against geopolitical risk and short-covering after gold broke above its previous record high. Our concern is investor positioning, which seems crowded (usually indicative of a short-term reversal). This means that while we continue to like gold's properties as a hedge against some of today's key risks, we are happy to maintain a core allocation for now.

For those looking for either a hedge against the risk of higher oil prices, or an otherwise attractive opportunistic idea, we would look towards energy sector equities. In the US, we believe they are likely to outperform the broader market on improving earnings expectations. However, their correlation to oil prices means they also offer a potential hedge against any worsening of geopolitical risks that could disrupt oil supply.

Multi-Asset Income: Adding loans

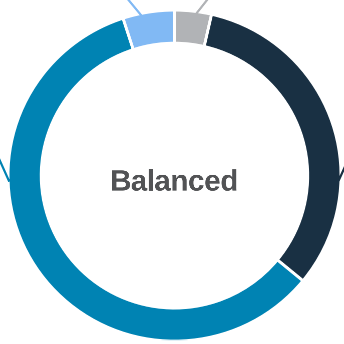
While the recent rebound in US bond yields has been a near-term headwind for asset class returns, the rise improves the outlook for income-focused investors. Our Multi-Asset Income strategy continues to offer what we see as an attractive yield.

This month, we increase our allocation to leveraged loans. In our view, this segment offers some mitigation against the risk of bond yields climbing higher in the short term, while taking advantage of attractive yields in short maturities.

Foundation asset allocation models

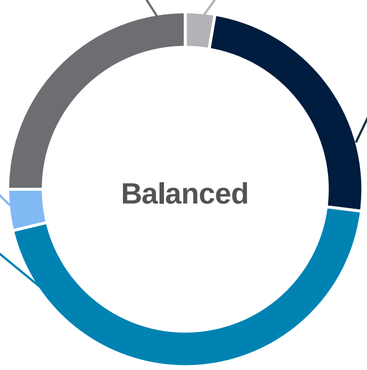
The Foundation and Foundation+ models are allocations that you can use as the starting point for building a diversified investment portfolio. The Foundation model showcases a set of allocations focusing on traditional asset classes that are accessible to most investors, while the Foundation+ model includes allocations to private assets that may be accessible to investors in some jurisdictions, but not others.

Fig. 3 **Foundation asset allocation for a balanced risk profile**



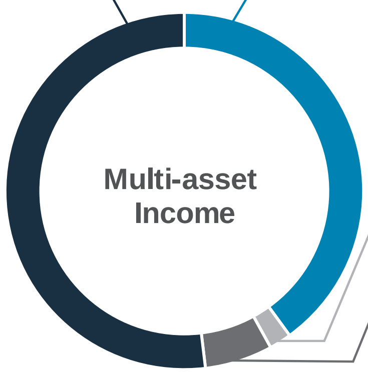
Gold	**5%**
Gold	5%
Equity	**59%**
North America	39%
Europe ex-UK	6%
UK	2%
Japan	5%
Asia ex-Japan	8%
Cash	**4%**
USD Cash	4%
Bond	**32%**
DM IG Government	11%
DM IG Corporate	11%
DM HY Corporate	3%
EM USD Government	4%
EM Local Ccy Government	1%
Asia USD	4%

Fig. 4 **Foundation+ asset allocation for a balanced risk profile**



Alternatives	**25%**
Alternatives	5%
Private Equity	6%
Private Real Assets	5%
Private Debt	9%
Gold	**4%**
Gold	4%
Equity	**44%**
North America	29%
Europe ex-UK	4%
UK	1%
Japan	4%
Asia ex-Japan	6%
Cash	**3%**
USD Cash	3%
Bond	**24%**
DM IG Government	8%
DM IG Corporate	8%
DM HY Corporate	2%
EM USD Government	3%
EM Local Ccy Government	1%
Asia USD	3%

Fig. 5 **Multi-asset income allocation for a moderate risk profile**



Bonds	**52%**
DM IG Government	7%
DM IG Corporate	5%
US Mortgage-backed Securities	4%
DM HY Corporate	22%
EM HC Government	6%
EM LC Government	2%
Asia USD	5%
Equity	**40%**
US High Dividend	18%
Europe High Dividend	9%
Asia High Dividend	9%
Global Infrastructure	2%
Global REITs	2%
Cash	**2%**
USD Cash	2%
Hybrids	**6%**
Covered calls	3%
Sub financials	3%

Source: Standard Chartered

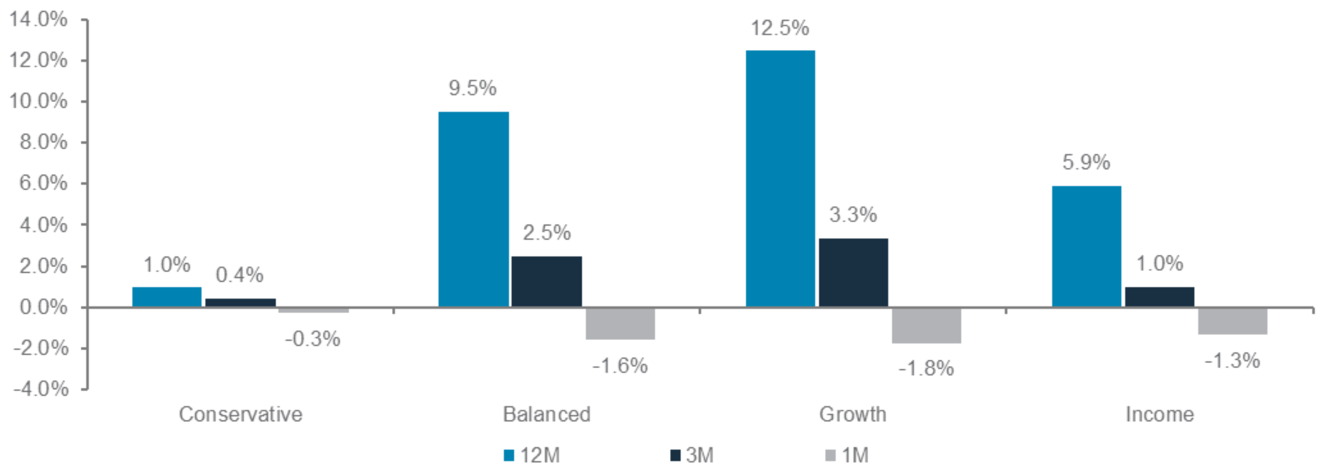
Foundation: Our tactical asset allocation views

	View	Detail
USD cash	▼	**+ Safety, real yields || - Risk of missing higher returns elsewhere**
Bonds	◆	
DM Govt	◆	**+ High credit quality, attractive yields || - High sensitivity to monetary policy**
DM IG Corporate	◆	**+ High credit quality, sensitive to falling yields || - Elevated valuations**
DM HY Corporate	◆	**+ Attractive yield, low rate sensitivity || - Elevated valuations, sensitive to growth**
EM USD Govt	▲	**+ Attractive yield, sensitive to US rates || - EM credit quality, election/political risks**
EM Local Ccy Govt	▼	**+ Attractive yield, room for policy rate cuts || - USD strength, election/political risks**
Asia USD	◆	**+ Moderate yield, low volatility || - China property contagion risk, elevated IG valuations**
Equities	▲	
North America	▲	**+ Strong earnings growth amid robust consumption || - Impact of high interest rates**
Europe ex-UK	▼	**+ Inexpensive relative valuations || - Still-weak cyclical & structural growth outlook**
UK	◆	**+ Attractive valuations, dividend yield || - Stagflation risks, political uncertainty**
Japan	▲	**+ Reasonable valuations, rising dividends/share buybacks || - Expected JPY strength**
Asia ex-Japan	◆	**+ Earnings rebound, China policy support || - China structural growth concerns**
Gold	◆	**+ Portfolio hedge, central bank demand || - Resilient USD**
Liquid Alternatives	◆	**+ Diversifier characteristics || - Equity, corporate bond volatility**

Source: Standard Chartered Global Investment Committee; **Green** = Upgrade; **Red** = Downgrade;

Legends: ▲ Overweight | ▼ Underweight | ◆ Neutral

Fig. 6 **Performance of our Foundation Allocations***



Source: Bloomberg, Standard Chartered

*12-month performance data from 25 April 2023 to 25 April 2024, 3-month performance from 25 January 2024 to 25 April 2024, 1-month performance from 25 March 2024 to 25 April 2024.

Perspectives on key client questions

Audrey Goh, CFA
Head, Asset Allocation

Tay Qi Xiu
Investment Strategist

How to navigate an uncertain market environment?

The US stock market's bull run has hit a rough patch of late. Successive higher inflation readings have challenged the disinflation thesis, and expectations of imminent Fed policy rate cuts have been pared. Bond yields have surged alongside the retreat in equity markets, raising concerns that there could be limited places for investors to seek refuge. In the face of renewed inflation risks, how should investors navigate the shifting and volatile environment ahead? Our views are as follow:

- It is important to recognise that it is normal for equity markets to experience bouts of volatility. Stay calm and do not resort to panic selling.
- A well-diversified portfolio is key to navigating the volatility ahead, as it lowers portfolio risks and outperforms a 60/40 stock-bond portfolio in most inflation/growth regimes.
- While there is a risk of a pullback in gold prices, the precious metal's role in the portfolio as a hedge against geopolitical and inflation risks remains compelling.
- Adding Energy equity sector exposures would serve as a buffer against correlated declines in both stocks and bonds when inflation is persistent

Stay calm and do not resort to panic selling

It is important to recognise that it is normal for equity markets to experience bouts of volatility. History has shown that the worst days in equity markets have tended to be followed by its best days (Chart 7). Therefore, panic selling during periods of declines and heightened volatility can significantly lower returns for long-term investors. Drawdowns in the S&P500 have also rarely exceeded 10% in non-recession periods. This means that further downsides in the S&P500 would likely be limited, especially if our view of a soft-landing holds true.

A well-diversified portfolio is key to navigating the uncertainties ahead

A well-diversified portfolio that allocates across a range of asset classes, each with varying characteristics and performing differently under diverse market conditions, is key to navigating the uncertainties ahead. This is particularly crucial as we see the US economy heading towards crossroads.

Fig. 7 Staying invested through downturns tends to generate better returns than trying to time the market

S&P500 returns, including after leaving out the best 'up' days*

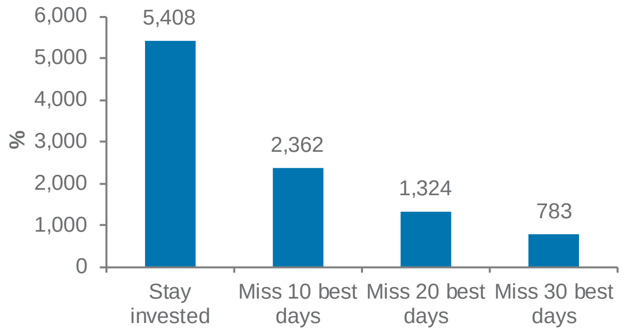
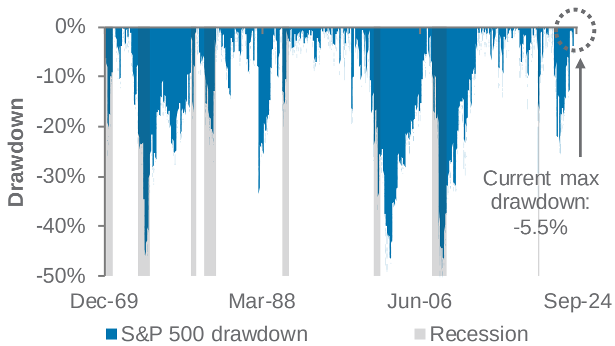


Fig. 8 The drawdown in the S&P 500 has thus far been relatively minor

Drawdown of the S&P500 index



Source: Bloomberg, Standard Chartered. *Data dating back to 1970.

Investors need to maintain an allocation to equities to benefit from the upside should economic conditions remain resilient. They also need to allocate to bonds to hedge against the risk of a recession, to energy commodities and gold to protect the portfolio against the risk of inflation, and to cash and liquid alternatives for a source of less correlated returns. In fact, the risk-adjusted returns of a diversified portfolio have exceeded those of a 60/40 stock-bond portfolio in most growth and inflation regimes, underperforming the 60/40 portfolio only in a Goldilocks environment where a larger equity allocation tends to be more beneficial.

Fig. 9 A diversified portfolio outperforms a 60/40 portfolio in most growth/inflation regimes

Risk-adjusted returns of 60/40 vs a diversified portfolio*

60/40 portfolio

		Real GDP growth		
		<2%	2 - 4%	>4%
Inflation	<2%	0.48	0.72	3.65
	2 - 4%	0.46	1.88	2.01
	>4%	-0.96	0.65	0.97

Diversified portfolio

		Real GDP growth		
		<2%	2 - 4%	>4%
Inflation	<2%	0.50	0.66	3.71
	2 - 4%	0.72	1.99	2.03
	>4%	-0.83	0.79	0.98

Source: Bloomberg, Standard Chartered. *Diversified portfolio defined as a 55% allocation to equities, 35% to bonds, 5% to gold and 5% to cash. Data since Q1 1990.

Gold's role in the portfolio remains compelling, even as the risk of a pullback remains high

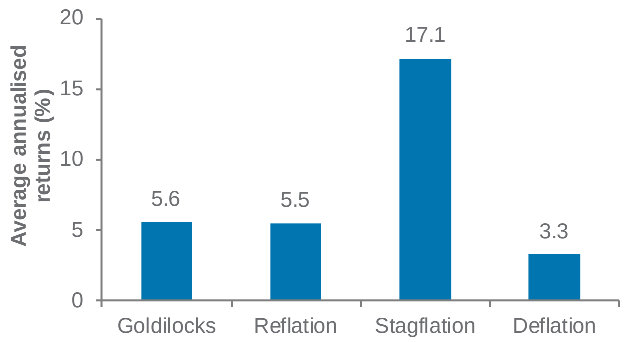
Gold has decoupled from historical fundamental drivers such as real rates and the USD in recent months to rally to a fresh record high. And while we would not recommend chasing the rally (see page 14), gold's role in the portfolio as a hedge against geopolitical tensions and inflation risks remains compelling. Gold has shown the tendency to be an all-weather asset, with the ability to provide positive returns during any growth and inflation regimes. (Chart 10) Gold's outperformance during stagflationary environments, when growth is slowing and inflation is rising, stands out, and an allocation to gold in the portfolio would be a good hedge against the risk of inflation staying persistent.

Oil as a hedge against geopolitical tensions and inflation

While we expect the conflict in the Middle East to be contained, the situation on the ground remains fluid, and a further escalation in the conflict cannot be ruled out. Should Iranian oil production or the passage of tankers through the Strait of Hormuz come under risks, oil prices may spike, and a geopolitical risk premium in oil prices may persist. Exposure to energy commodities in the portfolio is thus vital to hedge against an escalation in tensions.

Fig. 10 Gold stands out as an all-weather asset, providing returns in any inflation/growth regimes

Gold's average annualised returns in various growth/inflation regimes since Q4 1959*



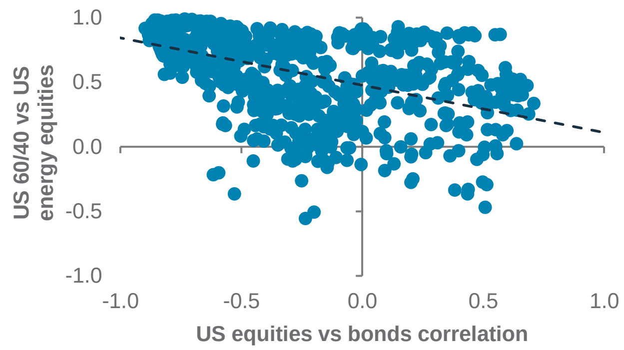
Source: Bloomberg, Standard Chartered. *Goldilocks: Deceleration in inflation, acceleration in growth. Reflation: Acceleration in growth and inflation. Stagflation: Acceleration in inflation, deceleration in growth. Deflation: Deceleration in inflation and growth

Energy equity sector as a complement to the 60/40% stock-bond portfolio

Beyond geopolitics, the energy equity sector is also well-placed to complement a 60/40% stock-bond portfolio during periods of sticky inflation and elevated stock and bond correlation. Rising inflation and real bond yields tend to weigh on both stocks and bonds, especially if they are not accompanied by better growth. This was true in 2022, when bonds did not act as a buffer to equity sell-offs, and the 60/40% stock-bond portfolio recorded its worst performance in decades. However, our analysis has shown that when the correlation between stocks and bonds turned positive, the correlation of the 60/40% portfolio with the US energy sector was more negative. The US energy sector is thus well-placed to serve as a buffer against a correlated decline in both stocks and bonds, especially if the disinflation thesis comes under increasing challenge.

Fig. 11 In periods when the equity-bond correlation has been positive, the energy equities sector has usually acted as a buffer for 60/40 portfolios

3-month correlation of weekly returns



Source: Bloomberg, Standard Chartered. Data from 2010.

Macro overview – at a glance

Rajat Bhattacharya
Senior Investment Strategist

Key themes

Sustained US growth. US growth estimates have been revised higher as a burst of immigration last year helped in easing a labour supply crunch and sustained consumption. A recovery in global trade to also likely to help sustain the economic expansion over the next 12 months. In Europe, growth remains below trend as record high ECB rates tighten financial conditions, especially in Germany, which also faces structural challenges, such as higher energy costs and the green transition. Nevertheless, Spain and Italy are likely to benefit from the sustained fiscal support. China's economy is gradually recovering, aided by policy support.

US heating up again: US inflation has surprised on the upside lately as shelter prices and some service sector inflation remain sticky. We expect inflation to resume last year's downtrend in H2 as official shelter prices catch up with declining market rents. Euro area inflation is likely to cool further as growth slows. China's disinflationary trend is linked to its property market downturn.

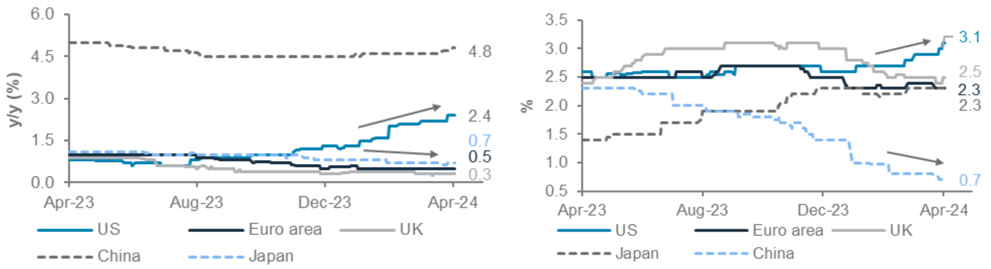
Pushing back Fed rate cuts: We now expect the Fed to start cutting rates in H2 (instead of June). A gradual decline in inflation in H2, albeit ending the year above the Fed's 2% target, is likely to allow a total 50bps of cuts this year. The ECB is likely to start easing in June as inflation declines further. China is likely to ease policy again in H2 to support growth.

Key chart

US growth and inflation estimates have been revised higher lately due to sustained consumption and sticky shelter and service sector inflation; other economies, especially China, continue to see a disinflationary trend

Fig. 12 **US growth, inflation estimates upgraded; China struggles with disinflation**

Consensus 2024 GDP growth and inflation estimates across major economies



Source: Bloomberg, Standard Chartered

Macro factors to watch

US expansion continues. US 2024 growth estimates have been revised higher. Although the pace is slowing (Q1 24 q/q annualised growth slowed to 1.6%, from 3.4% growth in Q4 23 and 4.9% in Q3 23) and April's PMIs softened, underlying growth remains robust, despite the Fed's prior rate hikes. The resilience can be partly explained by robust corporate and household balance sheets, initially due to post-pandemic stimulus, followed by easing financial conditions since Q4 23.

The economy has received an additional boost since last year from a surge in immigration, easing labour shortages and wage pressures, while sustaining consumption. We see these trends extending into H2 and thus assign an 85% probability the US expansion will continue in the next 12 months. Resilient growth and a revival in service sector inflation are likely to cause the Fed to delay rate cuts to H2. We expect growth and inflation to eventually slow later this year as high rates start to hurt the weaker economic segments. The Fed is then likely to cut rates by 50bps by December to aid growth.

Euro area diverges. Euro area growth remains below trend and inflation continues to slow. The region faces headwinds from tightening lending conditions and record high policy rates. Additionally, Germany faces structural challenges from higher energy costs and green energy transition. While this is likely to be partly offset by sustained fiscal support in Italy and Spain, we expect the ECB to start easing policy in June to help sustain the expansion. Heightened geopolitical risks are leading Europe to boost defence spending. Any relaxation in the EU's fiscal rules could be positive for the region's growth.

China recovering. China's growth rebounded to 5.3% in Q1, beating estimates. The upturn has been led by the industrial and export sectors, the latter aided by a rebound in global trade. A series of monetary and fiscal support since last year appears to have stabilised the economy. Nevertheless, a continued downturn in the property sector remains the biggest drag on business and consumer confidence, which is also reflected in sustained disinflationary pressures and depressed domestic consumption. We expect further easing of monetary policy in H2 to revive confidence and support growth.

Bonds – at a glance

Cedric Lam
Senior Investment Strategist

Zhong Liang Han, CFA
Investment Strategist

Key themes

We have a **Neutral** allocation to Developed Market (DM) Investment Grade (IG) government bonds. The rise in US government bond yields has further improved the risk-reward balance, although upside inflation surprises are headwinds that are likely to keep the Fed on hold for longer than previously anticipated. We revise our 3-month target and 12-month target of the benchmark 10-year US government bond yield higher to 4.50-4.75% and 4.0%, respectively.

Higher government bond yields have naturally pushed DM IG corporate bond yields higher. However, a low yield premium over underlying government bonds, relative to history, leads us to maintain a **Neutral** allocation here as well. The same rationale is extended to DM High Yield (HY) corporate bonds, where we also have a **Neutral** allocation.

In Emerging Markets (EM), we have upgraded USD government bonds to an **Overweight**. EM fundamentals continue to strengthen, with fiscal balances improving to pre-pandemic levels. We view the current yield and asset class sensitivity to US bond yields as attractive. Separately, the differentiation in fiscal policies and EM currency volatility have led us to have an **Underweight** allocation to EM local currency government bonds. We remain tactically **bullish on INR-denominated bonds**.

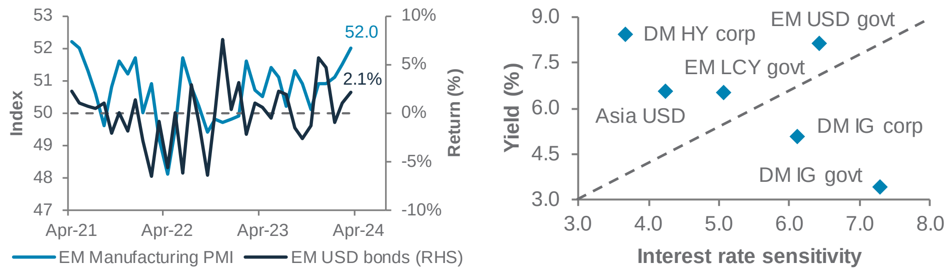
In Asia, a mixed economic backdrop among regional countries leads us to have a **Neutral** Asia USD bonds allocation. Within this, we have a slight tilt towards Asia HY bonds over Asia IG bonds.

Key chart

Stronger EM fundamental backdrop is a key driver of EM USD government bonds' outperformance; EM USD government bonds offer attractive yields comparable to DM High Yield corporate bonds

Fig. 13 **Fundamental backdrop of Emerging Market has been improving**

EM manufacturing PMI and MoM EM USD bonds returns; Bond asset classes yield and interest rate sensitivity



Source: Bloomberg, Standard Chartered

Tactical idea: Buy EUR-denominated government bonds

Inflation outlook in Euro area appears to be less sticky than the US, offering buffer for the ECB to loosen monetary policy ahead of the Fed. The weaker economic data released in recent weeks suggests Euro area economic outlook has been weakening. The dovish signal delivered by the ECB governing members this month reinforced our expectation that the ECB could cut interest rate in June. We retain our tactical buy in EUR-denominated government bonds.

Tactical idea: Buy US inflation-protected government bonds

We retain our tactical buy on US inflation-protected government bonds (TIPS) as a hedge against risks of reflation. Although our base case scenario is a disinflationary outlook in a soft-landing economic backdrop, which typically supresses TIPS performance. In the near term, we anticipate that the rise in commodity prices will likely cloud the inflation outlook. As such, we retain our tactical buy in US inflation-protected government bonds.

Tactical idea: Buy INR-denominated bonds

India's better-than-expected GDP growth and trade deficit data released this month continue to bolster the macroeconomic outlook. Our expectation for Indian Rupee to remain largely rangebound over the next 12 months (USD/INR forecast: 84), coupled with the fact that INR volatility remains the lowest among EM peers, has provided a stable foundation. We maintain our view that the risk-reward balance of INR-denominated bonds remains attractive and, therefore, we retain our tactical buy recommendation.

Equity – at a glance

Daniel Lam, CFA
Head, Equity Strategy

Fook Hien Yap
Senior Investment Strategist

Michelle Kam
Investment Strategist

Jason Wong
Equity Analyst

Key themes

Short-term volatility can create buying opportunities. We are Overweight US equities. US macro data has been solid, offsetting the less supportive Fed outlook. US companies continue to display strong pricing power, resulting in solid net margins. We are also Overweight Japan equities. The earnings outlook is improving, ROE is rising and valuations are still attractive. The hawkish Fed is soothing some concerns about the risk of a significant rise in JPY against the USD.

We are Neutral Asia ex-Japan equities. India is our biggest Overweight. Its economy is growing the fastest among key markets within the region, and its companies have strong ROEs, justifying its expensive valuation. Korea and Taiwan are our two other Overweight positions. The tailwinds from semiconductor and AI-themes justify their heavy positioning. We are Neutral China equities. There is low expectations on the macro data, and positioning is very light - these counteract against deflationary risks and issues with its property markets. We are Neutral China onshore versus offshore. Lastly, we are Underweight ASEAN, which is overly defensive in a growth environment.

We are upgrading UK equities to Neutral. A higher-yield environment help value sectors. Euro area equities is our Underweight. Cheap valuation reflects weak EPS growth. Consumer confidence remains weak, and service inflation remains sticky.

Key chart

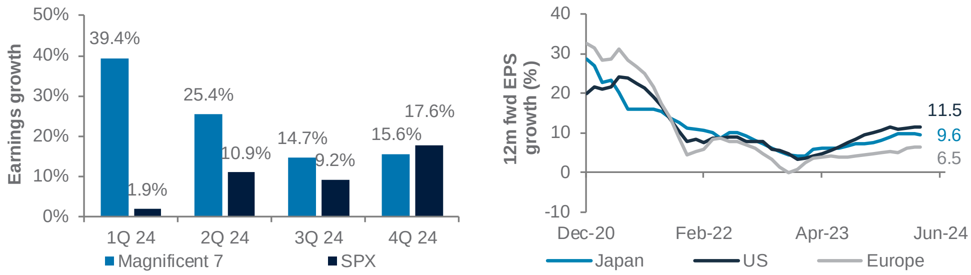
US equities broadening out. Earnings growth remains strong in US companies, as also in Japan equities

Index	12m forecast	Upside to price target*
S&P 500	5,500	9%
Nasdaq 100	19,400	11%
Euro Stoxx 50	5,200	5%
FTSE 100	8,600	6%
Hang Seng	18,500	7%
Nikkei 225	41,600	11%

* Based on closing levels on 25 April, 2024

Fig. 14 **US corporate earnings broadening out from the Magnificent-7 into other sectors. US and Japan economies and company earnings growth remain strong**

US projected earnings growth by quarters; 12-month forward EPS growth in the US, Japan and Europe



Source: FactSet, Bloomberg, Standard Chartered

Volatility creates opportunities

We retain an Overweight allocation to global equities in view of a resilient macro growth outlook. The resurgence in market volatility because of excessive positioning is likely to underscore buying opportunities in the medium term.

We are Overweight US equities amid solid corporate margins. Declining earnings growth expectations by the technology sector are offset by the broadening out of growth estimates to other value equities, in our view. Consensus forecasts are for the broader S&P500 index to climb to 17.6% by Q4 24, surpassing those of the 'Magnificent-7' stocks.

We also have an Overweight allocation to Japan equities. The recent pullback in major benchmarks is an attractive opportunity to add to the region amid catalysts of a weakening JPY, improving corporate governance, and favourable BoJ policies, despite its termination of negative interest rate policy in March. Valuations are reasonable, with the MSCI Japan index trading at an 11% discount to global equities, still in line with its long-term average.

We have a Neutral allocation to Asia ex-Japan equities. We are Overweight Korea and Taiwan within AxJ to benefit from the AI frenzy. We also favour India on its strong domestic growth. In contrast, we are Underweight ASEAN in view of subdued fund inflows. We retain a Neutral allocation to China equities, while we see the recent China State Council's draft guidelines on tightening stock trading regulations as supportive of onshore equities in the near term.

We are upgrading UK equities to Neutral. They are defensive and valuations are appealing – MSCI UK index is trading at a 12m forward P/E of 11x, 0.5 SD below its long-term average. However, bearish EPS growth remain as key downside risk.

We are Underweight Euro area equities on subdued economic environment and downward-revised earnings growth expectations.

Equity opportunistic views

Fook Hien Yap
Senior Investment Strategist

Adding to Opportunistic buy ideas

- We target positive absolute returns in our Opportunistic buy ideas. On top of the existing five ideas, we add two more: Europe energy sector and Korea equities.

New buy ideas

Europe energy: Oil demand, disciplined supply and geopolitical tensions have supported crude oil prices this year. This is supporting strong free cash flows at the integrated oil companies that dominate the Europe energy sector. The sector offers the highest dividend and share buyback yield that we believe can be sustained. A fall in the oil price is a risk.

Korea equities: The pullback in April 2024 offers an attractive buying opportunity, in our view. We expect a rise in semiconductor chip prices to drive an earnings rebound, given their large weight in Korea. We also expect the 'Value-up' programme to improve corporate governance and attract inflows as valuation remains attractive. Any weakness in memory chip prices is a risk.

Existing buy ideas

US technology: Inflation concerns weighed on the valuation of growth stocks in April 2024, but we expect this to reverse, as inflation resumes its decline. In addition, we continue to see strong earnings growth driven by AI spending and cloud computing. Any weakness in AI spending is a risk.

US communication services: Similarly, we expect this growth sector to benefit when inflation falls. The ongoing recovery in digital advertising and the demand for online entertainment continue to support earnings momentum in the sector. A downturn in digital advertising is a risk.

US energy sector: As we expect the oil price to be supported around the current levels, we continue to see upside risks to the consensus estimate for a drop in 2024 earnings. The sector continues to offer strong cash flows and presidential candidate Trump is a supporter of the energy industry. A fall in the oil price is a risk.

India large cap stocks: We expect the uptrend to continue with policy continuity through the ongoing elections. India's structural story of superior growth in Asia continues to be the driver of returns, in our view. A risk is weaker-than-expected growth.

China non-financial high dividend SOEs: We continue to see investor demand for high dividend yielding SOEs. SOE management continues to have an incentive to improve their market value and we focus on non-financial SOEs due to the lack of clarity on the financial sector's support for the distressed property sector. Adverse regulatory changes are a risk.

Fig. 15 **Opportunistic buy ideas**

Region	Idea	Initiation
US	Communication services sector	27-Mar-24
	Energy sector	27-Mar-24
	Technology sector	27-Mar-24
Europe	*Energy sector	25-Apr-24
Asia	China non-financial high dividend SOEs	27-Mar-24
	India large cap	27-Mar-24
	*Korea equities	25-Apr-24

Source: Standard Chartered. * New idea

Sector views: Growth and inflation barbell

Our sector barbell strategy is evolving. We prefer sectors with secular growth exposure to the US and Europe, balanced by energy, which would benefit from inflation and geopolitical factors. In China, we continue to look for growth in consumer spending along with a cyclical recovery in technology hardware and industrials.

Fig. 16 **Our sector views by region**

US	Europe	China	India*
Comm.	Healthcare	Comm.	Discretionary
Technology	Energy ▲	Discretionary	Industrials
Energy	Technology	Technology	Healthcare
Healthcare ▼	Discretionary ▼	Energy ▲	Technology
Industrials	Industrials	Industrials ▲	Financials
Discretionary	Financials	Staples ▼	Staples
Staples	Staples	Financials	
Financials	Comm.	Utilities	
Materials ▲	Materials ▲	Materials ▲	Utilities
Utilities	Utilities	Healthcare	Energy
Real estate	Real estate	Real estate	Materials

Source: Standard Chartered. *Commentary in India Market Outlook

Legends: Overweight | Neutral | Underweight
▲ Upgrade from last quarter | ▼ Downgrade from last quarter

FX – at a glance

Iris Yuen
Investment Strategist

Key themes

We are modestly bullish on USD over the next three months. Resilient US data is delaying the likely timing and magnitude of US monetary policy easing this year. Meanwhile, geopolitical tensions in the Middle East have triggered a safe haven bid for the greenback. However, the USD has been showing signs of exhaustion lately with the likely peaking of US government bond yields and easing of geopolitical tensions. Therefore, we expect the DXY's upside to be capped and the index to consolidate with a three-month target of 107. **We maintain our rangebound 12-month USD view, with a bearish bias, but revise the 12 month USD index (DXY) forecast to 105.** The USD is likely to lose momentum once the Fed starts to cut rate in H2 24. Additionally, we expect a faster decline in Euro area inflation than the US, which may lead to further compression of the USD's real interest rate differentials against other major economies and push the USD lower.

We revise our EUR/USD forecasts lower to 1.04 and 1.05 on 3-month and 12-month horizons, respectively. A few ECB Governing Council members have suggested June may be the right moment to cut interest rates**.** Furthermore, the potential negative impact of higher energy prices may act as a headwind for the region and the EUR. **We expect GBP/USD to remain largely rangebound with a bearish bias over the next 3-month and 12-month horizons,** as dovish MPC comments, political uncertainty and lower inflation weigh on the currency.

USD/JPY is expected to plateau around 156 over the next three months as expectations for potential official FX intervention mounts. We are bearish on the pair over 12-month horizons as we expect a gradual rise in Japan government bond yields to narrow interest rate differentials. **USD/CNH is likely to remain stable in the near term** as a convergence in China's monetary policy and those of Developed Markets is likely to be counteracted by policy support around the 7.30 level. However, China's modest growth should push the pair towards 7.28 in the next 12 months. We remain bullish on **commodity currencies (especially the AUD and the NZD)** as they are likely to benefit from higher commodity prices, especially if geopolitical tension rises in the Middle East.

Key chart

The real rate differentials suggest the USD is at its fair value. A further compression of USD's real interest rate differentials in mid- to long-term is likely to put downward pressure on the USD

Our revised 3-month and 12-month FX forecasts

Fig. 17 **Real interest rate differentials, a key driver of USD**

DXY index, DXY-weighted interest rate differentials*; Table of forecasts

Currency	3m forecast	12m forecast
USD (DXY)	107	105
EUR/USD	1.04	1.05
GBP/USD	1.21	1.22
USD/JPY	156	150
AUD/USD	0.64	0.67
NZD/USD	0.59	0.61
USD/CAD	1.36	1.38
USD/CNH	7.30	7.28
USD/CHF	0.92	0.90
USD/SGD	1.37	1.36

Source: Bloomberg, Standard Chartered
*Derived using 10-year inflation-linked government bonds; As of 23 April 2024

What is the outlook for haven currencies?

The Middle East tension has been closely watched by the market. Historically, escalating tensions pose an upside risk to safe-haven currencies. However, we have seen temporary aberrations lately, i.e., the JPY and the CHF have not benefitted significantly compared with the USD. In Japan, the BoJ policy normalisation magnitude has been gradual and minimal in March. While USD/JPY broke above its previous intervention risk level of 152, there has been no official action yet. It is likely the JPY will only regain strength once the BoJ raises rates again in autumn 2024 and the Fed starts to cut rates. The market is also suspecting that the SNB is no longer supporting the currency with purchases as Swiss foreign reserves have rebounded from a 7-year low. The market is pricing in a c70% rate cut possibility from the SNB in June 2024. Thus, we see USD/CHF at 0.92 within three months.

Gold, crude oil – at a glance

Zhong Liang Han, CFA
Investment Strategist

Key themes

We revise higher our 3-month gold forecast to USD 2,300/oz and continue to have a Neutral allocation in our portfolios. The yellow metal defied rising real yields to scale fresh all-time highs on the back of continued strong official sector and physical demand, particularly in China. Tactical positioning has also risen as investors added gold to hedge against the heightened geopolitical risks and reflationary signs. In our view, the recent price action suggests that real yields are less of a headwind at least for now. Put together, we see continued resiliency in the precious metal. Over the longer term, while we still expect the next leg of rally to be driven by rate cuts, our expectations of delayed rate cuts and the reduced role of the real yields mean that the gains are likely to be limited. Therefore, our 12-month forecast is only slightly higher at USD 2,325/oz.

We expect WTI oil to remain volatile around USD 89/bbl in the near term on tighter demand-supply. Crude oil prices have receded from the 5-month high posted during the initial Iran attack on Israel. It appears that the geopolitical risk premium is easing, but oil prices could spike on any bad tidings. The risk of further escalation and even a broader fallout, while low, is not negligible. Furthermore, the second-order effects of the conflict, such as the ramp-up of sanctions on Iranian crude oil, could exert upward pressure on oil prices. Elsewhere, there are downside supply risks lingering in the background. Demand, on the other hand, is creeping up in recent months. In the long run, the focus would return to the longer-term demand-supply forces, which we assess to be finely balanced, fading the WTI oil to around USD 82/bbl.

Key chart

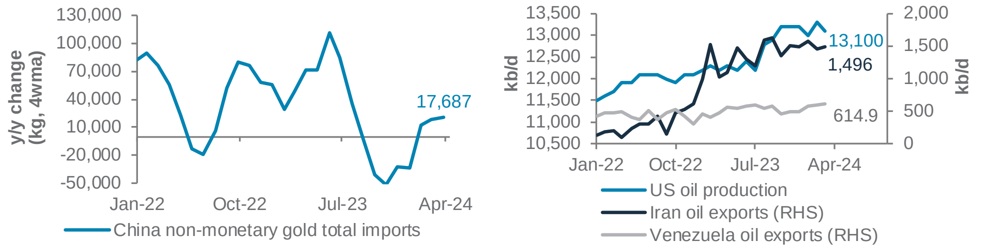
Gold demand in China is robust, supporting gold prices

Global crude oil supply sees new downside risks

Fig. 18 **China gold imports surged in Q2, reflecting strong retail demand; Supply risks in the US, Iran and Venezuela are upside risks to oil prices**

LHS chart: China non-monetary gold imports

RHS chart: US crude oil production, Iran oil exports and Venezuela oil exports



Source: China Customs, Bloomberg, Standard Chartered

Chinese demand powers the rally

Earlier in the year, we wrote about how China would be a key source of gold demand this year. That is coming through in the recent data. First, the PBoC reported 17th straight monthly purchase (5 tonnes) in March, adding to the 22 tonnes purchases in the first two months of 2024. Second, retail shoppers also accumulated gold in the lead up to Lunar New Year as imports surged 34% y/y in Q1 and local market premium jumped. Third, Chinese gold ETFs saw the fourth consecutive monthly inflows in March, a stark contrast to the weak global trend. Coupled with the surge in gold prices, Chinese gold ETF AUM hit a record high of USD 5bn at the end of last month.

All this data reflects robust demand from retail buyers, investors, and central bank as they seek to diversify their assets to bullion as a store of value in these uncertain times.

Oil supply risks skewed to the downside

Oil supply has been constrained going into this year after OPEC+ announced 2.2mb/d of supply cuts last November, followed by an extension in March. Some of the offsetting factors were US's record-high production, the return of Iranian and Venezuelan oil flows following the relaxation of sanctions. However, there were some material developments in these factors: 1) US production appears to be peaking out as Q1 supply weakened; 2) US has moved to broaden curbs on Iranian oil; 3) US re-imposed sanctions on Venezuelan oil after the temporary relief, disrupting its 600kb/d exports. Furthermore, Mexico is also reported to be reducing its exports by 330kb/d due to strong domestic demand. That said, the net impact to supply would be less than what the numbers suggest as Biden could grant waivers to the sanctions and sanctioned countries could redirect its flows.

Quant perspective: Prefers equities over bonds, do not chase gold

Francis Lim
Senior Quantitative Strategist

Maggie, Au Yeung
Quantitative Analyst

Summary

Fundamental factors in our quantitative model remain supportive of equities over the next 3 to 6 months. Our stock-bond rotation model has generated 2.0% YTD alpha relative to a 60/40 equity/bond portfolio, despite slightly underperforming in April due to recent equity weakness. Fundamentals remain key supportive factors as macro risk remains contained and most economic data continues to surprise to the upside. Falling net-earnings upgrades is a counter factor, but any upside surprises in the ongoing US earnings season could turn this around and further strengthen the model's conviction.

Probability of a deep sell-off in equities remains low over the next 1 to 3 months. The S&P500 retreated by 3.9% from its all-time high in March following a repricing of Fed cut expectations and the anxiety surrounding the Middle East conflict. However, it will take another 6.1% fall to even reach a correction territory and the current level is already near the channel-line support. While near-term risks have risen, our technical model, which relies on momentum, volatility and volume indicators, stays bullish for the next 3 months.

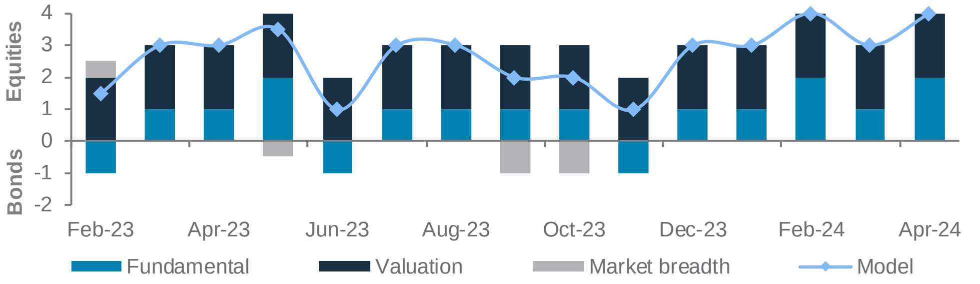
Do not chase Gold as investor positioning looks stretched. Gold had a tremendous rally since March as the recent market events have shifted investors' focus towards safe-haven and inflation-hedge assets. Our diversity indicator has flagged for stretched investor positioning in gold since early April, which implies limited upside in chasing the rally. Gold has already retraced by 2.4% after rising 7.3% initially since March.

Key chart

Fundamental and valuation factors remain pro-risk despite recent global equity weakness

Fig. 19 **Breakdown of stock-bond rotation model's scores since inception in Feb-2023**

Model scores as the sum total of fundamental, valuation and market breadth factors



Source: Bloomberg, Standard Chartered

Fig. 20 **Long- and short-term quantitative models are bullish risky assets**

Long-term models below have a typical time horizon of 3 – 6 months, while short-term models have 1 – 3 months horizon

Long-term models			Short-term models	
Prefer equities over bonds	**Risk of a deep sell-off remains low**	**Prefer risky assets**	**Bullish equities**	**Don't chase gold**
Stock-bond rotation model	**Equity-bond market risk model**	**Macro regime model**	**Technical model**	**Market diversity model**
A monthly scorecard of -5 to 5 based on fundamental, valuation and market breadth factors to indicate relative preference of equities over bonds.	Risk barometers used to gauge the likelihood of large sell-off in US equities and bonds. They range from 0–100; a higher value indicates lower risk.	A macro model of global economic cycle (recession, recovery, late cycle and stagflation) and implications on long-term asset returns.	Identifies markers for a bear market using momentum, volatility, and volume indicators. Leverages machine learning to cut through market noises.	A market indicator that provides a timely indication of investor positioning in various assets based on price actions.

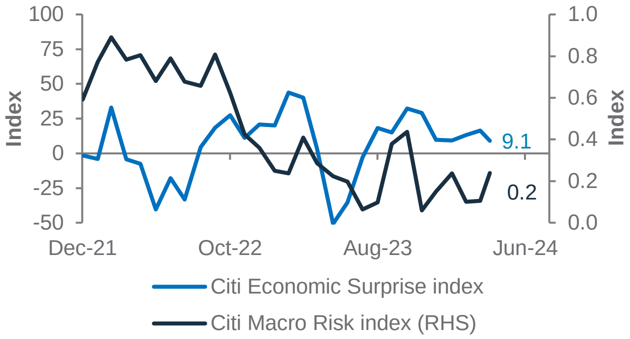
Source: Standard Chartered

Stock-bond model: Still prefer equities

Our stock-bond model is scoring 4, which is bullish for equities. Since its inception in February 2023, the model has been OW global equities and UW global bonds. This has paid off with its 19% absolute return (or 3.9% in alpha). In April, the model slightly underperformed by 25bps given a 3.5% retreat in global equities (vs. 2.4% retreat in global bonds).

Fig. 21 Macro risk is still contained while economic surprises remain positive and rising

Still-supportive macro backdrop



Source: Bloomberg, Standard Chartered

Fundamental: Bullish equities. The macro backdrop is positive as risks remain largely contained and economic surprises remain positive. The recovery in ISM manufacturing sector new orders is likely to support the earnings momentum, which has been slowing and detracting from the model's view.

Valuation: Bullish equities. Global and Asian equities are trading within 1 standard deviation of their 5-year historical average of forward price-to-earnings ratio (lagged).

Market breadth: Neutral. Global equities were supported by a broadening of performance across equity markets, but our contrarian indicator shows net-advances in stocks are already at 2 standard deviations above the 5-year historical average.

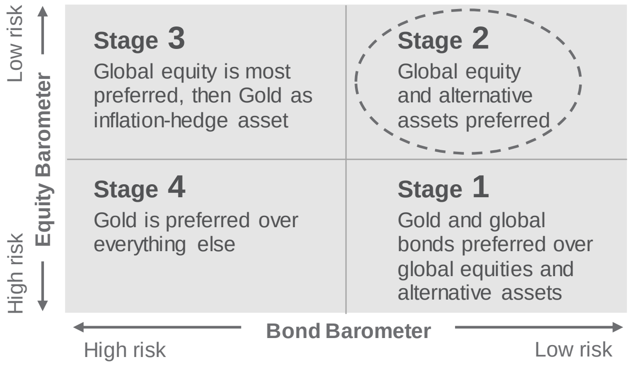
Equity-bond risk: Deep sell-off unlikely

Our equity-bond market risk (EBMR) model continues to indicate low probabilities of a sharp sell-off in both US equities and US government bonds. Momentum indicators remain the key supportive factors for the equity barometer (73). While higher interest rates have been negative, their effects have been diminishing since Q4 23. A clearer improvement in economic data such as the US housing starts will likely solidify the barometer's current position on equity market risks.

Meanwhile, the bond barometer (57) has maintained a low market risk stance since May 2022. Despite continued gyrations in the US government bond index, the current environment is far better than the 12% drawdown in 2020–2022, when the bond barometer suggested high bond market risks. Currently, the rise in commodity prices and the nascent recovery in ISM manufacturing sector activity are yet to cause the bond barometer to fall into the high-risk territory (due to inflationary concerns).

Fig. 22 EBMR expects low market risks

US equity and bond market risk barometers



Source: Standard Chartered

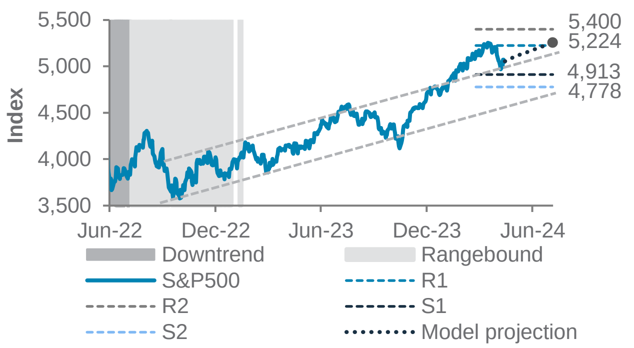
Based on our quadrant analysis of the equity and bond risk barometers, we are in the Stage 2 environment where global equities and liquid alternatives have historically performed.

Technical: Bullish equities for next 3 months

Our technical model takes learning from the past behaviours of momentum, volatility and volume indicators to identify a bear market. These models maintained an overall bullish view on equities despite their recent pullbacks, as longer-term momentum and still-low volatility levels remain supportive. The exception is Japan, where short- and medium-term momentum has turned negative along with volatility rising closer to levels seen in past bear markets.

Fig. 23 Our technical model suggests S&P500 has the highest upside despite recent weakness

S&P500 challenging channel-line support



Source: Bloomberg, Standard Chartered

Fig. 24 Technical model's 3-month view across equities

Equities	Model	Momentum	Volatility	Volume	3M upside**
US	●	○	●	◐	4.1%
Europe (USD)	●	◐	●	●	2.1%
UK (USD)	●	●	●	◐	1.1%
AxJ (USD)	●	●	●	●	1.0%
China (USD)	●	●	○	●	0.6%
Japan (USD)	○	○	○	●	-2.2%

Source: Bloomberg, Standard Chartered; as on 25 April 2024

**Upsides are estimated from returns in periods when momentum, volatility and volume indicators behaved like the current period

Legends: ○ Bearish ◐ Neutral ● Bullish

Refreshing our long-term SAAs

Audrey Goh
Head, Asset Allocation

About Strategic Asset Allocation

A strategic asset allocation is a long-term investment strategy that sets how much one allocates to various asset classes in a portfolio. Our Strategic Asset Allocation models (SAA) are at the core of our decision-making process. Our SAAs are key to building healthy foundation portfolios with optimal risk-adjusted returns. Think of these as a 'through-the-cycle' guide on how you should allocate to each asset class based on your financial goals, risk tolerance and investment horizons. SAAs are optimised based on a combination of risk and long-term expected returns on asset classes. Studies suggest that over 90% of the variability in a portfolio's performance over time is due to its strategic allocations. Given its importance, we have optimised our SAAs to deliver better expected risk-adjusted returns. The next few pages highlight the changes we have made.

We are navigating through a shifting economic landscape. Recent years have brought significant economic shifts, prompting us to reassessment of our long-term investment strategies. Factors such as rising multi-polarity, increasing inflation pressures and decarbonisation have reshaped the investment landscape, creating both opportunities and risks to our portfolio strategies.

While inflation has eased from pandemic highs, it remains a concern globally, with rising risks of prolonged higher interest rates. The complex interplay of expansive fiscal policies during the pandemic, supply chain disruptions and shift in consumer behaviours have all contributed to sustained inflation, challenges both policymakers and consumers alike. Amidst these developments, we are adjusting our SAA models, guided by our understanding of prevailing economic forces and our long-term capital market assumptions.

Fig. 25 **Higher starting yields point towards higher bond returns in subsequent years**

Bloomberg US Aggregate Bond Index returns vs starting yields*

Source: Bloomberg, Standard Chartered.

Kept broad equity and bond exposure unchanged

Our expected returns on a 60/40 global stock-bond portfolio stands at 5.6%. Despite a slight (27bps) decline versus last year, long-term returns remain roughly in line with their historical norm of c.6.3% after hitting a high in late 2021. This continues to indicate a reasonable starting point for a long-term investor.

Increased DM, at the expense of EM equities

We have increased our allocations to Developed markets (DM) at the expense of Emerging markets (EM)/Asia ex-Japan equities. Although EMs are anticipated to maintain higher returns, the premium of EM over DM has steadily diminished due to a combination of narrowing growth and the expected returns differential between EM and DM. This was also further exacerbated by the disappointing transmission of growth to earnings in EMs, particularly in China, over the past decade. In the post-pandemic era, while EM equities have been cheaper, they are more susceptible to the structural rise in multi-polarity and climate change, in contrast to the more resilient and diversified DM. The latter could also benefit from optimism surrounding AI, boosting productivity and margins.

Upping quality in fixed income; less DM HY and EM bond

We raised our allocations to DM government and Investment Grade corporate bonds, lowering exposure to DM HY and EM. Recent negative fixed income returns due to inflation and policy shocks are an anomaly, not a trend. Higher yields have improved expected returns in bonds. However, the structural shift in decarbonisation and geopolitical instability may increase growth volatility. Quality fixed income can balance the portfolio through these episodes given higher yield. As growth stabilises, these bonds may also offer attractive income potential, leading to better returns with reduced risks

Better expected returns with lower risk across SAAs

With these shifts, we expect our SAAs to deliver better risk-adjusted returns. To navigate the complexities of today's markets, investors must be prepared to adopt a more nimble approach to their portfolios. This may involve a regular review of these long-term allocations and actively reallocating across different asset classes, sectors and regions to provide additional source of returns and portfolio diversifications.

Fig. 26 **Our Strategic Asset Allocations (SAA) are the building blocks that you can use as the starting point for building diversified investment portfolios. Our basic SAAs focus on traditional asset classes that are accessible to most investors**

Summary	Moderate*	Balanced*	Aggressive*
Cash	5.0	5.0	5.0
Fixed Income	55.0	35.0	15.0
Equity	35.0	55.0	75.0
Gold	5.0	5.0	5.0
	100.0	**100.0**	**100.0**

USD Cash	5.0	5.0	5.0
DM Government Bonds	24.0	12.0	5.0
DM IG Corporate Bonds	16.0	11.0	4.5
DM HY Corporate Bonds	3.0	3.0	2.0
EM USD Government Bonds	3.5	3.0	2.0
EM LCY Government Bonds	2.5	2.0	0.0
Asia USD Bonds	6.0	4.0	1.5
North America Equities	21.5	34.0	45.0
Europe ex-UK Equities	5.0	7.5	11.0
UK Equities	1.0	2.0	3.0
Japan Equities	2.5	4.0	5.0
Asia ex-Japan Equities	5.0	7.5	11.0
Gold	5.0	5.0	5.0
	100.0	**100.0**	**100.0**

Expected returns	5.8%	5.9%	6.0%
Portfolio volatility	8.2%	11.5%	14.8%
Risk adjusted returns	0.70	0.51	0.41

Source: Mercer, Standard Chartered; *based on an investor's risk appetite

Fig. 27 **Our SAA+ model includes allocations to private assets that may be accessible to investors in some jurisdictions.**

Summary	Moderate*	Balanced*	Aggressive*
Cash	4.0	3.8	3.8
Fixed Income	44.0	26.3	11.3
Equity	28.0	41.3	56.3
Gold	4.0	3.8	3.8
Alternatives	4.0	5.0	5.0
Private Assets	16.0	20.0	20.0
	100.0	**100.0**	**100.0**
USD Cash	4.0	3.8	3.8
DM Government Bonds	19.2	9.0	3.8
DM IG Corporate Bonds	12.8	8.3	3.4
DM HY Corporate Bonds	2.4	2.3	1.5
EM USD Government Bonds	2.8	2.3	1.5
EM LCY Government Bonds	2.0	1.5	0.0
Asia USD Bonds	4.8	3.0	1.1
North America Equities	17.2	25.5	33.8
Europe ex-UK Equities	4.0	5.6	8.3
UK Equities	0.8	1.5	2.3
Japan Equities	2.0	3.0	3.8
Asia ex-Japan Equities	4.0	5.6	8.3
Gold	4.0	3.8	3.8
Alternatives	4.0	5.0	5.0
Private Equity	2.7	6.4	10.1
Private Real Estate	6.2	4.6	4.6
Private Debt	7.1	9.0	5.4
	100.0	**100.0**	**100.0**
Expected returns	6.2%	6.5%	6.6%
Portfolio volatility	8.1%	11.0%	13.7%
Risk adjusted returns	0.77	0.59	0.48

Source: Mercer, Standard Chartered; *based on an investor's risk appetite

Fig. 28 The Multi-asset Income SAA contains the building blocks used as a starting point for a diversified income allocation

Summary	Multi-asset Income
USD Cash	2
DM Government Bonds	7
DM IG Corporate Bonds	5
US Agency MBS	4
DM HY Corporate Bonds	18
Leveraged loans	4
EM USD Government Bonds	5
EM LCY Government Bonds	5
Asia USD Bonds	5
US High dividend Equities	18
Europe High dividend Equities	9
Asia High dividend Equities	9
Global Infrastructure	2
Global REITs	2
Covered call strategy	3
Sub-financials	2
	100

Current indicative yield	5.9%
Expected return	7.0%
Expected risk	10.6%

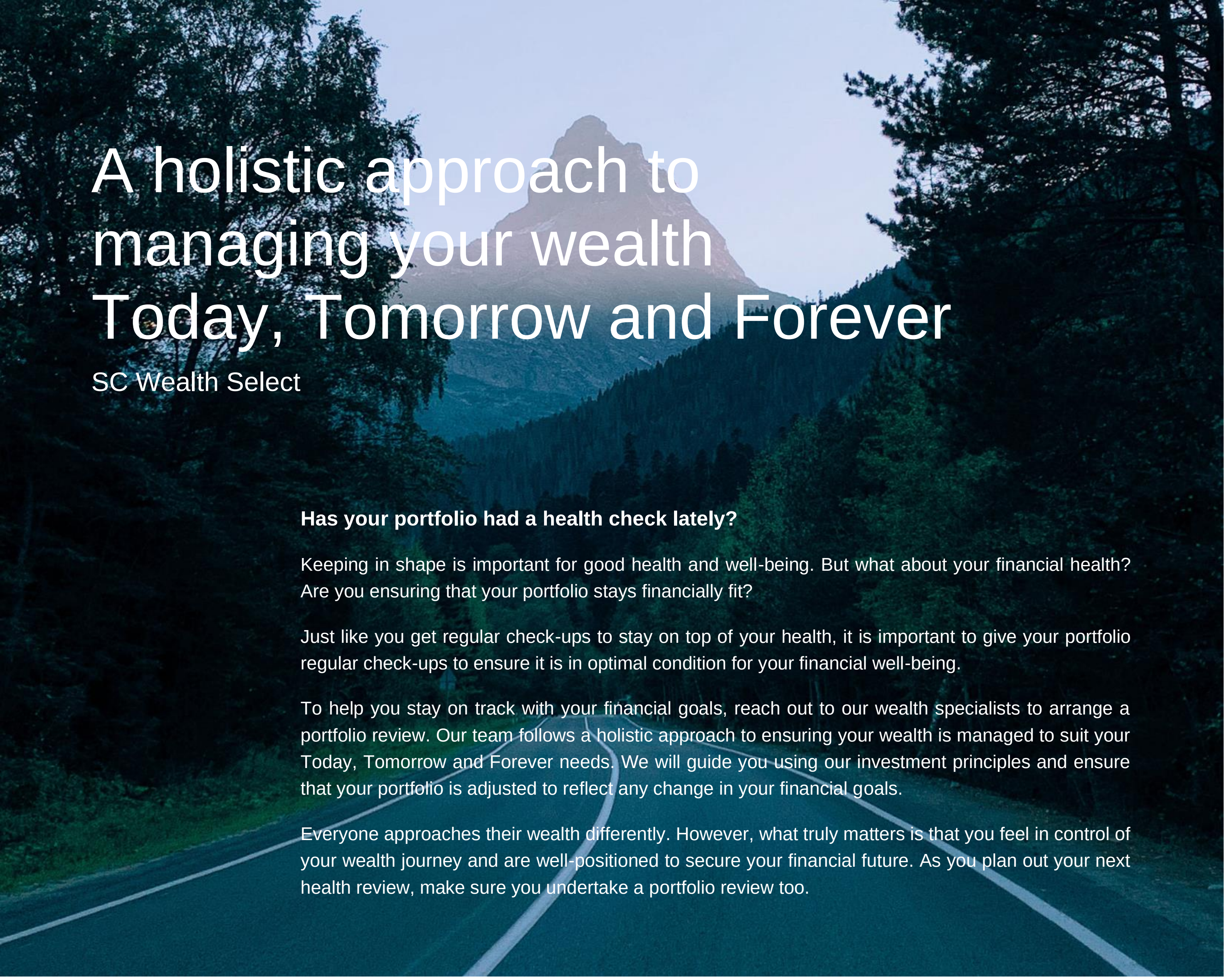
Source: Mercer, Standard Chartered

Fig. 29 **Return assumptions for high quality bonds have been revised higher due to higher starting yields**

Our seven-year capital market assumptions of key assets

		2024 forecast				2023 forecast	
		Expected return (ann.)		Expected volatility (ann.)		Expected return (ann.)	Expected volatility (ann.)
Level I	US Cash	4.2%	↑	1.3%	↑	3.8%	0.7%
Level I	Global Bonds	4.7%	↑	5.6%	↓	4.0%	6.1%
Level I	Global Equity	6.2%	↓	18.5%	↑	7.2%	18.4%
Level I	Global High Dividend Equity	7.7%	↓	17.2%	↑	8.1%	17.2%
Level I	Liquid Alternatives	6.2%	↓	5.0%	↑	6.3%	4.6%
Level I	All Commodities	4.5%	↑	29.3%	↑	4.0%	29.3%
Level I	Gold	4.2%	↑	16.7%	↑	3.9%	15.1%
Bonds	Developed Markets Govt Bonds	4.3%	↑	6.0%	↓	3.3%	7.3%
Bonds	Developed Markets Investment Grade Credit	5.8%	↑	7.0%	↑	4.8%	7.0%
Bonds	Global High Yield Bonds	6.5%	↓	11.9%	↑	6.9%	10.3%
Bonds	Senior Loans	7.1%	↑	8.3%	↑	6.9%	8.3%
Bonds	Emerging Markets HC Government Bonds	8.2%	↑	11.1%	↑	7.1%	9.0%
Bonds	Emerging Markets LCY Bonds	7.2%	↓	12.1%	↑	7.6%	12.0%
Bonds	Asia ex Japan Bonds USD Bonds	6.4%	↓	5.7%	↑	6.5%	5.7%
Bonds	China Offshore Bonds	4.1%	↓	6.2%	↓	5.8%	6.3%
Equity	Developed Markets Equity	6.0%	↓	17.7%	↓	6.9%	18.1%
Equity	Emerging Markets Equity	8.1%	↓	26.4%	↑	9.0%	24.3%
Equity	Asia ex Japan Equity	7.4%	↓	23.4%	↑	9.1%	22.4%
Equity	Emerging Markets ex Asia Equity	8.0%	↓	28.8%	↑	9.1%	28.8%
Equity	US Equity	5.7%	↓	18.4%	↑	6.5%	17.5%
Equity	Euro area Equity	7.2%	↓	24.4%	↑	8.5%	24.4%
Equity	UK Equity	7.3%	↓	21.0%	↑	8.9%	19.4%
Equity	Japan Equity	5.6%	↓	21.0%	↑	6.9%	18.2%
Equity	China Onshore Equity	6.6%	↓	35.6%	↓	9.9%	36.5%
Equity	China Offshore Equity	6.6%	↓	28.4%	↑	10.8%	28.4%
Private assets	Private Equity	9.5%	↓	21.9%	↓	9.9%	21.9%
Private assets	Unlisted Real Estate	8.4%	↑	14.7%	↑	8.4%	14.7%
Private assets	Listed Infrastructure	6.8%	↑	15.8%	↓	6.2%	16.2%
Private assets	Private Debt	8.1%	↑	11.7%	↑	8.1%	11.7%

Source: Mercer, Standard Chartered



A holistic approach to managing your wealth Today, Tomorrow and Forever

SC Wealth Select

Has your portfolio had a health check lately?

Keeping in shape is important for good health and well-being. But what about your financial health? Are you ensuring that your portfolio stays financially fit?

Just like you get regular check-ups to stay on top of your health, it is important to give your portfolio regular check-ups to ensure it is in optimal condition for your financial well-being.

To help you stay on track with your financial goals, reach out to our wealth specialists to arrange a portfolio review. Our team follows a holistic approach to ensuring your wealth is managed to suit your Today, Tomorrow and Forever needs. We will guide you using our investment principles and ensure that your portfolio is adjusted to reflect any change in your financial goals.

Everyone approaches their wealth differently. However, what truly matters is that you feel in control of your wealth journey and are well-positioned to secure your financial future. As you plan out your next health review, make sure you undertake a portfolio review too.

Purpose

Today, Tomorrow, Forever

Our approach to wealth management is built on your vision of Today, Tomorrow and Forever for yourself, your family and beyond. As you move through life, your needs, life goals and preferences change. However, at every stage, clearly defined goals help to anchor your investment decisions.

Using a ‘Today, Tomorrow and Forever’ approach, we distinguish the assets intended to be used in the near term (Today) from the assets that are to be used over decades (Tomorrow and Forever), thereby segmenting your portfolio into different strategies that can help you meet your short- and long-term goals.

‘Today, Tomorrow and Forever’ planning is unique to you. Our specialists partner with you to build well-diversified, long-term Foundation portfolios aligned to your Today, Tomorrow and Forever needs. Opportunistic ideas are added to capture short-term opportunities, and sufficient protection included to address your and your family’s objectives.

Today, Tomorrow, Forever Approach

Planning for Today

Requires ensuring liquidity and income flows take centre stage.

Securing Tomorrow

Entails a well-diversified investment and protection portfolio with a focus on growth, while ensuring inflation is accounted for and risks are mitigated.

Building for Forever

Involves greater focus on long-term returns given the time horizon of the portfolio can be measured in decades, and might also include business interests, real estate, collectibles, or charitable funds.

Principles

that stand the test of time

Adhering to time-tested principles, to ensure your investment decisions remain robust and consistently applied, is paramount to your success Today, Tomorrow and Forever. We use five Wealth Principles to guide and guardrail your wealth decisions.

Discipline – Ensure consistency and prudence over your emotions

- Reacting to emotions such as optimism and fear can lead to poor investment decisions at the worst times
- Have a plan and stick to it – this helps you to stay focused on the bigger picture

Diversification – Simply put, don't put all your eggs in one basket

- Reduce risk by holding a variety of financial assets. Multi-asset diversification in your Foundation portfolio is important
- As a guide, make sure your portfolio contains a variety of asset classes and investments that have low correlation with one another

Time in the Market – A more robust strategy than timing the market

- Predicting market sell-offs is challenging, and timing your exit and re-entry is difficult
- Missing out on the best performing days of a market can have a significantly detrimental impact on your portfolio
- 'Time in the market' and buying the market with a longer-term view provide more consistent returns that can ride out bumps along the way

Risk and Return – Make sure the risk is worth the return

- To achieve higher investment returns, you will likely have to accept a greater level of risk in your portfolio
- Therefore, it is important to understand the risks and manage these on an ongoing basis

Protection – Don't let the unexpected catch you unprepared

- Even though you may feel healthy, or financially stable now, protection offers the ability to overcome times of financial uncertainty and mitigate the long-term impact of unforeseen events on your wealth
- A good protection plan not only safeguards your wealth today, but also considers the value of your future earnings over your lifetime, in today's terms

Process

Following a holistic approach to managing your wealth

We follow a rigorous process to ensure your needs and objectives are well-understood, and your portfolio is aligned and managed to deliver on these objectives.

However, markets constantly evolve and your needs change. Hence, we encourage you to undertake regular portfolio reviews to ensure your portfolio remains aligned to your Today, Tomorrow and Forever objectives. This proactive approach includes strategic rebalancing based on insights from our Chief Investment Office

Learn more

Scan the QR code below to learn more about our SC Wealth Select approach to growing, managing and protecting your wealth.

The five-step process

Showcase
Demonstrate how SC Wealth Select can help you

Discover
Understand you better – your needs, preferences and goals

Propose
Design a Foundation portfolio tailored for you with Opportunistic overlays

Implement
Seamlessly and efficiently

Monitor and review
Regularly review and rebalance your portfolio

Please be sure to reach out to your Relationship Manager today to arrange a portfolio review.

Foundation: Asset allocation summary

		FOUNDATION		
Summary	**View**	**Moderate**	**Balanced**	**Aggressive**
Cash	▼	4	4	3
Fixed Income	◆	52	32	14
Equity	▲	39	59	78
Gold	◆	5	5	5
Asset class				
USD Cash	▼	4	4	3
*DM Government Bonds**	◆	22	11	4
*DM IG Corporate Bonds**	◆	16	11	4
DM HY Corporate Bonds	◆	3	3	2
EM USD Government Bonds	▲	4	4	2
EM Local Ccy Government Bonds	▼	1	1	0
Asia USD Bonds	◆	6	4	1
North America Equities	▲	25	39	50
Europe ex-UK Equities	▼	4	6	8
UK Equities	◆	1	2	3
Japan Equities	▲	3	5	6
Asia ex-Japan Equities	◆	5	8	11
Gold	◆	5	5	5
		100	**100**	**100**

	FOUNDATION
Summary	**Conservative**
Cash	35
Fixed Income	65
Asset class	
USD Cash	35
DM IG Govt (Short duration)	10
DM IG Corp (Short duration)	13
DM HY (Short duration)	14
EM USD Govt (Short duration)	9
EM LCY Govt	9
Asia USD bonds	11
	100

Source: Standard Chartered
All figures in %
1. Allocation figures may not add up to 100 due to rounding. *FX-hedged
2. The Conservative TAA is based off the SAA and is not overlaid with any tactical views

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

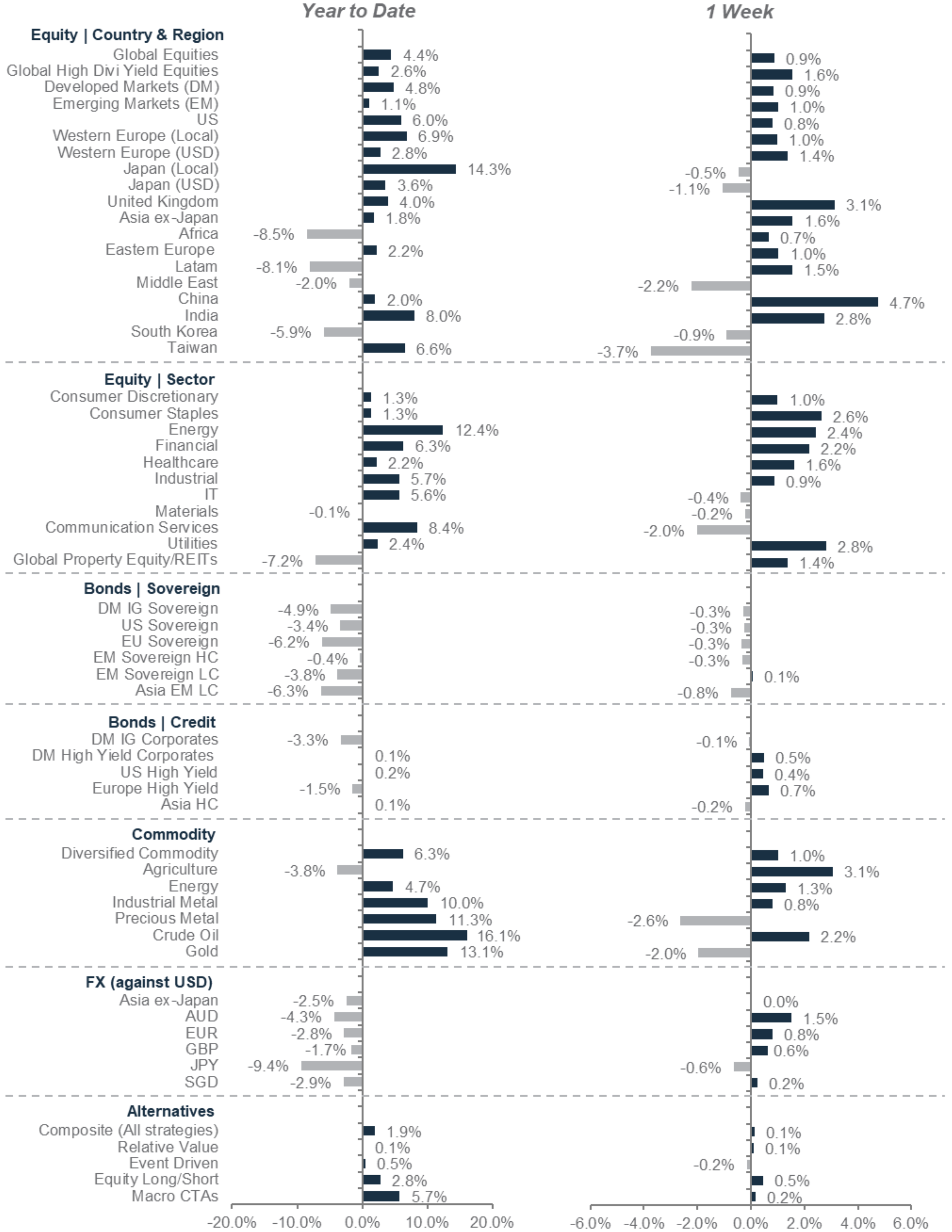
Foundation+: Asset allocation summary

		FOUNDATION PLUS		
Summary	**View**	**Moderate**	**Balanced**	**Aggressive**
Cash	▼	3	3	3
Fixed Income	◆	42	24	10
Equity	▲	31	44	58
Gold	◆	4	4	4
Alternatives	◆	20	25	25
Asset class				
USD Cash	▼	3	3	3
*DM Government Bonds**	◆	18	8	3
*DM IG Corporate Bonds**	◆	13	8	3
DM HY Corporate Bonds	◆	2	2	1
EM USD Government Bonds	▲	3	3	2
EM Local Ccy Government Bonds	▼	1	1	0
Asia USD Bonds	◆	5	3	1
North America Equities	▲	20	29	37
Europe ex-UK Equities	▼	3	4	6
UK Equities	◆	1	1	2
Japan Equities	▲	3	4	4
Asia ex-Japan Equities	◆	4	6	8
Gold	◆	4	4	4
Alternatives	◆	4	5	5
Private Equity		3	6	10
Private Real Assets		6	5	5
Private Debt		7	9	5
		100	**100**	**100**

Source: Standard Chartered
All figures in %
1. Allocation figures may not add up to 100 due to rounding. *FX-hedged

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

Market performance summary*



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

*All performance shown in USD terms, unless otherwise stated

*YTD performance data from 31 December 2023 to 25 April 2024 and 1-week performance from 18 April 2024 to 25 April 2024

Our key forecasts and calendar events

Currency	USD (DXY)	EUR/ USD	GBP/ USD	USD/ JPY	AUD/ USD	NZD/ USD	USD/ CAD	USD/ CNH	USD/ CHF	Oil (WTI, USD/bbl)	Gold (USD/ oz)	Fed policy rate (upper bound)	US Treasury 10y yield (%)	ECB policy rate
3m forecast	107	1.04	1.21	156	0.64	0.59	1.36	7.30	0.92	89	2300	5.50% (Jun-24)	4.50-4.75%	3.75% (Jun-24)
12m forecast	105	1.05	1.22	150	0.67	0.61	1.38	7.28	0.90	82	2325	4.50% (Jun-25)	4.0%	2.75% (Jun-25)

Source: Standard Chartered

MAY

- 1 May > US: Fed policy meeting
- 9 May > UK: BoE policy meeting

JUN

- 6 Jun > Euro area: ECB policy meeting
- 6-9 Jun > EU: European Parliament election
- 12 Jun > US: Fed policy meeting
- 13-14 Jun > Japan: BoJ policy meeting
- 17-19 Jun > Italy: 50th G7 summit
- 20 Jun > UK: BoE policy meeting
- 27-28 Jun > EU: European council

JUL

- 1 Jul > China: Politburo meeting on H2 economic work
- 15-18 Jul > US: US Republican national convention
- 18 Jul > Euro area: ECB policy meeting
- 31 Jul > US: Fed policy meeting
- 30-31 Jul > Japan: BoJ policy meeting

AUG

- 1 Aug > UK: BoE policy meeting
- 19-22 Aug > US: US Democratic national convention

SEP

- 12 Sep > Euro area: ECB policy meeting
- 18 Sep > US: Fed policy meeting
- 19 Sep > UK: BoE policy meeting
- 19-20 Sep > Japan: BoJ policy meeting
- 22-23 Sep > UN: Summit of the future in 2024

OCT

- 1 Oct > Russia: BRICS summit
- 17 Oct > Euro area: ECB policy meeting
- 25-27 Oct > US: The World Bank / International Monetary Fund (IMF) Annual meetings 2024
- 30-31 Oct > Japan: BoJ policy meeting

NOV

- 5 Nov > US: US Presidential election
- 7 Nov > US: Fed policy meeting
- 7 Nov > UK: BoE policy meeting
- 18-19 Nov > Brazil: 19th G20 summit

DEC

- 1 Dec > China: China central government annual economic work conference
- 12 Dec > Euro area: ECB policy meeting
- 18 Dec > US: Fed policy meeting
- 18-19 Dec > Japan: BoJ policy meeting
- 19 Dec > UK: BoE policy meeting

Legends: Central bank policy | Geopolitics

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

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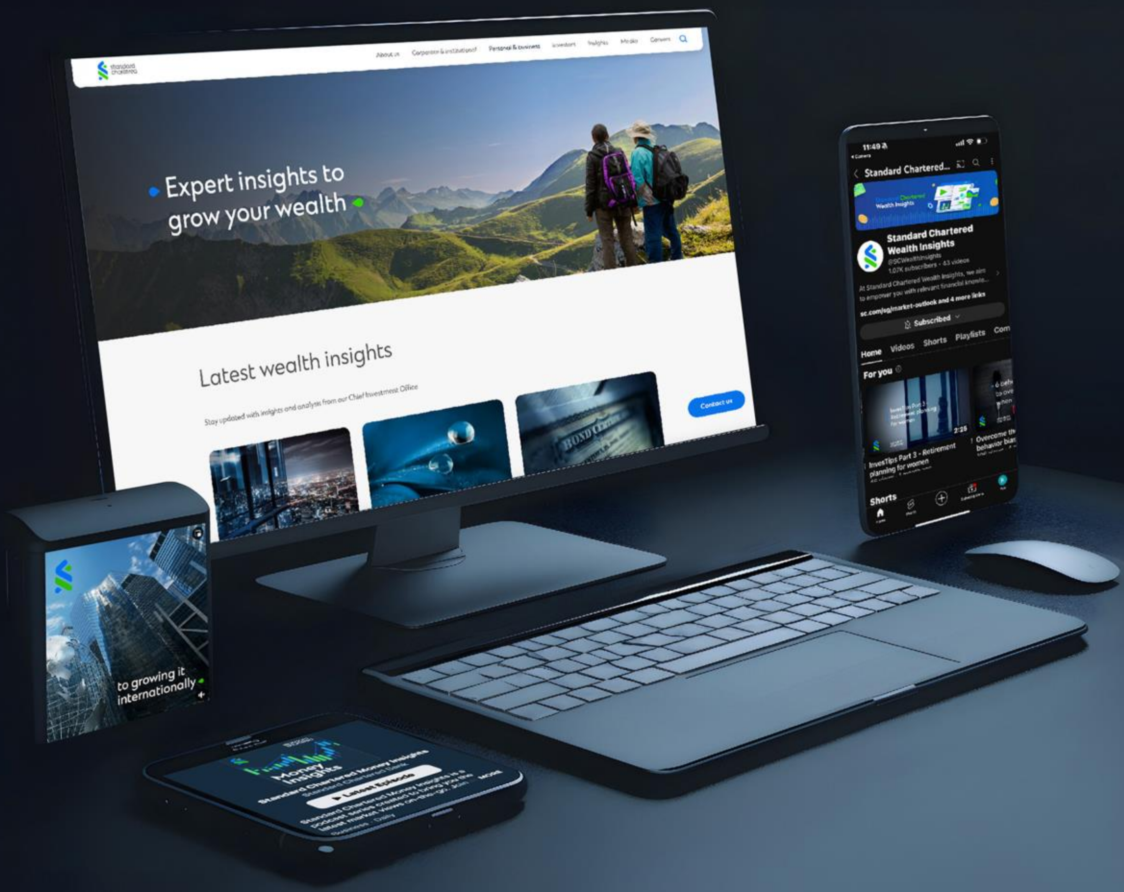

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