press release

Outlook 2018: Turning up the heat

As the global economy gradually heats up and the pivot towards reflation continues, investors are advised to manage downside risks, with a preference for equities

Bandar Seri Begawan, 14 December 2017 – Standard Chartered Bank's Wealth Management Advisory Outlook 2018 predicts a continued gradual pivot to a more reflationary outcome, combining modestly stronger economic growth with rising inflation.

"Growth accelerated in 2017, but inflation did not," said Steve Brice, Chief Investment Strategist at Standard Chartered Bank. "We believe a gradual 'heating up' of the global economy is likely in 2018, with robust economic growth and inflation finally increasing. Our Outlook 2018 report is designed to help our clients navigate these market conditions."

Takeaways from Outlook 2018 include:

- **Economic growth continues to simmer:** The "Goldilocks" environment (i.e. not too hot, not too cold) of strong growth and limited inflation is likely to extend into the early part of 2018. Continued earnings growth means equities and corporate bonds have room to extend gains going into 2018

- **Turning up the heat on inflation:** Inflation is the main risk to this "Goldilocks" scenario, especially further into 2018. A larger-than-expected rise in inflation would mean the environment could turn too hot, forcing central banks to tighten policy more aggressively than markets currently expect

Commenting on the investment implications, Alexis Calla, Global Head of Investment Strategy and Advisory at Standard Chartered Bank said, "We suggest investors continue to tilt towards equities, which generally do well in the late stage of the economic cycle, as we do not believe valuations are a constraint to a strong performance in 2018. To contain potential downside risks, we advise investors to progressively increase allocations to diversified alternative strategies, likely to be less volatile than traditional asset classes."

The bank is of the view that the US Dollar will weaken modestly, supporting its preference for bonds in Emerging Markets – especially USD sovereign and Asia corporate bonds.

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Note to Editors:

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