Wealth Management Advisory

Global Market Outlook

2 June 2017

Our conviction on equities, particularly in the Euro area and Asia ex-Japan, remains in place. Earnings expectations continue to be revised higher, indicating still-supportive fundamentals. Indicators continue to suggest low potential for short-term volatility (see page 4), though upcoming European elections, US politics and North Asia remain sources of risk.

Within our fixed income allocation, we see an opportunity to shift some of our exposure from Developed Market High Yield (HY) bonds towards Emerging Market (EM) USD government bonds. While tailwinds (see page 14) continue to support HY bonds, the asset class is becoming increasingly expensive. We see greater value in EM USD government bonds, where yields are still reasonably attractive and valuations not as extreme.

Oil prices are likely to be supported by agreements among major producers to limit supply, although increasingly efficient US shale oil producers means there is a higher probability that the magnitude of oil price gains will be limited.

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Sailing through summer

- Our conviction on equities, particularly in the Euro area and Asia ex-Japan, remains in place. Earnings expectations continue to be revised higher, reflecting supportive fundamentals. Indicators suggest low potential for near-term volatility, though European elections, US politics and North Asia remain sources of risk.
- Within bonds, we see an opportunity to shift some of our exposure from Developed Market High Yield (DM HY) bonds to Emerging Market (EM) USD government bonds. While tailwinds continue to support HY bonds, they are becoming increasingly expensive. We see greater value in EM USD government bonds, where yields are reasonably attractive and valuations not as extreme.
- Oil prices are likely to be supported by agreements among major producers to limit supply, although increasingly efficient US shale oil producers means there is a higher probability that the magnitude of oil price gains will be limited.

We prefer equities over bonds

Prefer Euro area, Asia ex-Japan equities and EM USD govt. bonds

Balanced strategies may offer most attractive risk/reward

IMPLICATIONS FOR INVESTORS

Volatility jumps, but only briefly

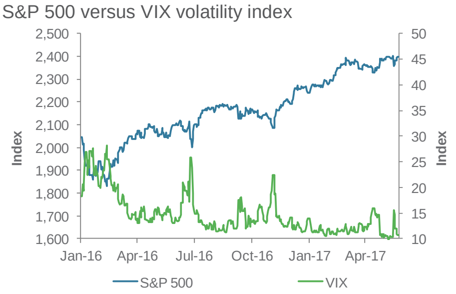
Political uncertainty was a key highlight of the past month. In Europe, Macron's win in the French presidential elections helped reduce worries about eurosceptic parties taking hold of a major Euro area economy, supporting Euro area markets. In the US, though, investigations on President Trump's campaign ties with Russia could lead to a pause in the move towards reflation may have been at least partly responsible for an uptick in volatility. Asian markets, meanwhile, were relatively steady, despite continued rumblings from North Korea.

In the months ahead, China's economy and Asia's exports are likely to slow gradually. However, we see this as nothing more than normalisation following what has been a particularly strong Q1 for China's economy and global trade.

This means the trend towards a reflationary environment could be facing a minor setback, but, we believe, it warrants only some tweaks to our asset class views. In equities, in particular, our key convictions remain in place.

Figure 1: Volatility remains very low

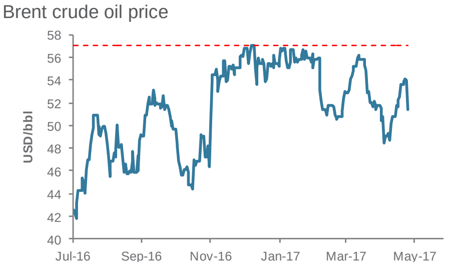
S&P 500 versus VIX volatility index



Source: Bloomberg, Standard Chartered

Figure 2: Oil has struggled to break higher

Brent crude oil price



Source: Bloomberg, Standard Chartered

Investment strategy

Look through volatility blips

Temporary jitters notwithstanding, we believe equities remain well placed to deliver positive returns over the next 12 months, particularly in our preferred regions of the Euro area and Asia ex-Japan. Indeed, the US and Euro area delivered a robust set of Q1 corporate earnings and expectations for future earnings continue to be revised higher.

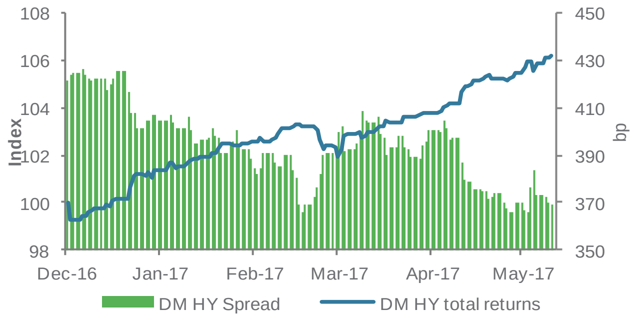
Looking beyond earnings fundamentals, we believe two questions are particularly pertinent to our equities view.

First, whether we should prepare for short-term volatility, as we head into the seasonally weak summer months. Our view has not changed much since last month: we continue to believe the case for a sell-off (more than 5% drop) does not appear strong. While volatility is undoubtedly low, sentiment and positioning remain far from extremes, momentum is strong and global equities remain on an uptrend. The recent jump in volatility in mid-May offers a pertinent example of the risks of trying to time what could be a short-lived pullback.

Second, whether recent challenges warrant any tweaks to our existing equity market positioning. Here, we believe there is room to rebalance selectively—within Asia ex-Japan, we have scaled back our views on Indian and Thai equity markets, while upgrading Singapore, but our key regional convictions (Euro area, Asia ex-Japan) remain unchanged.

Figure 3: HY bonds have performed well since *Outlook 2017*

Barclays Global High Yield bonds, total return index; DM HY premium over US Treasuries (RHS)



Source: FactSet, Standard Chartered

Rebalance from HY to EM bonds

Fixed income is one area where we do see a more significant opportunity to rebalance gradually. Our conviction in DM HY bonds has delivered results, with the benchmark index rising about 6% since we published our *Outlook 2017*. However, our preference for bonds that are less sensitive to rising rates are beginning to run up against increasingly expensive valuations for US and European HY bonds.

We believe the best way to address this trade-off is to lock in some profit on DM HY bonds and use the opportunity to rebalance somewhat towards EM USD government bonds. While the latter are undoubtedly a little more sensitive to rising yields, we believe the better value on offer compensates for this risk. This rebalancing effort also improves credit quality at a relatively late stage in the US cycle (EM USD government bonds have a roughly balanced mix of Investment Grade and HY).

Our constructive view on senior floating rate loans—a bond asset class that is far less sensitive to rising yields—remains unchanged.

We favour a balanced approach

Although political risks could act as near-term headwinds against the ongoing shift towards reflation, our balanced strategy has continued to outperform our multi-asset income strategy. This suggests financial markets broadly remain comfortable with an ongoing shift from a 'muddle-through' environment to 'reflation'.

While we remain comfortable with income strategies for income-oriented investors, we continue to favour a multi-asset balanced strategy that offers investors an opportunity to benefit from the ongoing shift to a reflationary environment, while mitigating the risk of temporary equity market pullbacks over the summer.

Investment strategy

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

Asset class	Sub-asset class	Relative outlook	Rationale
Multi-Asset Strategies	Multi-asset Income	🟢	Low policy rates, low absolute yields expected to remain a support
	Multi-asset Macro	🔴	Broadening reflation reduces the need for insurance-like assets
Equities 🟢	Euro area	🟢	Earnings outlook improving; Valuations modest; Politics an ongoing risk
	Asia ex-Japan	🟢	Earnings uptick positive; Valuations reasonable; Trade tensions long-term risk
	US	🟡	Earnings expectations may be peaking; Margins and valuations are risks
	Japan	🟡	JPY key to earnings; Valuations reasonable, but risk of extreme move is high
	Non-Asia EM	🟡	Commodities key to earnings; Valuations full; Flows supportive
	UK	🔴	Brexit, elections cloud earnings outlook; Full valuations; GBP rebound a risk
Bonds 🔴	EM government (USD)	🟢	Attractive yield; Reasonable valuations; high interest rate sensitivity is a risk
	DM Investment Grade corporate	🟡	Moderate yield; Full valuations; Defensive characteristics
	DM High Yield corporate	🟡	Attractive headline yield; Declining default rates; Expensive valuation
	Asian corporate	🟡	Moderate yield; Reasonable valuations; Demand/supply favourable
	EM (local currency)	🟡	Attractive yield; USD less of a headwind; Rate hikes, currency volatility are risks
	DM government	🔴	Low yield; Full valuations; Fed policy, higher inflation, yield rebound are risks
Currencies	EUR	🟢	Economic momentum to support ECB stimulus withdrawal
	USD	🟡	Policy divergence no longer uniform
	GBP	🟡	Lower risks, but the BoE is likely to maintain policy
	AUD	🟡	Commodity prices to be supportive but policy outlook key
	Asia ex-Japan	🟡	Low volatility and commodity prices key
	JPY	🔴	BoJ policy to restrict upside in Japan yields

Source: Standard Chartered Global Investment Committee

Legend: 🟢 Overweight 🟡 Neutral 🔴 Underweight

Standard Chartered

Investment strategy

Figure 5: Performance of key #pivot? themes since Outlook 2017

Asset class	Key Investment Calls	Date open	Absolute	Relative
Bonds	Corporate Bonds to outperform Government Bonds[1]	15 Dec 2016	NA	✓
	US floating rate senior loans to deliver positive returns	15 Dec 2016	✓	NA
	EM USD government bonds to outperform broader bond universe	26 May 2017	-	-
Equities	Europe ex-UK to deliver positive returns and outperform global equities	24 Feb 2017	✓	✓
	Asia ex-Japan to deliver positive returns and outperform global equities	30 Mar 2017	✓	✓
Multi-asset	Multi-asset income allocation to deliver positive absolute return[5]	15 Dec 2016	✓	NA
	Balanced allocation to outperform multi-asset income allocation[6]	15 Dec 2016	NA	✓
Alternatives	Alternative strategies allocation to deliver positive absolute returns[3]	15 Dec 2016	✓	NA
Commodities	Brent Crude Oil to be higher in 2017	15 Dec 2016	✗	NA
	Thematic calls	**Date open**	**Absolute**	**Relative**
	Euro area banks to deliver positive returns	28 Apr 2017	✓	NA
	US Technology to deliver positive returns and outperform US equities	15 Dec 2016	✓	✓
	China to deliver positive returns and outperform Asia ex Japan equities	24 Feb 2017	✓	✗
	'New China' equities to deliver positive returns[2]	15 Dec 2016	✓	NA
	Positive EUR/USD	28 Apr 2017	–	–
	Positive USD/CNY	15 Dec 2016	✗	NA
	BRL, RUB, IDR and INR basket[4] to outperform EM FX Index	15 Dec 2016	NA	✓
	Closed calls	**Date open**	**Absolute**	**Relative**
	DM HY Bonds to outperform broader bond universe *(as of 25-05-2017)*	15 Dec 2016	NA	✓
	India to deliver positive returns and outperform Asia ex Japan equities *(as of 25-05-2017)*	15 Dec 2016	✓	✗
	Japan (FX-hedged) to deliver positive returns and outperform global equities *(as of 27-04-2017)*	15 Dec 2016	✓	✗
	US Small Cap to deliver positive returns and outperform US equities *(as of 27-04-2017)*	15 Dec 2016	✓	✗
	Indonesia to deliver positive returns and outperform Asia ex Japan equities *(as of 27-04-2017)*	15 Dec 2016	✓	✗
	US equities to deliver positive returns and outperform global equities *(as of 30-03-2017)*	15 Dec 2016	✓	✗
	Negative EUR/USD *(Closed as of 17-02-2017)*	15 Dec 2016	✗	NA
	Positive AUD/USD *(Closed as of 17-02-2017)*	15 Dec 2016	✓	NA

Source: Bloomberg, Standard Chartered

Performance measured from 15 Dec 2016 (release date of our 2017 Outlook) to 25 May 2017 or when the view was closed

[1] A custom-made composite of 44% Citi WorldBIG Corp Index Currency Hedged USD and 56% Bloomberg Barclays Global High Yield Total Return Index

[2] 'New China' index is a custom-made market-cap-weighted index of the following MSCI China industry groups: pharmaceuticals, biotech and life sciences, healthcare equipment and services, software and services, retailing, telco services and consumer services

[3] Alternative strategies allocation is described in 'Outlook 2017: #pivot', Figure 13, page 36

[4] A custom-made equally weighted index of BRL, RUB, IDR and INR currencies

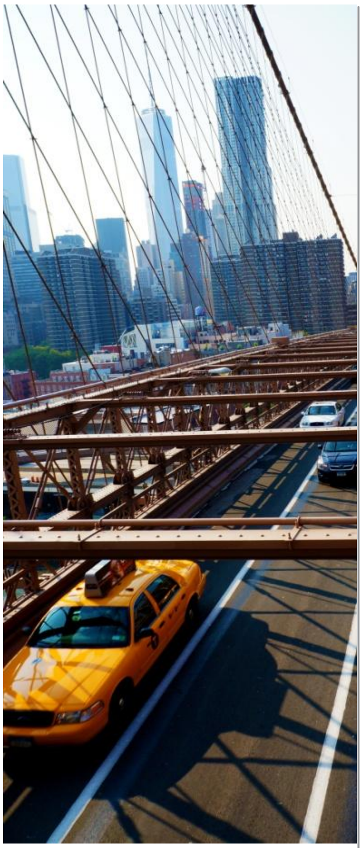
[5] Income allocation is as described in 'Outlook 2017: #pivot', Figure 11, page 34

[6] Balanced allocation is a mix of 50% global equity and 50% global fixed income

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

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

Perspectives on key client questions

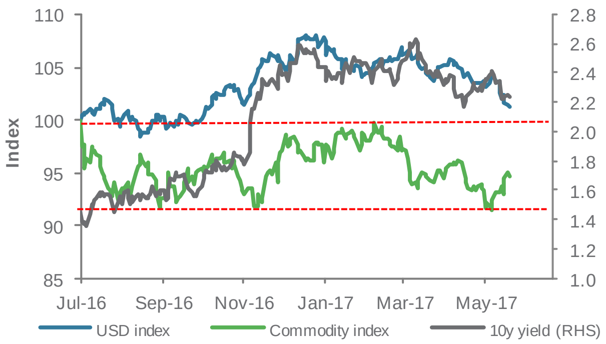


Q Do lower bond yields, commodities and USD imply a deteriorating economic backdrop?

A Yes, but only to a limited extent. Commodities have actually been largely range-bound over the past 10 months, and the USD and US government bond yields have only partially retraced the rise that started in October.

Figure 6: USD and US bond yields have given up some of the gains seen since October 2016 although commodities have been range-bound

USD index and Bloomberg commodity index (both re-indexed to 100 on 1 July 2016) and the 10-year US government bond yield



Source: Standard Chartered Global Investment Committee

That said, US data is now starting to disappoint after a prolonged period of upside surprises. This does not change our economic scenarios dramatically as we are still seeing upside economic surprises elsewhere in the world. However, we have marginally reduced the probability of a reflationary (stronger growth and modestly rising inflationary pressures) outcome to 35% from 40% two months ago, while the probability of a muddle-through scenario (slow growth, low inflation) has risen to 35% from 30%, previously.

From an investment perspective, this means we remain comfortable with our 2017 theme that multi-asset income will continue to deliver positive returns over the coming 12 months, but also believe a rotation towards more pro-cyclical equity assets makes sense when compared with the macro-scenario over the past four years.

Q What is the outlook for US monetary policy and what are the implications for bond investing?

A We continue to expect the US central bank to hike interest rates gradually, at a pace that is only slightly faster than the market currently expects—we attach a two-thirds probability to the Fed hiking rates at least two more times by the end of the year (the market is currently pricing in around one-and-half 25bps hikes). Q2 data is expected to rebound significantly from a subdued Q1 reading, and this is likely to encourage a June rate hike on the backdrop of gradually rising wage inflation pressures.

Against this backdrop, we were keen on managing the sensitivity of bond allocations to rising interest rates. This has generally worked well, but has resulted in Developed Market High Yield (DM HY) bonds, one of our preferred areas, becoming more expensive. Therefore, we would pivot allocations slightly away from DM HY towards Emerging Market (EM) USD government bonds. While EM government bonds are more sensitive to higher USD interest rates, they still offer an attractive yield and are trading broadly in line with historical average valuations.

In addition, we continue to like US senior floating rate loans as they actually benefit from rising interest rates, offer a relatively attractive yield and are generally less volatile (except during recessions, at least) to other HY bond exposure.

Figure 7: Our core scenarios

Reflationary expectations remained stable over the past two months

Muddle-through — Probability **35%** (30%)

Mediocre growth
Low inflation
Accommodative monetary policies
Neutral fiscal policies

Reflationary upside — Probability **35%** (40%)

Accelerating growth and rising inflation
Easier fiscal policies
Still-accommodative monetary policies

Deflationary downside — Probability **10%** (10%)

Slower growth
Lower inflation
Tighter fiscal policies
Eventually lead to easier monetary policies

Inflationary downside — Probability **15%** (20%)

Mediocre or slowing growth
Rising inflation
Easier fiscal policies
Eventually lead to easier monetary policies

Source: Standard Chartered Global Investment Committee
*Note that probabilities may not add up to 100% as all scenarios are not captured here. Figures in brackets represent GIC probabilities in May 2017

Q Should we worry about the investigation into President Trump's team?

A Developments over the past two weeks have raised the risk of impeachment proceedings against President Trump. According to PredictIt, the risk of Trump being impeached this year has risen to 18% from 7% on the day the FBI director was fired. However, historical precedents suggest the economic cycle will ultimately determine market performance.

In the early 1970s, President Richard Nixon was engulfed in the Watergate scandal and stocks fell almost 50% over the next two years. However, the US economic cycle drove this performance, with the US falling into recession in November 1973 in response to the first oil shock.

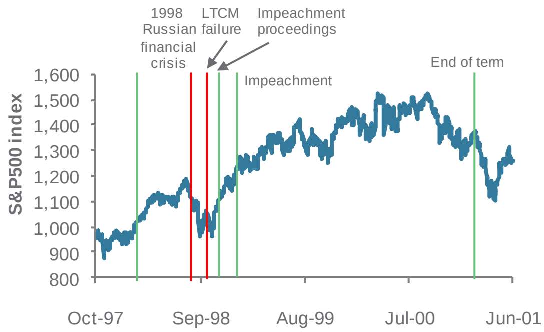
In the late 1990s, when President Bill Clinton underwent impeachment proceedings, equities continued to rally against the backdrop of strong growth, low inflation and the technology boom. In 1998, the S&P 500 pulled back almost 20%, but this was mostly due to concerns about a financial crisis after the collapse of Long Term Capital Management (LTCM), a large hedge fund.

This suggests that the macro outlook is likely to ultimately determine when we examine the 6-18 month equity market outlook. It is, of course, possible that the economy could go into recession (and it will eventually!). Indeed, we believe the US is in the late stage of the economic cycle, with our biggest concern being a massive fiscal stimulus, which could force the Fed to accelerate its policy tightening.

If anything, continued political challenges for the US president would likely reduce his ability to push through major policy initiatives. Therefore, it is possible any continued political uncertainty may actually prolong the economic recovery and the equity bull market.

Figure 8: Economics likely to dominate politics for the stock market

Performance of the US stock market during US President Clinton's impeachment proceedings; green=impeachment events; red=economic events



Source: Bloomberg, Standard Chartered

Q Do you expect the outperformance of Euro area and Asia ex-Japan equities to continue?

A First of all, it is important to emphasise that global equities remain our favoured asset class. While, at the margin, we have tempered our optimism from a global growth perspective, this is primarily focused on the US, with the rest of the world, so far at least, resilient.

Euro area and Asia ex-Japan economic and corporate earnings growth expectations are still improving. Meanwhile, concerns over an aggressive protectionist agenda emanating from the US have diminished, as have political risks in Europe following elections in the Netherlands and France and given improving prospects of a Merkel victory in Germany.

Against this backdrop, we continue to expect Euro area and Asia ex-Japan equities to outperform in the coming 6-12 months.

Of course, there are always risks to this view. In the short term, the biggest risk is probably a generalised risk-off environment. While this would likely hit global equity markets, those that have risen more sharply may be more vulnerable—Euro area equities may be the most vulnerable here, as they have risen almost 15% since we went overweight in late February, relative to the sub-5% return from global equities over the same period.

Over the longer term, there are two key risks, in our view. For Euro area equities, a key theme that has worked well for us has been declining political risk. While we expect the recent challenges to reaching a Greek debt deal to be transitory, Italy's political outlook is potentially much more challenging. In France, the polls told us that a pro-Europe electorate was likely to vote for a pro-Europe candidate. In Italy, the Five Star Movement, a self-proclaimed euroskeptic party, is leading in the polls. Meanwhile, when voters were asked whether they supported Euro area membership, more answered 'no' than 'yes'. However, it is a long way from where we are today to leaving the single currency block. At the moment, the date of the next election is unknown—it has to be held by May 2018. If it were brought forward to autumn, then this could be a source of uncertainty and market volatility/weakness. The other key risk for equities is the prospect of the ECB tapering its bond purchases as Euro area growth picks up. Although still-low inflation limits this risk in the near term, there is a growing possibility the ECB could unveil a roadmap for withdrawing stimulus later this year.

For Asia ex-Japan, the outlook for the USD is key. We have become even less concerned about the outlook for USD strength through this year. If we are wrong here and the USD breaks to new highs, potentially due to accelerated US interest rate hikes, this could undermine Asia ex-Japan equities performance, especially in relative terms.

Q Do you expect oil prices to rebound from here and what are the implications for oil companies?

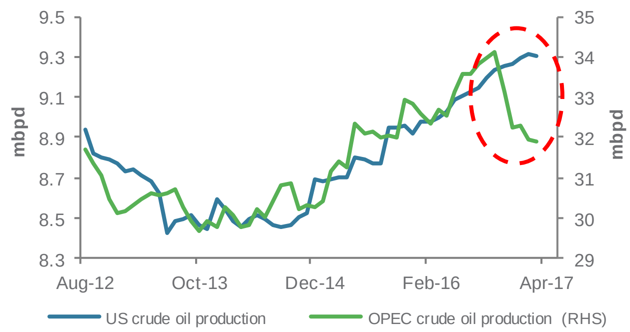
A Oil prices have recovered significantly over the past two weeks as US inventories continue to decline slightly and, probably more importantly, OPEC appears to be redoubling efforts to support prices via extending production cuts by nine months. So far, OPEC production cuts have been very effective, with output falling more than 2mbpd since the end of March, while US production increasing less than 1mbpd since the end of 2014.

Against this backdrop, we expect rising demand to continue to close the demand-supply gap and reduce oil inventories, ultimately putting upward pressure on oil prices, albeit likely capped by falling shale production costs.

The key risks to this outlook are either a significant slowdown in economic activity, which is not our central scenario, or a more dramatic expansion in US shale production.

Figure 9: OPEC production cuts offset US production increase

US and OPEC crude oil production (mbpd)



Source: Bloomberg, Standard Chartered

Standard Chartered

Macro overview

The Fed is likely to raise rates two more times this year

ECB likely to taper policy stimulus in the next 12 months; BoJ to stay on hold for now

China could tighten monetary policy further and use fiscal stimulus to support growth

IMPLICATIONS FOR INVESTORS

Road bump for reflation?

- **Core scenario:** Global reflation took a breather amid rising US political risk, dragging down sentiment from lofty levels. However, this has been mostly offset by improving Euro area data. Asia remains resilient even as China's economy slows.
- **Policy outlook:** The Fed is likely to raise rates two more times this year amid full-employment and a growth rebound. The ECB may reduce stimulus by Q1 2018. China is likely to rely on fiscal stimulus even as it tightens monetary policy.
- **Key risks:** a) Investigations into Trump's campaign ties with Russia could delay his stimulus plan; b) a US inflation surge (it remains subdued for now); c) faster-than-expected Fed rate hikes or early ECB tapering; d) geopolitics.

The Euro area takes the lead

Our Global Investment Committee (GIC) continues to assign a combined 70% probability to 'reflation' or 'muddle-through' scenarios unfolding over the next 12 months (page 8). However, there has been a subtle shift towards 'muddle-through' at the expense of 'reflation' amid rising US political risks, which could delay President Trump's stimulus plans. Sentiment and data in the Euro area continues to strengthen, especially after Macron's win in France, helping offset some of the drag from the US. Inflation remains a key risk (at 20%) as job markets tighten in developed economies, especially in the US. Geopolitics, especially in North Asia, is another source of risk, although President Moon's election in South Korea raises the chance of a political solution.

Figure 10: Euro area growth upside is helping offset drag from rising US political risks

Region	Growth	Inflation	Benchmark rates	Fiscal deficit	Comments
US	🟡	🟡	🔴	🟢	Growth/inflation expectations weaken. Trump's reform agenda at risk amid political uncertainty. Fed on course for two more rate hikes this year
Euro area	🟢	🟡	🟡	🟡	Rising growth expectations help offset the drag from the US. The ECB may signal withdrawing stimulus by Q1 2018 as political risks ease
UK	🔴	🔴	🟡	🟡	Growth to slow as rising inflation, slowing wages hurt consumption. Snap election reduces hard-Brexit risks. The BoE may tolerate inflation
Japan	🟢	🟡	🟡	🟡	Growth upgrades continue amid solid exports, although inflation remains lacklustre. Fiscal easing likely as the BoJ anchors long-term yields
Asia ex-Japan	🟡	🟡	🟡	🟢	China to sustain fiscal stimulus to meet growth target, even as the PBoC tightens modestly
EM ex-Asia	🟢	🟢	🟢	🟡	Brazil and Russia are on track to emerge from recession. Brazil's political risk in focus. Falling inflation supports further central bank easing

Source: GIC views; 🟢 Supportive of risk assets 🔴 Not supportive of risk assets 🟡 Neutral

Macro overview

US – sentiment indicators normalise

Political risk may hurt reform agenda: US business sentiment indicators have normalised from lofty expectations built following President Trump's election. Increased political uncertainty, amid investigations into Trump's campaign links with Russia, risks delaying his plans for tax reforms, deregulation and infrastructure spending. However, the US job market remains robust, which should sustain consumption and help revive growth in the coming quarters.

Subdued inflation implies gradual Fed hikes: US inflation expectations continued to slow amid subdued wage growth. We still expect the Fed to raise rates at least twice more this year (including a likely hike in June) as it sticks with its plan to gradually withdraw its unprecedented stimulus, as growth recovers from Q1's slowdown and the job market tightens.

Euro area – Macron's win eases political risk

Business sentiment maintains uptrend: The election of pro-business and pro-Europe candidate Macron as France's president has eased a key political risk in Europe for now. This has driven business and investor confidence and growth expectations higher. However, inflation remains subdued amid a slack job market, especially in southern Europe.

ECB likely to withdraw stimulus by early 2018: ECB President Draghi has cited low inflation for maintaining its unprecedented stimulus. We believe accelerating growth will help reduce deflationary pressures, encouraging the ECB to withdraw some stimulus, starting early 2018. This could be in the form of rate hikes, or reduced bond purchases, or both.

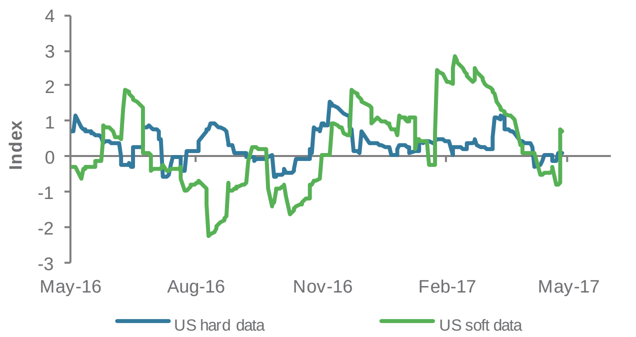
UK – inflation to hurt purchasing power

Consumer risks rise: Consumption, the key driver of the UK economy, faces a double-whammy from rising inflation and slowing wage growth. Although retail sales recovered in April due to Easter holidays falling in April this year, we expect a reversal in the coming months as Brexit risks rise.

BoE likely to tolerate inflation for now: The BoE is likely to look through the rise in inflation, turning its focus on Brexit risks as PM May starts negotiations after the June elections (when her Conservative Party is likely to consolidate power).

Figure 11: US sentiment indicators ('soft data') have fallen from lofty levels and are now in line with real activity indicators ('hard data')

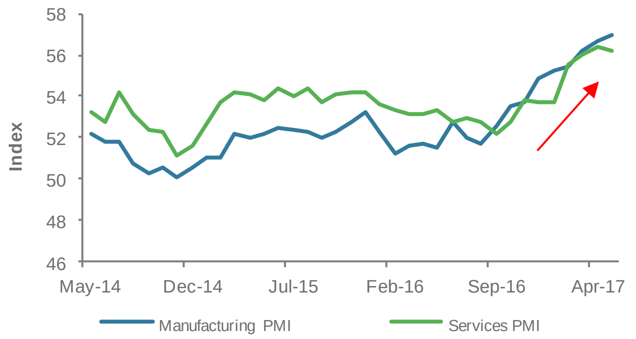
US 'hard data' and 'soft data' surprises indices



Source: Nomura, Bloomberg, Standard Chartered

Figure 12: Euro area business confidence continues to rise; Macron's win in France provided a further boost to sentiment

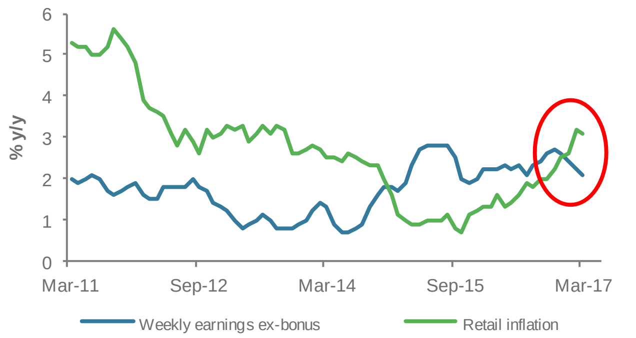
Euro area manufacturing and services PMIs



Source: Bloomberg, Standard Chartered

Figure 13: UK consumption is likely to slow further as inflation rises, wage growth slows

UK retail inflation, % y/y; UK weekly earnings ex-bonus, % y/y



Source: Bloomberg, Standard Chartered

Macro overview

Japan – exports remain the main driver

Weaker JPY needed to sustain above-trend growth: The economy has continued to grow above its potential rate mainly because of strong exports aided by last year's JPY depreciation and a recovery in global trade. Last year's fiscal stimulus and record low borrowing costs should also provide some support to growth. However, this year's JPY gains, if sustained, could act as a headwind to exporters.

BoJ to maintain accommodative policy: Japan's core inflation, excluding food and energy, continues to trend lower, remaining well below the BoJ's 2% target. Therefore, the central bank is unlikely to tighten policy—by raising its 10-year JGB yield target—anytime soon.

China – gradual slowdown likely

Growth likely peaked in Q1: China's manufacturing and services sector growth showed signs of slowing in Q2 as authorities tightened credit after a surge in Q1 as they increasingly focus on mitigating financial sector risks. While industrial production and fixed asset investment growth continues to slow, retail sales growth remains robust, helping the economy gradually pivot towards domestic consumption.

Fiscal stimulus likely to support growth: We believe maintaining stable growth and job creation remains a key objective of policymakers ahead of the Communist Party Congress in Q4, despite efforts to curb financial stability risks. Thus, we expect authorities to maintain fiscal stimulus to partly offset a gradually tighter monetary policy.

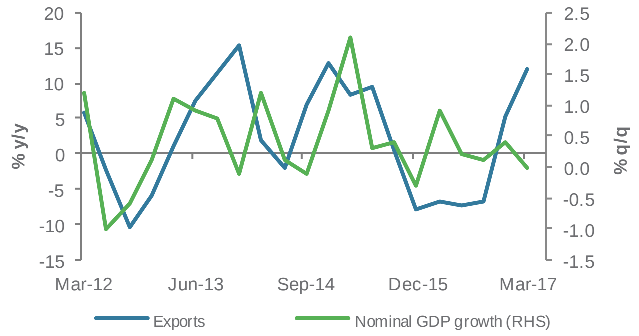
Emerging Markets – Asia outperforms

Asian consumption to support growth: Although a recovery in global trade helped lift Asia's growth outlook in recent months, there are signs export growth is slowing across the region. However, fiscal stimulus in China and by the new government in South Korea and an ongoing pick-up in investment in India are positive for regional consumption.

Brazil's political risks: Brazil remains on track to emerge from two years of recession, with falling inflation supporting further rate cuts. However, renewed political uncertainty risks could undo President Temer's ambitious reform agenda.

Figure 14: Japan's exports remain the bright spot even as nominal growth remains lacklustre

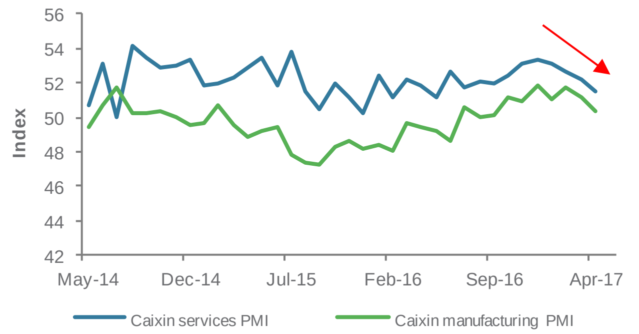
Japan exports, % y/y; Nominal GDP growth, % q/q (RHS)



Source: Bloomberg, Standard Chartered

Figure 15: China's manufacturing and services sector indicators are slowing from their Q1 peaks

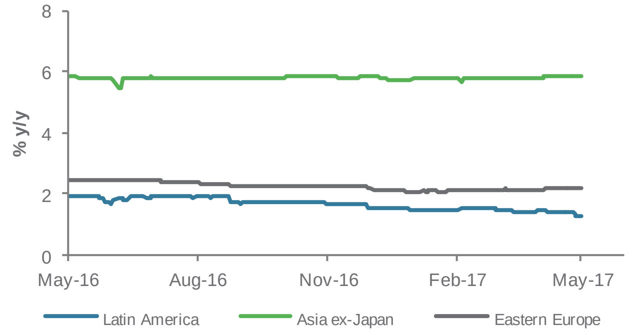
China's Caixin services and manufacturing sector PMIs



Source: Bloomberg, Standard Chartered

Figure 16: Asia ex-Japan's growth outlook remains much stronger than other EMs, despite improving growth in Brazil and Russia

Consensus 2017 growth expectations for Asia ex-Japan, Latin America and Eastern Europe; %, y/y



Source: Bloomberg, Standard Chartered

Standard Chartered

Bonds

BONDS EQUITIES COMMODITIES ALTERNATIVE STRATEGIES FX MULTI-ASSET

Figure 17: Where markets are today

Bonds	Yield	1-month return
DM IG government	*1.13%	1.2%
EM USD government	5.26%	1.0%
DM IG corporates	*2.50%	1.6%
DM HY corporates	5.20%	1.3%
Asia USD	3.81%	0.4%
EM local currency government	6.37%	1.2%

Source: Bloomberg, Standard Chartered

*As of 30 April 2017

We favour corporate bonds over government bonds

EM USD government bonds are now our preferred area in bonds

Scale back preference for DM HY corporate bonds

IMPLICATIONS FOR INVESTORS

Favour EM USD govt bonds

- We upgrade Emerging Market (EM) USD government bonds to our most favoured area within bonds. We scale back our preference for Developed Market (DM) High Yield (HY) corporate bonds on a 12-month horizon due to expensive valuations. We look to rebalance towards EM USD government bonds.
- Broadly, we retain our preference for corporate bonds over government bonds (with the exception of EM USD government bonds) as we expect them to outperform as government bond yields rise.
- EM local currency government bonds, Asian USD bonds and DM Investment Grade (IG) corporate bonds remain core holdings, in our view. We continue to like US senior floating rate loans as an alternative to DM HY bonds.

Figure 18: Bond sub-asset classes in order of preference

Bond asset class	View	Rates Policy	Macro Factors	Valua-tions	FX	Comments
EM USD government	▲	● Not Supportive	● Supportive	● Neutral	NA	Attractive yield, inexpensive valuations, supportive fundamentals
DM HY corporate	◆	● Not Supportive	● Supportive	● Neutral	● Supportive	Attractive yield on offer offset by expensive valuations
EM local currency	◆	● Neutral	● Supportive	● Supportive	● Neutral	High yield on offer, balanced by greater volatility and currency risk
Asian USD	◆	● Not Supportive	● Neutral	● Neutral	NA	Defensive allocation. Influenced by China risk sentiment
DM IG corporate	◆	● Not Supportive	● Supportive	● Neutral	● Neutral	Preferred route for taking high-quality bond exposure
DM IG government	▼	● Not Supportive	● Not Supportive	NA	● Neutral	Returns challenged by less supportive monetary policy

Source: Bloomberg, Citigroup, JPMorgan, Barclays, Standard Chartered Global Investment Committee

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

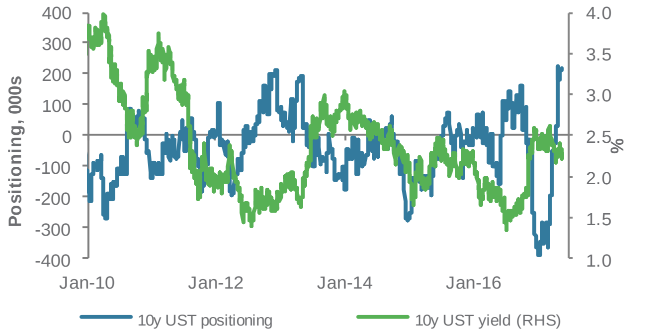
Developed Market Investment Grade government bonds – Least preferred

We maintain a cautious stance towards DM IG government bonds despite the recent decline in yields. Earlier in May, 10-year US Treasury yields fell below the key technical level of 2.3% due to an increase in geopolitical concerns as well as question marks over growth and inflation expectations. We view these concerns as noise in the longer-term growth story, which is likely to lead to higher yields and possibly result in negative returns for investors. Macron's victory in France significantly reduces political uncertainty in Europe, paving the path for the ECB to reduce monetary easing, which is likely to lead to higher Bund yields. While potential negative returns could be offset by a stronger Euro, we view the risk-reward as unattractive.

Bonds

Figure 19: Reversal in extreme investor positioning could lead to higher US Treasury yields

CFTC 10y US Treasury combined net positions and 10y US Treasury yield



Source: Bloomberg, Standard Chartered

Figure 20: EM USD govt bonds still offer inexpensive valuations

EM USD government bond spread or yield premium

Source: Bloomberg, Standard Chartered

In the US, we expect the 10-year yield to return to the 2.3-2.65% range in the near future. Over a longer horizon, we expect the Fed rate hike to cause short-term (2-year) yields to rise faster than long-term (10-year) yields. Therefore, we prefer to maintain a maturity profile of 5-7 years for USD-denominated bonds as they offer a balance of moderate yields and interest rate sensitivity.

Emerging Market USD government bonds – Most preferred

We upgrade our view on EM USD government bonds and they are now our most preferred bond sub-asset class. Our positive view is driven by the attractive yield of over 5% on offer and the fact that it remains one of the very few asset classes where valuations are not expensive.

EM government bonds are also supported by strong EM macroeconomic fundamentals, as growth remains robust. Reduced risks of significant USD strength or a damaging trade conflict are additional positives for EM USD government bonds and they have benefitted from strong investor inflows, especially from non-EM dedicated investors.

However, they have relatively higher interest-rate sensitivity compared with other bond sub-asset classes, which presents a trade-off between higher interest rate sensitivity and benign valuations. Sharp reversal in investor flows, a substantial decline in commodity prices or a surge in US Treasury yields are the key risks to our positive view.

Developed Market Investment Grade corporate bonds – Core holding

DM IG corporate bonds remain our preferred route for taking high-quality bond exposure as the additional yield premium offered by them should help somewhat offset the expected rise in yields and help them outperform government bonds.

Stronger expected earnings, stabilising credit fundamentals and a supportive macroeconomic backdrop are the key supportive factors for IG corporates. However, current valuations are less compelling compared with their historical average and the supply of new bonds remains high. Thus, we adopt a balanced stance towards DM IG corporate bonds, with a slight preference for US IG corporates over their European counterparts, which are likely to be hurt by reduced monetary easing from the ECB.

Developed Market High Yield corporate bonds – Core holding

DM HY bonds have performed well since we published our Outlook 2017, with the benchmark index delivering about 6% total returns. However, given their expensive valuations, we reduce our 12-month conviction on DM HY corporate bonds and reduce them to a core holding.

Though DM HY corporate bonds continue to offer an attractive yield of over 5%, valuations have become expensive, in our view. The yield premium offered over IG

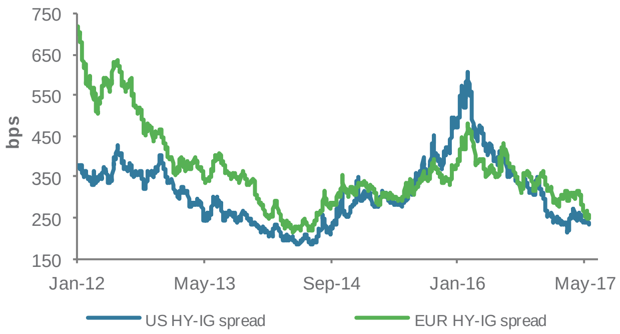
Bonds

corporates is at multi-year lows. While credit quality has stabilised, it remains weak by historical standards. The market has priced in significant earnings improvements and any failure to meet those high expectations is a key risk.

However, in the near term, we expect US Treasury yields to reverse their recent decline and believe that HY corporate bonds can outperform the broader universe due to their low interest rate sensitivity. Therefore, better opportunities to rebalance away should be forthcoming in the near future.

Figure 21: HY bonds offer little compensation over IG bonds

Yield premium (spread differential) offered by US and European HY corporate bonds over their IG counterparts



Source: Bloomberg, Standard Chartered

In our view, US senior floating rate loans remain an attractive, defensive alternative to HY bonds due to their low interest rate sensitivity. Though we like their secured nature, we acknowledge that they are susceptible to sharp pullbacks during a recession. While loan re-pricing is a drag on returns, they continue to benefit from supportive demand-supply dynamics.

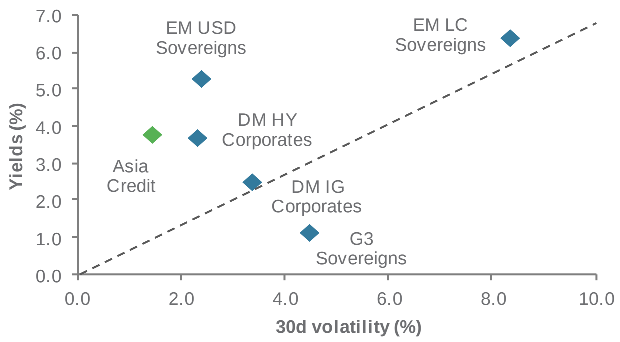
Asian USD bonds – Core holding

In our view, Asian USD bonds should remain a core holding in an investment allocation due to their defensive characteristics and middle-of-the-range yield.

Our view is driven by a series of balancing factors: (i) relatively tight valuations compared to history are balanced by strong regional demand, (ii) lower yield compared with other EMs is justified by the superior credit quality and lower volatility, and (iii) the concentration risk arising from their high exposure to Chinese issuers is countered by our positive macroeconomic view for China (despite the recent Moody's downgrade). These factors lead us to take a balance view towards Asian USD bonds.

Figure 22: Asian USD bonds offer reasonably attractive risk-reward

Yield-to-Worst and 30-day volatility of various bond sub-asset classes



Source: Bloomberg, Standard Chartered

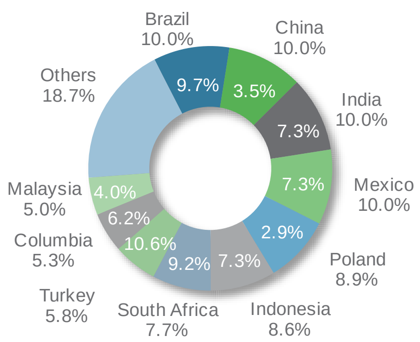
Emerging Market local currency bonds – Core holding

We maintain our constructive outlook for EM local currency government bonds as we continue to like the attractive yield (of close to 6%) on offer and, in our opinion, reduced currency risks. They have delivered high-single-digit returns in 2017, driven by weaker USD and supportive inflows.

Despite the above-mentioned positives, we retain them as a core holding owing to their higher volatility and concentration to a few large countries, which leaves them more vulnerable to idiosyncratic events, as we recently saw in Brazil.

Figure 23: Composition of the EM local currency bond universe

GBI broad diversified index country weights (outside) and yields (inside)



Source: JP Morgan, Standard Chartered

Equities

Figure 24: Where markets are today

Market	P/E	P/B	EPS	Index Level
US (S&P 500)	18x	2.9x	11%	**2,398**
Euro Area (Stoxx 50)	15x	1.6x	19%	**3,595**
Japan (Nikkei 225)	14x	1.2x	10%	**19,613**
UK (FTSE 100)	14x	1.9x	16%	**7,485**
MSCI Asia ex-Japan	13x	1.5x	12%	**613**
MSCI EM ex-Asia	12x	1.4x	21%	**1,377**

Source: FactSet, MSCI, Standard Chartered
Note: Valuation and earnings data refers to MSCI indices, as of 23 May 2017.

Global equities have risen 8% YTD

Performance has been led by our preferred regions: Euro area and Asia ex-Japan

China remains our preferred market in Asia ex-Japan

IMPLICATIONS FOR INVESTORS

EUR – engine for growth

- Euro area and Asia ex-Japan remain our two preferred equity regions.
- Key drivers for Euro area and Asia ex-Japan equity markets centre on corporate margin expansion and relatively attractive valuations, respectively.
- The improvement in Euro area corporate earnings has gained momentum and is reinforced by upward revisions to earnings expectations by analysts.
- Consensus expectations are for MSCI Global Equities EPS growth to expand 13.5% in 2017, up from 1% last year. This is led by the Euro area, which is expected to witness 19% EPS growth (or 14%, after adjusting for exceptional losses last year).
- Valuations in global equity markets are elevated: MSCI Global Equities is trading at a P/E ratio of 16.0x 12-month forward earnings. However, given earnings growth expectations are 13%, we believe this valuation multiple is justified.
- We are changing our Indian equity market view to neutral from preferred as we believe the YTD gain of 13% fully discounts the known catalysts.

Figure 25: Euro area our preferred region, closely followed by Asia ex-Japan; UK is least preferred

Equity	View	Earnings Revision	Earnings	Return on Equity	Economic Data	Benchmark Bond Yields	Comments
Euro area	▲	● Supportive	● Supportive	● Neutral	● Supportive	● Neutral	Political uncertainty has reduced after positive election results in France. Earnings recovery could drive the region higher
Asia ex-Japan	▲	● Supportive	● Supportive	● Supportive	● Supportive	● Neutral	Earnings recovery and attractive valuations are catalysts for Asia ex-Japan
US	◆	● Supportive	● Neutral	● Supportive	● Neutral	● Neutral	Elevated valuations reflect the good news, peak sentiment could be a concern
EM ex-Asia	◆	● Supportive	● Neutral	● Neutral	● Neutral	● Neutral	Political uncertainty and China deleveraging are the near-term risks for EM ex-Asia
Japan	◆	● Neutral	● Neutral	● Supportive	● Neutral	● Supportive	Watch for surges in JPY, which is negative for equities
UK	▼	● Neutral	● Neutral	● Neutral	● Neutral	● Supportive	Uncertainties over Brexit and elections to weigh on market

Source: Standard Chartered Global Investment Committee

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

Equities

BONDS EQUITIES COMMODITIES ALTERNATIVE STRATEGIES FX MULTI-ASSET

Euro area – margin expansion supports Euro area preferred view

The Euro area remains our most preferred equity market globally. For Q1 17, 68% of company earnings beat expectations. EPS in Q1 rose 23% y/y, driven by financials, cyclicals and resources. Adjusting for exceptional losses, earnings grew 14%. Margins are recovering as cost pressures, in particular from wages, remain low. Euro area economic momentum relative to the rest of the world has risen to close to a 20-year high, with Euro area PMIs rising to 56.7 for April. Growing industrial activities support export-oriented industrial companies in the Euro area.

The French presidential elections result on 7 May was positive with the winner, Emmanuel Macron, favouring closer integration in the Euro area. Reducing political risks have supported Euro area equities, rising 15% since we upgraded to a preferred region in late February. Valuations remain reasonable with the P/E ratio at 15x 12-month forward consensus earnings forecasts.

Corporate margin expansion, strong PMI figures and reduced political risks remain supportive of Euro area equities. The medium-term risk lies in possible ECB tapering in the coming 12 months—this could lead to higher 10-year yileds and rising funding costs for corporates.

Figure 26: Corporate margins are recovering

EU corporate margins rising versus stable wages

Source: FactSet, Standard Chartered

Asia ex-Japan – earnings growth recovery supports our preferred view

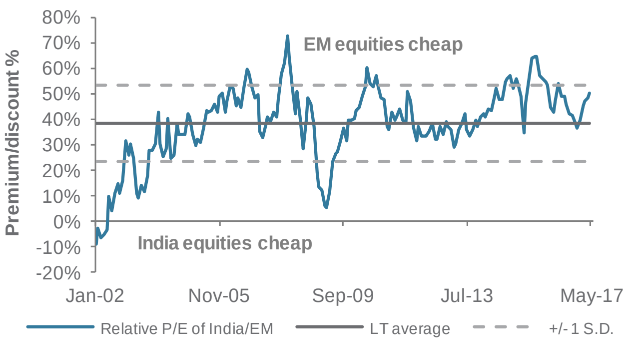
Asia ex-Japan is a preferred market globally. Valuations for Asia ex-Japan equities remain relatively attractive. The 12-month forward P/E ratio of 12.9x consensus earnings forecasts is in line with its long-term historical average. However, among the six regions/geographies we track globally, Asia ex-Japan has the second-lowest P/E ratio—Non-Asia Emerging Markets (EMs) have a lower P/E at 12.1x.

Asia ex-Japan is the top-performing region globally, rising 17% since our Outlook 2017 was released in late December 2016. The recovery in earnings growth has been a major contributing factor. Expectations for Asia ex-Japan 12-month forward earnings growth have risen to 12% in May from 17% in January, compared with 2% in 2015 and -1% in 2016. Uncertainty over China deleveraging and the commodity correction remain the near-term risks.

China remains our most preferred market in the region. We have downgraded our view on India to positive from preferred. As of 25 May, the MSCI India index has risen 13% in USD terms since the Outlook 2017 report. While consensus earnings growth expectations are 16%, they have started to decline, with uncertainty over the monsoon season and inflation as near-term risks. We have upgraded our view on Singapore to positive from cautious, but downgraded Thailand to cautious from positive.

Figure 27: Indian equities have become more expensive

India PE is trading at a 50% premium to EM



Source: FactSet, Standard Chartered

Equities

BONDS EQUITIES COMMODITIES ALTERNATIVE STRATEGIES FX MULTI-ASSET

US – good news in the price - we are neutral

We are positive on the outlook for US equities, but it is not a preferred market. Q1 17 earnings growth was strong for S&P 500 at 12.5%, with 77% of companies beating expectations. However, US equities are expected to witness 11% earnings growth over the next 12 months, which is less than the forecast of a 14% increase for MSCI World. Meanwhile, US valuations are elevated at 18x 12-month forward earnings.

Analysts' earnings forecast revisions, which are a short-term indicator for earnings, have picked up slightly in the US, but much lower than the Euro area, which is surging ahead.

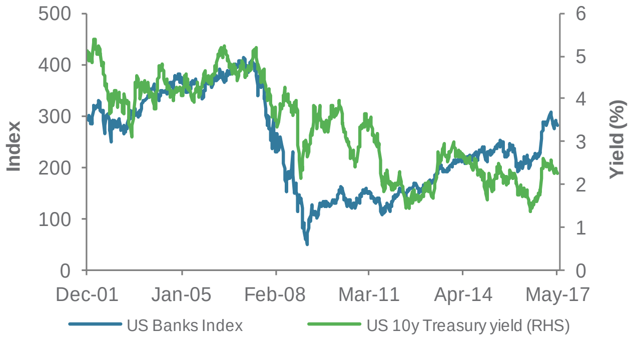
Valuations in the US are elevated and may have discounted the earnings growth momentum. Growth optimism has been a big part of the stock market rally.

The USD index has fallen to 97.4 and US 10-year yields have fallen to 2.27% at the time of writing, suggesting diminishing expectations around the reflation trade. Nevertheless, our central scenario is for the US 10-year yield to be in the 2.5-3.0% range in the next 12 months, signalling a positive outlook for growth.

We retain our conviction view on the US technology sector, which is up 20% since our Outlook 2017 was released.

Figure 28: US banks fell in line with US 10y Treasury yield

US banking sector performance



Source: Bloomberg, Standard Chartered

Emerging Markets ex-Asia – diverging trends, we are neutral

We are also positive on EM ex-Asia. As of 25 May the category has risen 5% since our Outlook 2017 report. The correction in commodity prices, led by iron ore, and China deleveraging are near-term risks. However, if industrial activity in China were to slow dramatically, policy makers are likely to ease fiscal policy, reviving demand for commodities, in particular, iron ore, with positive implications for EM ex-Asia.

Brazil stands out as our preferred market in EM ex-Asia, but is being held back by the recent weakness in iron ore prices. In addition, corruption investigations against Brazilian President Michel Temer could slow pension and labour reforms and, thus, raise concerns over the sustainability of the country's fiscal policies and economic growth outlook.

Earnings growth in EM ex-Asia is forecast to increase 21% on a 12-month forward basis, but this reflects a low base due to losses in prior years. Underlying earnings growth is recovering, but not as fast as the headline number suggests.

Trading at a 12-month forward P/E of 12x consensus earnings forecasts, we note EM ex-Asia's P/E is above its long-term historical average of 10.6x. In view of the near-term risks, we retain a positive, as opposed to a preferred view, for the coming 12 months.

Figure 29: Brazil's equity market has rallied 46% from the 2016 low

Brazil IBOVESPA performance

Source: Bloomberg, Standard Chartered

Equities

BONDS EQUITIES COMMODITIES ALTERNATIVE STRATEGIES FX MULTI-ASSET

Japan – JPY strength is a near-term concern, remain neutral

We remain positive on the prospects of Japan's equity market. However, the JPY's YTD strength is a concern.

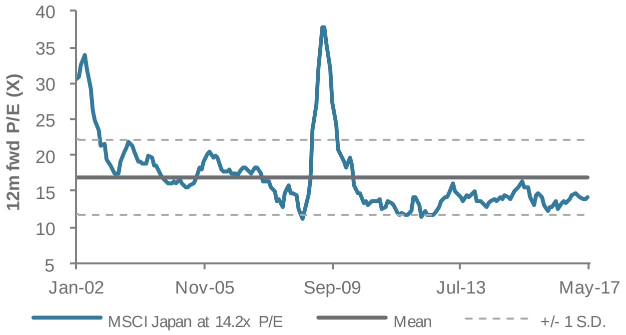
The JPY has risen 4.3% YTD against the USD. The exchange rate has become a key driver of Japanese equity market performance in recent years, with a weaker JPY supporting exporter earnings and, in turn, the market and vice versa.

Q1 earnings results have been encouraging, beating consensus net income estimates. Cost-cutting initiatives have led to a sharp increase in operating income y/y growth of 20% y/y versus a revenue increase of 4% y/y. Despite the earnings improvement, the softening of earnings revisions, a lead indicator for earnings growth, shows market concerns that the current earnings growth momentum may not be sustainable. As the market is forward-looking, the downturn in revisions may weigh on sentiment.

A key positive for Japan, which we should not overlook, is the attractive level of valuations. Japanese equities are trading at a 12-month forward P/E of 14.3x consensus earnings. This represents a 16% discount to their long-term average.

Figure 30: Japan's equity market P/E is low by historical standards

MSCI Japan P/E



Source: FactSet, Standard Chartered

UK – Brexit uncertainty after snap election, remain cautious

The market has priced in a landslide victory for the UK Conservative Party in the general election on 8 June. The outcome could strengthen PM Theresa May's position within her party for the forthcoming Brexit negotiations. This should reduce UK political uncertainty, but the Brexit process is unlikely to be a smooth one.

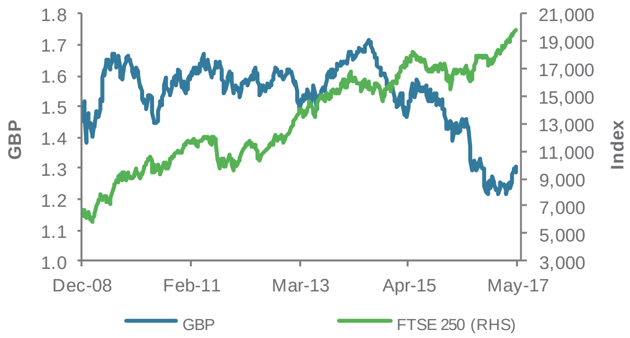
Trading at a P/E of 15x consensus 12-month forward earnings forecasts, we note the UK's P/E is above its long-term historical average of 14x. Although consensus 12-month forward earnings growth is at 16%, we believe growth prospects are uncertain given that a lot hinges on the progress of the Brexit negotiations and the movement of the GBP/USD.

Fundamentally, cost pressures remain low. Growth in wage costs softened in Q1, relative to Q4, and is running at below average levels. This is reducing margin pressures and is positive for corporate earnings growth.

So far the BoE has been banking on a smooth Brexit. Any difficulties in negotiations might lead the BoE to change its monetary and interest rate policies, which could be an uncertain factor for the GBP and hurt export-oriented companies. Therefore, we remain cautious on the UK's outlook.

Figure 31: FTSE mid-cap index benefitted from GBP weakness

FTSE 250 index versus GBP



Source: FactSet, Standard Chartered

Equity derivatives

All about a US Fed rate hike

We believe there are interesting opportunities for investors associated with a potential Fed rate hike on 14 June 2017.

Following recent political uncertainties surrounding President Trump, the US 10-year yield dropped to below 2.3%. US financials, which are sensitive to interest rates, experienced a pullback and a rise in volatility. However, the US economy is still in a reasonable shape. Our expectations of a further two rate hikes by the Fed created potential trading opportunities for investors.

We see limited downside for the US 10-year yield. Its potential rebound, fuelled by a possible rate hike in June, is likely to put a floor to share prices of US financials.

Investors may consider selling put options on major US financials—most of them are trading at 'above average' implied volatility compared with the S&P 500 index.

Figure 32: US financials moving in tandem with US 10y yields

US 10-year yield impacts net interest margins and profitability of US financials

Source: Bloomberg, Standard Chartered
As of 23 May 2017

Diversified mining is another sector highly correlated with the US 10-year yield.

- Trump's political uncertainties raised doubts about his ability to push through political reforms, including the much-talked-about fiscal stimulus programme.
- Moreover, tightening conditions in China led to a sharp correction in iron ore, hurting sentiment in the commodities complex.

We do not believe 'global reflation = Trump trade'. We expect fiscal policy to gradually 'take the baton' as monetary policy tightens across the globe, supporting commodity prices. As for China, the authorities are striking a balancing act—keeping an eye on excessive credit build-up, while ensuring growth at a certain pace. The drop in iron ore prices appears to have been stabilising.

We believe global diversified mining is another potential sector where investors may consider selling put options for yields.

Figure 33: Reflationary story 'oversold'. Opportunities to sell put options on global miners

Bloomberg World Mining Index versus US 10-year yield

Source: Bloomberg, Standard Chartered
As of 23 May 2017

Commodities

Figure 34: Where markets are today

Commodity	Current level	1-month return
Gold (USD/oz)	1256	-1.6%
Crude Oil (USD/bbl)	51	1.1%
Base Metals (index)	112	0.5%

Source: Bloomberg, Standard Chartered

Oil prices to gradually head higher

We expect a near-term pullback in gold

Further modest retracement still possible

IMPLICATIONS FOR INVESTORS

Adjustment to take time

- We expect commodities to rise modestly as global growth improves and political risks remain contained.
- We expect a further upside in crude oil prices amid supportive fundamentals, though a significant adjustment higher is likely to take some time.
- Gold is expected to trade largely range-bound (USD 1,175-1,300/oz); significant upside unlikely amid rising yields globally.

Figure 35: Commodities: key driving factors and outlook

Commodity	View	Inventory	Production	Demand	Real Interest Rates	USD	Risk Sentiment	Comments
Oil	◆	🔴	🟡	🟢	NA	🟡	🟢	OPEC cuts continue to improve the supply-demand balance
Gold	◆	🟡	🟡	🔴	🟡	🟡	🔴	A rise in yields globally to weigh on gold
Metals	◆	🔴	🔴	🟢	NA	🟡	🟢	Further retracement likely as supply headwinds persist

Source: Bloomberg, Standard Chartered Global Investment Committee

Legend: 🟢 Supportive 🟡 Neutral 🔴 Not Supportive ▲ Preferred ▼ Less Preferred ◆ Neutral

Demand-supply fundamentals relatively better for oil

We remain constructive on commodities as expectations of global growth are likely to pick up, while the probability of a sharp slowdown in Chinese demand remains remote.

We believe the extension of OPEC production cuts are supportive of higher oil prices, but are unlikely to drive them significantly higher in the short term. This is due to the fact that elevated US production and inventory levels are partially offsetting OPEC production cuts. Nonetheless, given the strong OPEC commitment and improving demand fundamentals, oil prices are likely to move higher in the longer term, even as short-term consolidation continues.

We do not expect gold to extend its gains as we expect safe-haven demand to remain limited in a largely pro-risk environment. Moreover, our outlook for higher yields globally (more recently in Europe) is likely to limit gold's upside.

Supply side concerns and targeted monetary tightening by China authorities continue to weigh on industrial metal prices. Here, we believe, supply-demand fundamentals will take a longer time to adjust.

Commodities

BONDS EQUITIES COMMODITIES ALTERNATIVE STRATEGIES FX MULTI-ASSET

Crude oil – remain constructive longer term

We expect oil prices to consolidate in the USD 45-55/bbl range before moving higher later in the year. While OPEC's extension of its production cuts is supportive, it is only likely to have a muted impact on oil prices for now. We believe the supply-demand balance is unlikely to adjust quickly, unless accompanied by more aggressive production cuts.

OPEC oil production has fallen considerably since the cuts were first announced in December and compliance has been adequate. However, US production growth has also exceeded expectations and inventories have hit new highs. This has resulted in the supply-demand gap persisting for longer than we had anticipated earlier.

Gold – reduce exposure on gains

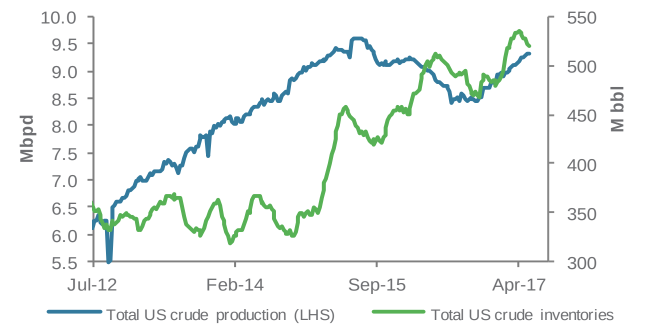
We do not expect gold to extend gains further and are biased towards reducing exposure should it move higher towards USD 1,300/oz. In our view, the recent uptick in gold is largely a result of a pullback in US Treasury yields as well as a weaker USD. Moreover, political concerns tied to the US president have also been supportive of gold. In addition to our expectations of higher US yields ahead of the June FOMC meeting, we also expect Bund yields to move higher through the year. Against this backdrop, and given our preference for continued exposure to risk assets, we do not see fundamentals strongly supportive of gold.

Industrial metals – maintain limited exposure

We believe fundamentals in the industrial metals market have not improved significantly for us to have a constructive view. Two factors have likely driven the recent correction in copper and iron ore: 1) inventories are elevated and 2) targeted monetary tightening in China is curtailing financing for these metals. While we expect inventories to adjust over time, this is likely to take longer than 12 months. Eventually, we expect Chinese authorities to limit the downside in metal prices, by launching additional infrastructure spending.

Figure 36: US crude oil production and inventories continue to surge amid expansion in shale oil supply

US total crude oil production and total inventories



Source: Bloomberg, Standard Chartered

Figure 37: Limited expected fall in US 10-yr yields to limit downside

US 10-year yield (inverted) and gold

Source: Bloomberg, Standard Chartered

Figure 38: What has changed – Oil

Factor	Recent moves
Supply	OPEC production continues to decline, whereas US production rises further
Demand	Leading economic indicators in the US and China continue to expand
USD	USD has weakened recently

Source: Standard Chartered

Figure 39: What has changed – Gold

Factor	Recent moves
Interest rate expectations	US yields have declined as Fed rate hike expectations have scaled back
Inflation expectations	Decline in US, EU; Japan remains flat
USD	USD has weakened recently

Source: Standard Chartered

Alternative strategies

BONDS EQUITIES COMMODITIES **ALTERNATIVE STRATEGIES** FX MULTI-ASSET

Figure 40: Where markets are today

Alternatives	Since outlook	1-month return
Equity Long/Short	2.9%	-0.3%
Relative Value	1.7%	0.2%
Event Driven	5.7%	1.3%
Macro CTAs	0.7%	0.1%
Alternatives Allocation	2.6%	0.3%

Source: Bloomberg, Standard Chartered

Alternatives allocation can offer risk-adjusted benefits

Equity Hedge and Event Driven are long equity substitutes

Relative Value can offer opportunities

IMPLICATIONS FOR INVESTORS

Deploy into alternatives

- We keep our alternatives allocation unchanged as we continue to see a 70% probability of a ‘muddle-through’ or a ‘reflationary’ scenario.
- Event Driven and Equity Hedge strategies continue to lead performance within our alternatives allocation, returning 4.8% and 3.2%, respectively, YTD.
- Increased volatility and dispersion across asset classes and markets suggest allocation to alternative strategies for those who are under-invested.

Volatility impacts alternative strategies less than global equities

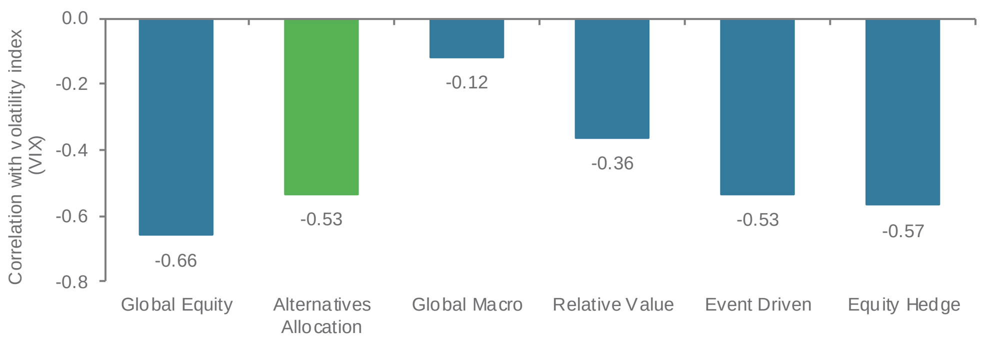
Increased US political risks have led to sharp jumps in volatility in recent weeks. Although markets have shrugged off these concerns, with global equities remaining positive YTD, we believe actively holding lower correlated assets within a broad investment allocation can smoothen overall investment returns and protect capital.

This is borne out when we analyse the historical market impact of a rise in volatility. When VIX* (volatility index) rises, we see less impact on alternative strategies than global equities (Figure 41). Volatility and equity performance usually move in opposite directions.

Among alternative sub-strategies, Equity Hedge and Event Driven are impacted more by volatility due to their underlying equity assets, while Global Macro strategies are least impacted as their diversifying characteristics provide insurance-like benefits.

Given expectations of bouts of volatility, we maintain our diversified alternatives allocation. Equity Hedge strategies remain a strong conviction, driven by reflation and asset class dispersion. Our allocation to alternative sub-strategies is Equity Hedge 34%, Event Driven 26%, Global Macro 16% and Relative Value 24%. For information on how to build an alternatives allocation, please refer to the Outlook 2017 report.

Figure 41: Global equity and alternative strategies correlation with volatility index (VIX)



Source: Hedge Fund Research Inc., Bloomberg, Standard Chartered; *VIX (volatility index) shows the market’s expectation of 30-day volatility and is constructed using a range of S&P 500 index options ** Outlook 2017 report

FX

Figure 42: Where markets are today

FX (against USD)	Current Level	1-month change
Asia ex-Japan	106	0.4%
AUD	0.75	-1.5%
EUR	1.12	3.1%
GBP	1.29	1.1%
JPY	112	1.9%
SGD	1.39	-0.4%

Source: Bloomberg, Standard Chartered

We expect the EUR gains to extend

We expect further JPY losses

EM currencies to remain stable

IMPLICATIONS FOR INVESTORS

Risk-on prevails

- We remain constructive on the EUR for the medium term, amid reduced political concerns and further evidence of recovery in the Euro area economy.
- We turn bearish on the JPY, as the Fed hikes interest rates, while the BoJ maintains its current yield curve control policy.
- Though the GBP has likely bottomed, we believe the lack of clarity on Brexit negotiations could limit upside for now.
- Emerging Market (EM) currencies are likely to be stable for now, amid a combination of a sideways USD, generally low volatility and attractive yields.

Figure 43: Foreign exchange; key driving factors and outlook

Currency	View	Real Interest Rate Differentials	Risk Sentiment	Commodity Prices	Broad USD Strength	Comments
USD	◆	Neutral	Neutral	NA	NA	Policy divergence no longer uniform
EUR	▲	Supportive	Supportive	NA	Neutral	Economic momentum to support ECB stimulus withdrawal
JPY	▼	Not Supportive	Not Supportive	NA	Neutral	BoJ policy to restrict upside in Japan yields
GBP	◆	Neutral	Supportive	NA	Neutral	Lower risks, but BoE likely to maintain policy
AUD, NZD	◆	Neutral	Supportive	Supportive	Neutral	Commodity prices to be supportive, but policy outlook key
EM FX	◆	NA	Supportive	Supportive	Neutral	Low volatility and commodity prices key

Source: Bloomberg, Standard Chartered Global Investment Committee

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

Some differentiation with respect to USD view

- We believe the USD is likely to consolidate further, with risks to the downside over the medium term. However, we do see rising divergence between individual currency pairs. We believe the EUR is likely to further extend its gains amid a continued Euro area recovery. In contrast, we believe the JPY is likely to weaken as US yields rise, with the BoJ maintaining its current yield curve control policy. We expect EM currencies, in general, to remain stable against the USD as the environment is likely to remain supportive of risk assets.
- In the immediate term, we expect the USD to recover some of its recent losses as we move towards the next Fed rate hike, but we would use any rally to increase exposure to the EUR and EM currencies.

FX

BONDS EQUITIES COMMODITIES ALTERNATIVE STRATEGIES FX MULTI-ASSET

EUR – further gains likely medium term

We expect the EUR to further extend gains over the medium term as the two main drivers of our constructive EUR view remain intact. First, we see further evidence of a pick-up in the Euro area economy, while markets continue to under-estimate the possibility of the ECB hiking rates. Second, we believe Euro area political risks have reduced compared with the start of the year. Italy and Austria, however, remain a concern.

In the immediate term, we do not rule out the possibility of some EUR consolidation following the recent rally. In this regard, short-term positives following the outcome of the French presidential elections may be priced in. Moreover, focus on the Fed's next rate hike could prompt some profit-taking in the pair. However, we would use any pullback to add EUR exposure.

JPY – likely to weaken medium term

We turn bearish on the JPY and believe recent strength is unlikely to sustain. JPY's recent strength, in our opinion, is largely a result of political concerns in the US. However, we do not believe the Fed is likely to alter its rate hiking trajectory as US inflation pressures are likely to pick-up over the medium term. In our view, the BoJ is likely to maintain its current yield curve control policy, which effectively ensures the widening of US-Japan interest rate differentials as US rates rise. This is also reflected in the adjacent chart which shows a tight correlation recently between USD/JPY and US 10-year Treasury yields.

GBP – still looking for a catalyst

We believe that most of the long-term risks to the GBP have been priced in, given the GBP is cheap on a number of valuation metrics. Nonetheless, there is likely to be little clarity on Brexit negotiations in the short term, at least. This, we believe, could limit significant GBP gains from here. Moreover, although the BoE has edged towards a more hawkish stance, we may not see the first rate hike until next year as the BoE would want to see more clarity on the outcome of Brexit negotiations. Against this backdrop, we could see the GBP continuing to consolidate in a range.

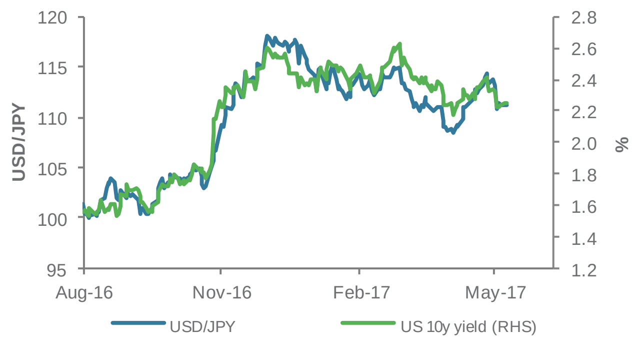
Figure 44: What has changed – G3 currencies

Factor	Recent moves
Real interest rate differentials	Moderately improved in favour of the EUR, GBP and JPY recently at the expense of the USD
Risk sentiment	Volatility has fallen substantially, while Euro area core-peripheral spreads have narrowed
Speculator positioning	Remains moderately net-long for the USD, moderately net-short for the JPY and GBP and has recently turned net-long for the EUR

Source: Bloomberg, Standard Chartered

Figure 45: BoJ's yield curve control policy to ensure tight relationship between US 10-year yields and USD/JPY

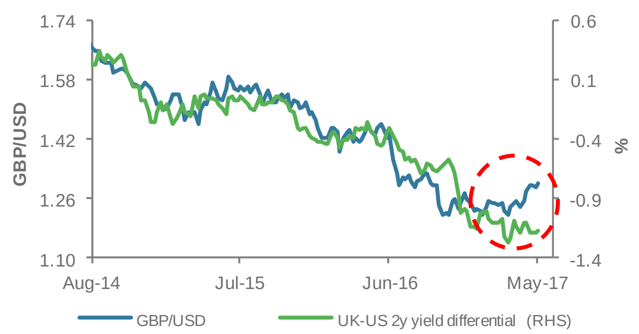
US-10year Treasury yields and USD/JPY



Source: Bloomberg, Standard Chartered

Figure 46: In the short-term, the GBP may have incorporated recent positives

UK-US 10-year interest rate differentials and GBP/USD



Source: Bloomberg, Standard Chartered

FX

BONDS EQUITIES COMMODITIES ALTERNATIVE STRATEGIES FX MULTI-ASSET

AUD – range-bound for now

We are likely to see continued AUD range-bound trading, (most likely within the 0.715-0.785 range) until a clear catalyst for a medium-term directional trend emerges. We do, however, acknowledge that risks are biased towards the downside.

Following the sharp decline in iron ore prices, the AUD is now much more aligned in terms of their historical relationship. As a result, we believe any further decline in iron ore prices could induce more significant AUD downside. Our base case is for the RBA to move towards tightening later in the year. A key risk to this is if the RBA maintains status quo while the Fed hikes rates. This could potentially eliminate Australia's yield advantage over the US, a significantly negative outcome for the AUD.

Emerging Market Currencies – fundamentals still supportive

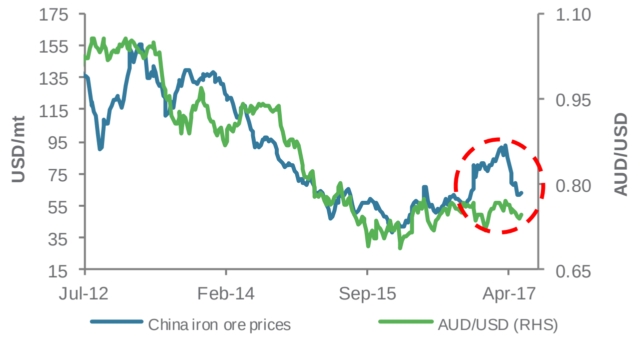
Despite recent concerns regarding a decline in select commodity prices and softer China data, we believe the overall environment is still constructive for risk assets and EM currencies. In our view, high carry (currencies supported by high bond yields), contained volatility and modestly higher commodity prices (as we expect) are likely to be supportive in the medium term.

Although intermittent political concerns regarding individual countries have come up (most recently in Brazil and South Africa in April), there is little evidence so far these have affected the broader universe. Within this space, we retain our preference for higher yielding currencies, as these provide investors with a higher cushion against potential volatility.

Elsewhere, we believe risks to further CNY downside have decreased recently for two reasons: 1) USD strength is now likely to be less of a concern and 2) capital outflows have abated. Although, we had turned positive on the MYR last month, the currency's strong gains since then have likely incorporated a majority of the positives. Moreover, given Malaysia's low FX reserve coverage, we believe the central bank is likely to try to limit further MYR strength.

Figure 47: Further downside to iron ore prices could negatively impact the AUD

China iron ore prices and AUD/USD



Source: Bloomberg, Standard Chartered

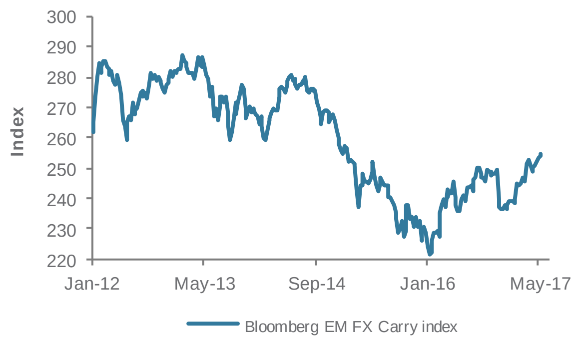
Figure 48: What has changed in Emerging Market currencies

Factor	Recent moves
USD	USD has weakened further recently
China risks	China data has softened moderately
Capital flows	Capital inflows into EMs remain strong

Source: Standard Chartered

Figure 49: High carry currencies continue to perform well

Bloomberg Emerging Market currency carry index (total return)



Source: Bloomberg, Standard Chartered

Multi-asset

A leg-up from the Euro area

Figure 50: Key multi-asset views

Allocation Performance	Since Outlook	1-month return
Balanced	8.2%	2.3%
Multi-Asset Income	6.8%	1.5%

Source: Bloomberg, Standard Chartered

- A scenario based investing approach remains important as we move further into the cycle. Allocating to alternative strategies, gold and high-quality fixed income should act as risk-cushion in the allocation (our models on page 30 & 31 can act as a guide).
- Given similar probabilities between ‘muddle-through’ and ‘reflationary’ scenarios, interest rate risk is not a significant issue particularly for the multi-asset income investor. However, understanding this risk should bear fruit as reflation takes root.
- Both growth and income-focused investors focused solely on the US equity market are potentially missing a broadening reflationary trend in Euro-area and Asia ex-Japan in both traditional and dividend equities.

Balanced allocation consolidates its lead

Our balanced allocation is designed to benefit from a reflationary scenario, while our multi-asset income allocation benefits from a muddle-through environment. The balanced allocation finally overtook its income counterpart last month, in terms of Outlook-to-date performance. Since then, it has continued to consolidate its lead. It is now ahead by 137bps, driven primarily by the performance of European assets. A large component of this performance was driven by EUR strength. Our decision to remove the currency-hedge on European assets continues to pay dividends. While most other assets were close to flat over the past month, a few of the moves have been noteworthy.

Traditional Asia ex-Japan and Euro-area equities: These two asset classes are components of our balanced allocation and their strong performance continues to demonstrate the global nature of the reflationary trade. This is important as it suggests that investors looking to benefit from a reflationary scenario should look beyond the US equity market for opportunities.

Add Euro area and AxJ equity to capture broadening reflation

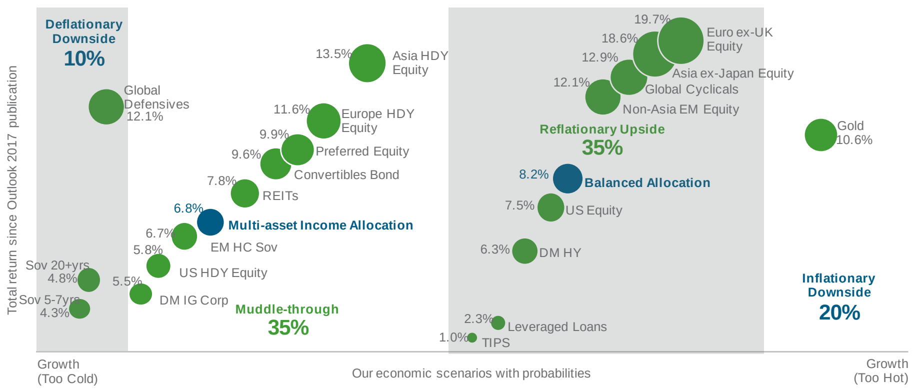
Understanding interest rate risk to bear fruit when reflation fully takes root

Allocation should contain a risk-cushion for downside scenarios

IMPLICATIONS FOR INVESTORS

Figure 51: Mixed signals delivered by asset market performance since Outlook 2017

Performance* of various asset classes from Outlook 2017 publication to 25 May 2017



Source: Barclays, JPMorgan, S&P, MSCI, Bloomberg, Standard Chartered
Size of bubble represents total return of asset class

Multi-asset

Gold: This asset class has delivered 10% since the Outlook 2017 publication. Investors are potentially treating the asset class as a hedge against downside scenarios we have outlined. While downside outcomes represent around 30% of our scenario probabilities, an allocation to asset classes such as gold and alternative strategies plays a crucial role in managing risk.

The examples quoted above highlight the importance of a scenario-based approach to investing. With 70% of our scenario probabilities focused on reflation and muddle-through, the bulk of an investor's allocation should be focused on assets that benefit in these environments. However, a portion of the allocation should also include assets more appropriate for the downside scenarios. Figure 51 provides a handy map for an investor looking at assets appropriate for a particular economic scenario.

KYIRR – know your interest rate risk

Fixed income is a large allocation in both our balanced and multi-asset income allocations. For an investor, it is important to understand the interest rate risk associated with their allocations to fixed income.

In a muddle-through environment, the potential for yields to rise significantly is fairly low. As a result, the inclusion of asset classes that offer a higher yield, but might possess a significant interest rate risk, is not a huge concern. An example of such an asset class is Emerging Market USD Sovereign bonds, which offer a 5.30% yield but is exposed to a significant interest rate risk. In a muddle-through situation, an investment in this asset class is attractive given the yield pick-up it offers over its Developed Market counterpart.

Similarly, in a reflationary scenario, an investor should look for asset classes that are less sensitive to rising interest rates. US High Yield bonds and floating rate senior loans are examples of asset classes that carry a lower interest rate risk than some of the other areas within fixed income. The table in Figure 52 provides a snapshot of yield and interest-rate sensitivity associated with various fixed income asset classes. It also shows the impact on total return based on various scenarios of changes in yield.

From the analysis, it is clear that a muddle-through or deflationary environment would be positive for fixed income and a strong reflationary environment would be negative for most fixed income asset classes. Given the almost equal probability between muddle-through and reflationary scenarios at the moment, interest rate risk is not a significant issue particularly for a multi-asset income investor. However, knowing ones exposure to this risk (KYIRR) will bear fruits as and when a truly reflationary scenario takes root.

Figure 52: Total return of fixed income assets assuming different changes in yield

Yield to maturity, duration* for fixed income assets as of 19 May 2017

		INR Bonds	Emerging Markets High Yield	Coco	Developed Markets High Yield	Leveraged Loan	Emerging Markets Investment Grade	Convertibles	Asia Corp Investment Grade	Investment Grade Sov 20+Yrs	Developed Markets Corp Investment Grade	TIPS	Investment Grade Sov 5-7Yrs	Investment Grade Sov
Yield to Maturity		7.50%	6.64%	5.44%	5.26%	5.00%	4.12%	3.68%	3.54%	2.66%	2.60%	1.77%	1.29%	1.13%
Duration*		5.09	5.73	4.07	4.19	0.24	7.56	3.37	5.29	18.19	6.63	1.95	5.54	7.42
Change in yield	-1.50%	15.1%	15.2%	11.5%	11.5%	5.4%	15.5%	8.7%	11.5%	29.9%	12.5%	4.7%	9.6%	12.3%
	-1.00%	12.6%	12.4%	9.5%	9.5%	5.2%	11.7%	7.1%	8.8%	20.9%	9.2%	3.7%	6.8%	8.6%
	-0.50%	10.0%	9.5%	7.5%	7.4%	5.1%	7.9%	5.4%	6.2%	11.8%	5.9%	2.7%	4.1%	4.8%
	0.00%	7.5%	6.6%	5.4%	5.3%	5.0%	4.1%	3.7%	3.5%	2.7%	2.6%	1.8%	1.3%	1.1%
	0.50%	5.0%	3.8%	3.4%	3.2%	4.9%	0.3%	2.0%	0.9%	-6.4%	-0.7%	0.8%	-1.5%	-2.6%
	1.00%	2.4%	0.9%	1.4%	1.1%	4.8%	-3.4%	0.3%	-1.8%	-15.5%	-4.0%	-0.2%	-4.3%	-6.3%
	1.50%	-0.1%	-2.0%	-0.7%	-1.0%	4.6%	-7.2%	-1.4%	-4.4%	-24.6%	-7.3%	-1.2%	-7.0%	-10.0%

Source: Barclays, J.P. Morgan, S&P, MSCI, Bloomberg, Standard Chartered

* Duration is a measure of the sensitivity of price of a fixed income investment to a change in interest rate. Duration is measured in years.

Multi-asset

Figure 53: A three-pronged approach to assessing income assets

Income potential, capital growth and risk of pullback

Asset classes	Yield	Income potential	Capital growth	Risk of pullback	Comments
Fixed Income	4.4	🟡	🟡	🟡	Portfolio anchor; source of yield but not without risks
Leveraged Loans	5.0	🟢	🟡	🟡	Attractive alternative to traditional HY exposure; senior in capital structure to HY bonds; small yield penalty in return; low sensitivity to changes in US interest rates, but loan callability a risk
Corporate - US HY	5.6	🟢	🟡	🟡	Valuations have eased modestly, but still relatively full; attractive yields; default rates should trend lower
EM HC Sovereign Debt	5.4	🟢	🟡	🔴	Need to be selective given diverse risk/reward in IG, HY bonds; high sensitivity to rise in US interest rates a risk; commodity exposure may be a support; valuations reasonable
INR Bonds	7.5	🟢	🟡	🔴	Structural story playing out; carry play; credible central bank reforms; foreign demand a recent risk. FX stability a positive, but recovery valuation a potential concern
Investment Grade*	2.6	🔴	🟡	🟡	Portfolio anchor, structural carry; some interesting ideas, but interest rate sensitivity a risk
Corporate - DM IG*	2.6	🔴	🟡	🟡	Yield premiums have narrowed but prices fair; corporate bonds look appealing if Fed hiking cycle is muted
Corporate - Asia IG	3.5	🟡	🟡	🟢	Cautiously positive. Fairly valued, marginally improving credit quality; key risks include concentration risk from Chinese issuers and risk of lower regional demand
TIPS	1.8	🔴	🟢	🟢	Offers value as an alternative to nominal sovereign bonds; impact of a rate rise similar to G3 sovereign but offers exposure to further rise in US inflation
Sovereign	1.4	🔴	🔴	🟡	QE offers strong anchors for sovereign yields, but little, if any, value is left. Risks include rate hikes and higher inflation. Prefer higher-yielding/high-quality markets (US Treasury, AU, NZ)
Equity Income	4.4	🟡	🟡	🔴	Key source of income and modest upside from capital growth
North America	3.2	🔴	🟡	🟡	Fair to slightly rich valuations; low yields; some sectors attractive
Europe	5.1	🟢	🟢	🟡	Fair valuations; attractive yields; overhang from political risk, mitigated by improving global growth outlook; improving momentum
Asia ex-Japan	4.2	🟡	🟡	🔴	Good payouts; selectively attractive valuations, but pullback a risk from challenges in China/US growth, earnings, Fed and leverage
Non-core Income	3.9	🟡	🟡	🟡	Useful diversifier for income and growth
Preferred	5.5	🟢	🟡	🔴	Attractive yields and exposure to financials; risk from higher rates may not be completely offset by improvement in banks' underlying credit
Convertibles	3.7	🟡	🟡	🟡	Moderate economic expansion and gradual pace of rate hikes should be good for convertible bonds. Risk: policy mistake
Property	3.9	🟡	🟡	🔴	Yield diversifier; stable real estate market; risk from higher rates, valuations stretched in some regions. Potential for large pullbacks
Covered Calls	2.2	🔴	🟡	🟡	Useful income enhancer assuming limited equity upside
CoCos	5.4	🟢	🟡	🔴	Attractive due to high yields on offer, relatively low sensitivity to rising yields and improving bank credit quality over the past few years

Source: Bloomberg, Standard Chartered Global Investment Committee

Yield data as of 19 May 2017;*Yield data as of 30 April 2017.
For indices used, refer to the end note at the conclusion of this section

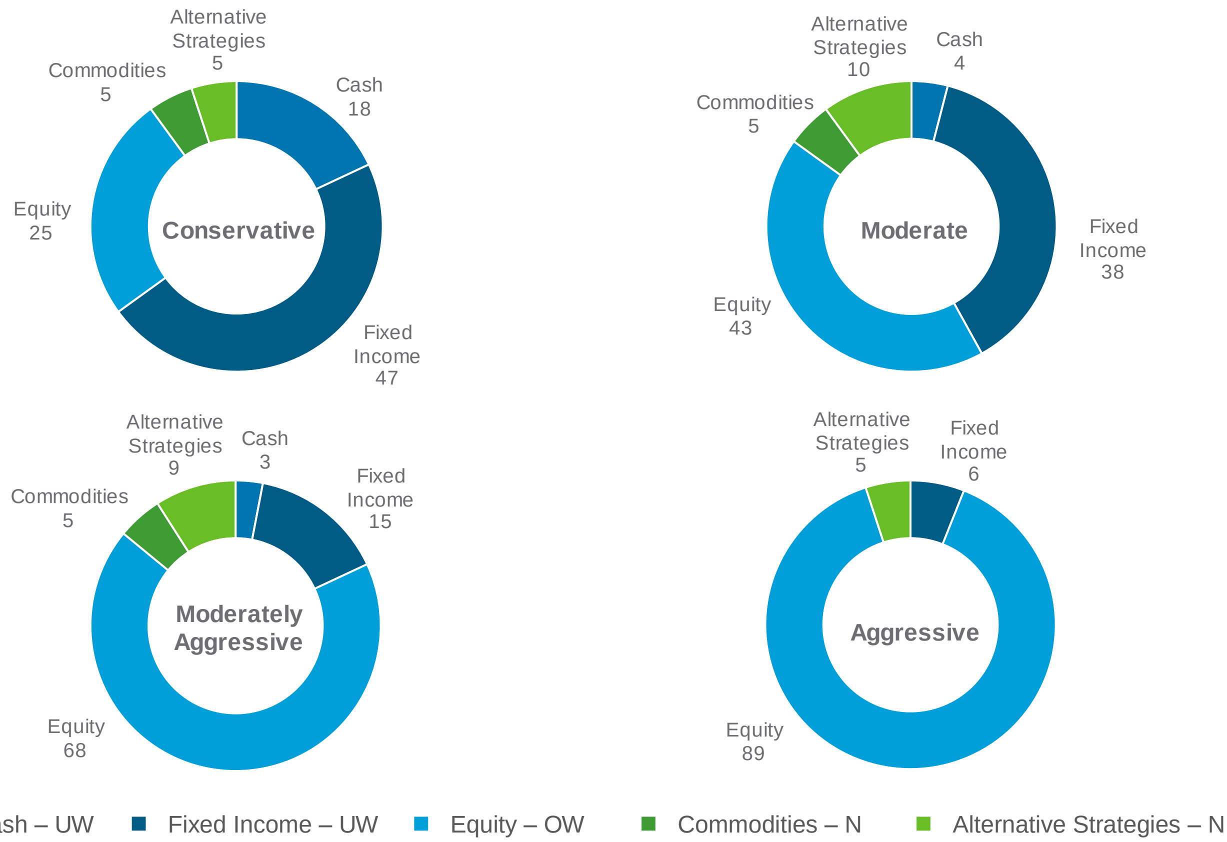
Please note: The Financial Conduct Authority (FCA) has introduced Permanent Marketing Restrictions on the sale of CoCos to residents of the EEA.

Legend: 🟢 Attractive potential/low risk 🟡 Moderate potential/medium risk 🔴 Unattractive potential/high risk

Global asset allocation summary

Global-focused Tactical Asset Allocation - June 2017 (12M)

All figures are in percentages



Asset Class	Region	View vs. SAA	Conservative	Moderate	Moderately Aggressive	Aggressive
Cash & Cash Equivalents	USD Cash	UW	18	4	3	0
Developed Market Bonds	DM Government Bonds	UW	26	21	8	2
	DM IG Corporate Bonds	N	10	7	2	0
	DM HY Corporate Bonds	N	4	4	3	2
Emerging Market Bonds	EM USD Sovereign Bonds	OW	5	4	2	2
	EM Local Ccy Sovereign Bonds	N	0	0	0	0
	Asia Corporate USD Bonds	N	2	2	0	0
Developed Market Equity	North America	N	13	22	36	48
	Europe ex-UK	OW	7	10	13	17
	UK	UW	0	0	2	2
	Japan	N	0	4	6	8
Emerging Market Equity	Asia ex-Japan	OW	5	7	9	12
	Non-Asia EM	N	0	0	2	2
Commodities	Commodities	N	5	5	5	0
Alternative Strategies		N	5	10	9	5

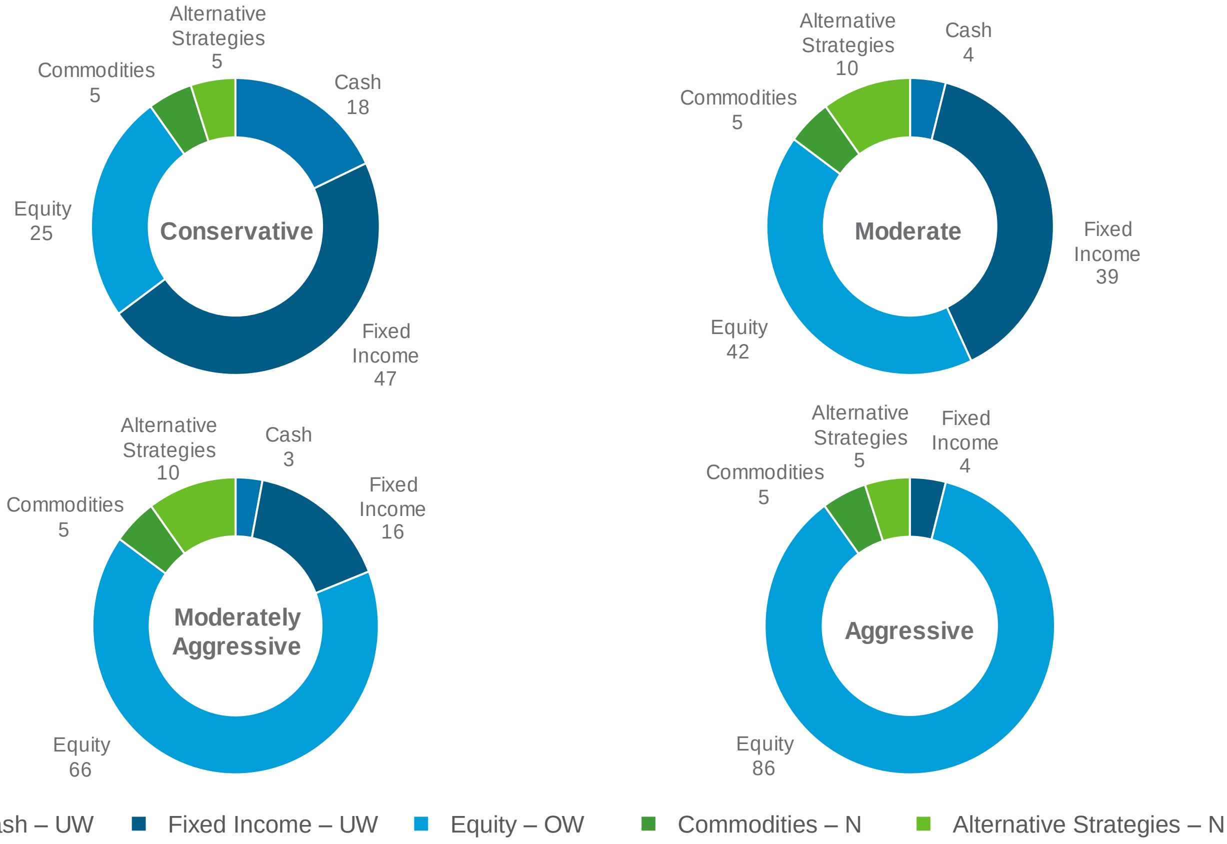
Source: Bloomberg, Standard Chartered

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

Asia asset allocation summary

Asia-focused Tactical Asset Allocation - June 2017 (12M)

All figures are in percentages



Asset Class	Region	View vs. SAA	Conservative	Moderate	Moderately Aggressive	Aggressive
Cash & Cash Equivalents	USD Cash	UW	18	4	3	0
Developed Market Bonds	DM Government Bonds	UW	13	10	4	0
	DM IG Corporate Bonds	N	5	4	2	0
	DM HY Corporate Bonds	N	5	5	2	2
Emerging Market Bonds	EM USD Sovereign Bonds	OW	10	8	3	2
	EM Local Ccy Sovereign Bonds	N	7	7	3	0
	Asia Corporate USD Bonds	N	7	5	2	0
Developed Market Equity	North America	N	5	11	18	25
	Europe ex-UK	OW	7	11	16	21
	UK	UW	0	0	2	2
	Japan	N	2	2	3	3
Emerging Market Equity	Asia ex-Japan	OW	9	15	21	28
	Non-Asia EM	N	2	3	6	7
Commodities	Commodities	N	5	5	5	5
Alternative Strategies		N	5	10	10	5

Source: Bloomberg, Standard Chartered

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

Market performance summary *

Equity	Year to date	1 month
Global Equities	11.2%	2.2%
Global High Dividend Yield Equities	10.1%	2.2%
Developed Markets (DM)	10.4%	2.1%
Emerging Markets (EM)	18.3%	3.4%
By country		
US	8.7%	1.2%
Western Europe (Local)	10.8%	2.7%
Western Europe (USD)	16.9%	4.8%
Japan (Local)	3.8%	3.5%
Japan (USD)	8.2%	2.6%
Australia	7.4%	-2.4%
Asia ex- Japan	21.1%	4.6%
Africa	16.6%	5.2%
Eastern Europe	2.7%	-0.5%
Latam	10.2%	-2.9%
Middle East	0.8%	0.8%
China	22.8%	5.5%
India	19.5%	-0.3%
South Korea	28.3%	8.5%
Taiwan	18.1%	3.7%
By sector		
Consumer Discretionary	12.9%	2.1%
Consumer Staples	13.4%	3.4%
Energy	-4.4%	-0.8%
Financial	7.6%	0.3%
Healthcare	12.5%	2.8%
Industrial	12.0%	1.6%
IT	22.0%	5.7%
Materials	9.1%	-0.2%
Telecom	4.7%	1.8%
Utilities	12.4%	4.2%
Global Property Equity/REITS	6.4%	0.0%

Bonds	Year to date	1 month
Sovereign		
Global IG Sovereign	4.1%	1.2%
US Sovereign	1.7%	0.5%
EU Sovereign	5.4%	2.8%
EM Sovereign Hard Currency	6.2%	1.0%
EM Sovereign Local Currency	8.6%	1.2%
Asia EM Local Currency	7.1%	1.2%
Credit		
Global IG Corporates	4.4%	1.6%
Global HY Corporates	6.1%	1.3%
US High Yield	4.7%	1.1%
Europe High Yield	10.2%	3.5%
Asia High Yield Corporates	3.5%	0.4%

Commodity	Year to date	1 month
Diversified Commodity	-4.1%	-0.3%
Agriculture	-5.4%	-1.5%
Energy	-14.8%	-1.0%
Industrial Metal	3.7%	-0.2%
Precious Metal	8.0%	-1.3%
Crude Oil	-12.3%	-2.1%
Gold	9.0%	-0.7%

FX (against USD)	Year to date	1 month
Asia ex- Japan	2.9%	0.3%
AUD	3.4%	-1.1%
EUR	6.6%	2.6%
GBP	4.9%	0.8%
JPY	4.6%	-0.7%
SGD	4.4%	0.5%

Alternatives	Year to date	1 month
Composite (All strategies)	2.4%	0.3%
Relative Value	1.5%	0.2%
Event Driven	4.8%	1.3%
Equity Long/Short	3.2%	-0.3%
Macro CTAs	-0.8%	0.1%

Source: MSCI, JP Morgan, Barclays, Citigroup, Dow Jones, HFRX, FTSE, Bloomberg, Standard Chartered

*All performance shown in USD terms, unless otherwise stated.

*YTD performance data from 31 December 2016 to 25 May 2017 and 1-month performance from 25 April 2017 to 25 May 2017

Events calendar

APR

15 US Treasury department's semi-annual forex report
23 France's Presidential Elections (first round)
27 BoJ/ECB Policy Decision

MAY

07 France's Presidential Elections (final round)
04 FOMC Policy Decision
26-27 G7 summit in Italy

JUN

08 ECB Policy Decision
11, 18 French Legislative Elections
15 FMOC Policy Decision
16 BoJ Policy Decision
17-20 Greek debt repayment
30 OPEC output agreement expires

JUL

01 India's likely rollout of nationwide Goods and Services Tax (GST)
20 BoJ Policy Decision
20 ECB Policy Decision
27 FOMC Policy Decision

AUG

NA

SEP

24 Germany's General Elections
07 ECB Policy Decision
21 FMOC Policy Decision
21 BoJ Policy Decision

OCT

X China's 19th National Party Congress
26 ECB Policy Decision
31 BoJ Policy Decision

NOV

02 FOMC Policy Decision

DEC

14 ECB meeting
14 FOMC Policy Decision
21 BoJ Policy Decision

Legend: X – Date not confirmed **ECB** – European Central Bank **FOMC** – Federal Open Market Committee **BoJ** – Bank of Japan

Wealth Management Advisory publications

Annual

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.

Weekly

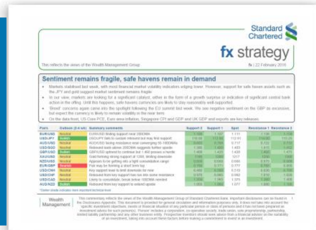
Weekly Market View

Update on recent developments in global financial markets and their implications for our investment views.

Monthly

Global Market Outlook

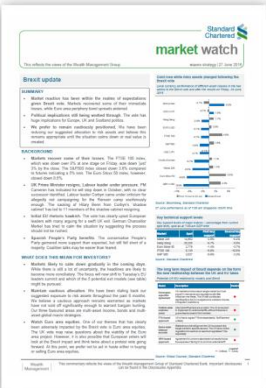
Our monthly publication captures the key investment themes and asset allocation views of the Global Investment Committee.



Weekly

FX Strategy

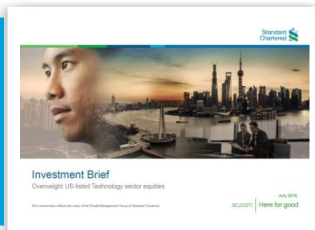
Weekly update on our currency market views, predominantly from a technical standpoint.



Ad hoc

Market Watch

Analyses key market developments and their likely impacts on our investment views.



Ad hoc

Investment Brief

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.

The team

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

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