Global Market Outlook

Goldilocks extends

A contained rise in bond yields continues to provide a supportive environment for equities. While earnings growth in our preferred markets (Euro area and Asia ex-Japan) has been strong, the lack of a surge in bond yields is an additional tailwind, potentially offsetting any drag from recent currency gains.

The window to add EM government bonds remains open. Limited inflation means Emerging Market (EM) government bonds and, more broadly, multi-asset income strategies are likely to remain well supported.

The EUR's rise above 1.15 supports our bullish view on the currency, though the USD is likely to find short-term support. We expect oil prices to continue rising in the near term, but the long-term path depends on whether major producers can continue limiting supplies.

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01 Global equities remain our preferred asset class

02 We prefer Euro area and Asia ex-Japan equities and EM government bonds (denominated in both USD and local currencies)

03 Balanced strategies offer most attractive risk/reward, in our view, but multi-asset income should remain well supported

Goldilocks extends

- A contained rise in bond yields continues to provide a supportive environment for equities. While earnings growth in our preferred markets (Euro area and Asia ex-Japan) has been strong, the lack of a surge in bond yields is an additional tailwind, potentially offsetting any drag from recent currency gains.
- The window to add Emerging Market (EM) government bonds remains open. Limited inflation means EM government bonds and, more broadly, multi-asset income strategies are likely to remain well supported.
- The EUR's rise above 1.15 supports our bullish view on the currency, though the USD is likely to find support soon. We expect oil prices to continue rising in the near term, but the long-term path depends on whether major producers can continue limiting supplies.

Yields rebound despite inflation debate

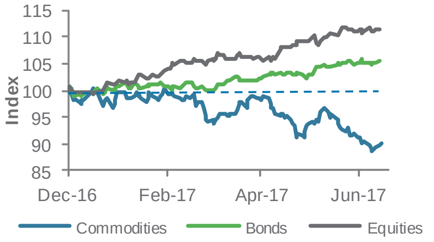
One of the most significant market moves over the past month was arguably the rise in US and Euro area government bond yields. While this has partly retraced, the move was likely led by a combination of factors, starting with ECB President Mario Draghi's hint that the ultra-loose ECB policy could gradually draw to a close. For US bond yields, the move higher in yields came against the backdrop of excessive long positioning, a correction of which caused yields to snap higher.

The lack of inflation remains a key factor in the debate on whether tighter monetary policy and higher bond yields are justified. In the context of our scenarios, soft inflation readings continue to support a muddle-through outcome, though the Fed argues the long-term move towards reflation remains intact.

This debate notwithstanding, growth expectations continue to improve. From an investment perspective, this is equally important when looking for opportunities created by the recent jump in yields. Equity markets appear set to extend gains in a muddle-through environment (via limited bond yield gains) and reflation (via higher earnings). In bond markets, the current high yields make EM government bonds attractive.

Figure 1: Equities, bonds had a strong H1

Major asset class performance since *Outlook 2017*



Source: Bloomberg, Standard Chartered

Figure 2: Inflation expectations have moderated

US 5y TIPS breakeven yields

Source: Bloomberg, Standard Chartered

Maintain conviction in equities

We retain our positive view on equity markets, particularly in our preferred regions of the Euro area and Asia ex-Japan, despite the (modest) rise in bond yields and rebound in the EUR over the past month.

Most major equity markets took a pause following the recent rebound in yields. However, in our view, the debate on whether the global investment environment is likely to shift back towards muddle-through or resume its move towards reflation is less of a concern for equity markets given the likelihood of a strong performance in both outcomes.

Improved growth in a reflationary outcome is positive for earnings, examples of which we have seen (and continue to see) in recent earnings releases. However, much of the post-2008 period has been a demonstration of how capped bond yields in a muddle-through environment can be supportive for equities as well.

The recent rebound in commodity prices may also prove supportive for EM equities, including those outside Asia. However, this runs in contrast with still-elevated political risks across many EMs outside Asia. Therefore, on a risk-reward basis, we continue to view Asia ex-Japan equities as more attractive.

Add to EM government bonds

We continue to believe EM government bonds, both USD and local currency bonds, offer the most attractive opportunity within bond markets today. This is driven by the attractive yields on offer (over 5%), the presence of value (for USD bonds) and our reduced concerns of FX weakness (for local currency bonds).

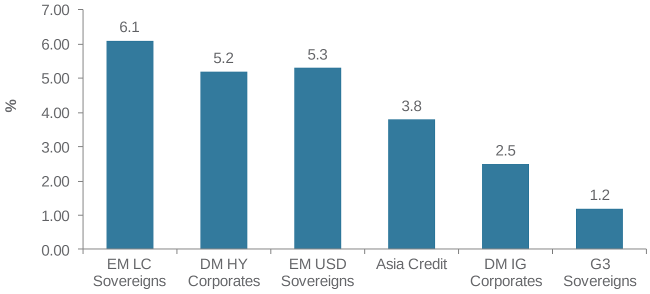
One of the risks we acknowledged for EM USD government bonds was that, compared with other bond asset classes like high yield debt, they are relatively more sensitive to a rise in US Treasury yields. This risk was on display recently as the asset class pulled back around 1.7% from mid-June to early July amid a rebound in US Treasury yields.

Although pullbacks of this sort remain possible, particularly over short periods of time, the attractive yield on offer means we can expect total returns to be higher than those from most other bond asset classes over a 12-month horizon. Indeed, EM USD government bonds have entirely reversed their early July pullback.

The largely flat returns over the past month means we would be comfortable adding to this asset class today, particularly when considered as part of a broader multi-asset income approach that stands to benefit from continued momentum in yield-oriented assets.

Figure 3: EM bond yields remain attractive

Yield-to-worst across major bond asset classes
(DM IG corporates, DM IG sovereign yields as of 30 June 2017)



Source: Bloomberg, Standard Chartered

Short-term positive on oil

Oil prices continue to be buffeted by mixed reports on supply, with the most recent suggesting OPEC and Russia may be willing to extend supply cuts further. We continue to believe markets remain excessively pessimistic in the short term. This means oil and oil-related asset classes are likely to deliver positive returns over the next few months from current levels.

In the longer term though, the path of oil prices remains dependent on the supply outlook from major producers. While OPEC and Russia have demonstrated willingness and ability to cut production, considerable uncertainty remains on the willingness of US shale producers to supply at current market prices.

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	🔴	Reduced need for insurance-like assets amid continued growth
Equities 🟢	Euro area	🟢	Earnings outlook robust; Valuations modest; Currency gains not a major risk yet
	Asia ex-Japan	🟢	Earnings uptick positive; Valuations reasonable; Trade tensions long-term risk
	Non-Asia EM	🟡	Commodities key to earnings; Valuations mixed; Flows positive; Politics a risk
	Japan	🟡	JPY key to earnings; Valuations reasonable, but risk of extreme move is high
	US	🟡	Earnings expectations may be peaking; Margins and valuations are risks
	UK	🔴	Brexit talks cloud earnings outlook; Full valuations; GBP rebound a risk
Bonds 🟡	EM government (USD)	🟢	Attractive yield; Reasonable valuations; High interest rate sensitivity is a risk
	EM government (local currency)	🟢	Attractive yield; USD less of a headwind; Currency volatility is a risk
	Asian USD bonds	🟡	Moderate yield; Reasonable valuations; Demand/supply favourable
	DM HY corporate	🟡	Attractive yield; Declining default rates; Expensive valuation
	DM IG corporate	🟡	Moderate yield; Full valuations; Defensive characteristics
	DM government	🔴	Low yield; Full valuations; Fed policy, higher inflation, yield rebound are risks
Currencies	EUR	🟢	Economic momentum supports ECB stimulus withdrawal
	USD	🟡	Policy divergence diminishing; other central banks turning more hawkish
	GBP	🟡	Political and policy uncertainty to weigh in; likely to remain range-bound
	EM currencies	🟡	Low volatility, range-bound USD and stable China to remain supportive
	AUD	🟡	Central bank likely to maintain policy for now, but risk sentiment supportive
	JPY	🔴	USD/JPY remains tied to US 10-year yields which we expect to rise gradually

Source: Bloomberg, Standard Chartered

Legend: 🟢 Likely to outperform 🟡 Core holding 🔴 Likely to underperform

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

Key Asset Allocation Calls (12 months)	Date open	Absolute	Relative
Corporate Bonds to outperform Government Bonds [1]	15-Dec-16		✓
EM USD government bonds to outperform broader bond universe	26-May-17		✗
EM LC government bonds to outperform broader bond universe	23-Jun-17		✓
Europe ex UK to outperform global equities	24-Feb-17		✓
Asia ex-Japan to outperform global equities	30-Mar-17		✓
China to outperform Asia ex Japan equities	24-Feb-17		✓
Korea to outperform Asia ex Japan equities	23-Jun-17		✓
Key themes (Less than 12 months)	**Date open**	**Absolute**	**Relative**
Balanced allocation to outperform multi-asset income allocation[6]	15-Dec-16	NA	✓
Multi-asset income allocation to deliver positive absolute return[5]	15-Dec-16	✓	NA
Alternative strategies allocation to deliver positive absolute returns[3]	15-Dec-16	✓	NA
BRL, RUB, IDR and INR basket[4] to outperform EM FX Index	15-Dec-16	NA	✗
Absolute return calls (Less than 12 months)	**Date open**	**Absolute**	**Relative**
Bullish EUR/USD	28-Apr-17	✓	
Bullish USD/JPY	30-Jun-17	✗	
Bullish Brent crude oil price	15-Dec-16	✗	
Bullish Euro area bank sector equities	28-Apr-17	✓	
Bullish US floating rate senior loans	15-Dec-16	✓	
Bullish Korea equities	5-May-17	✓	
Closed calls (Less than 12 months)	**Date open**	**Absolute**	**Relative**
US Technology to deliver positive returns and outperform US equities *(as of 23-06-2017)*	15-Dec-16	✓	✓
'New China' equities to deliver positive returns *(as of 09-06-2017)*	15-Dec-16	✓	NA
Positive USD/CNY *(as of 02-06-2017)*	15-Dec-16	✗	NA
DM HY Bonds to outperform broader bond universe *(as of 25-05-2017)*	15-Dec-16	NA	✓
India to deliver positive returns and outperform Asia ex Japan equities *(as of 25-05-2017)*	15-Dec-16	✓	✗
Japan (FX-hedged) to deliver positive returns and outperform global equities *(as of 27-04-2017)*	15-Dec-16	✓	✗
US Small Cap to deliver positive returns and outperform US equities *(as of 27-04-2017)*	15-Dec-16	✓	✗
Indonesia to deliver positive returns and outperform Asia ex Japan equities *(as of 27-04-2017)*	15-Dec-16	✓	✗
US equities to deliver positive returns and outperform global equities *(as of 30-03-2017)*	15-Dec-16	✓	✗
Negative EUR/USD *(as of 17-02-2017)*	15-Dec-16	✗	NA
Positive AUD/USD *(as of 17-02-2017)*	15-Dec-16	✓	NA
Bearish AUD/USD (as of 21-07-2017)	30-Jun-17	✗	NA

Source: Bloomberg, Standard Chartered

Performance measured from 15 Dec 2016 (release date of our *Outlook 2017*) to 27 July 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

Should I buy equities now, even after the strong rally over the past 18 months?

Timing the market is always challenging, even for professional investors. While recent strong gains mean momentum is strong, it could also be a sign of complacency.

Figure 6: Strong momentum drives equity markets to new highs

MSCI net total return USD equity indices for the US, Euro area and Asia ex-Japan

Source: Bloomberg, Standard Chartered

Longer term, we believe the economy remains in expansion mode, attaching a 75% probability of either a muddle-through (modest growth, low inflation) or reflationary (slightly faster growth and inflation) scenario. We see either scenario as supportive of equity markets and believe the best way to deal with this outlook is to supplement a multi-asset income approach with an allocation to traditional, pro-growth global equities, with a preference for Euro area and Asia ex-Japan equities.

In terms of timing, there is always a risk of a short-term pullback, especially over the summer months. However, we believe any such pullback is likely to be relatively limited (approximately 5%) and should be viewed as a good buying opportunity. We would not, however, sell equities trying to time this pullback, as we believe the risks of getting the timing wrong are greater than the potential return from such a strategy.

Is EUR strength worrying for investors in Euro area equities?

We are not too concerned about the impact of EUR strength on Euro area equities. Indeed, in USD terms, Euro area equities have continued to rally to new highs. Looking forward, the fundamental drivers of the positive outlook are still in place. Economic growth is strengthening, while inflation remains benign. This is expected to support earnings growth and an expansion in profit margins (please see page 17).

At the margin, a strong EUR may restrain earnings growth expectations, and indeed we have seen these moderate to 15% recently. If we were to see the EUR to continue rallying strongly, then this would clearly be a greater headwind for earnings and, thus, undermine our forward-looking view on Euro area equities. However, this is not our central scenario.

Are you becoming more optimistic on Emerging Market investments?

We have become more optimistic on the outlook for Emerging Market (EM) assets over the past 18 months. Indeed, our decision to upgrade Asia ex-Japan equities to a preferred equity region in February was well timed, with Asia ex-Japan outperforming global equities significantly (13.7% vs. 6.9%) since then.

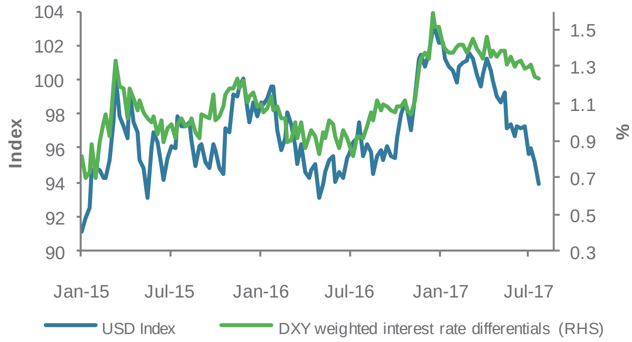
A key driver of the improved outlook for EM is the outlook for the USD. A strong USD drains liquidity out of EM, reducing FX reserves, increasing the costs of servicing USD debt and reducing the abilities of EM central banks to focus on supporting growth rather than fighting inflation. This can develop into a vicious cycle quite quickly.

As indicated in the chart, so far this year at least, the USD has weakened significantly. This, when married with a modest acceleration in global growth (now expected to be 3.4% this year versus 2.9% in 2016) and reduced concern about a dramatic shift towards protectionism in the US (see next page), has encouraged investors to increase their allocations to EM assets.

Our central scenario is for this picture to be broadly intact in the second half of the year. While we doubt the USD will decline as much in the next six months, we also do not see drivers that could push the USD dramatically higher either. This should allow EM growth to gradually accelerate relative to growth in Developed Markets (DMs) and encourage further outperformance of EM assets in general. Within bonds, we prefer EM government bonds, both USD and local currency, and within equities, we continue to prefer Asia ex-Japan alongside Euro area.

Figure 7: The USD outlook remains a key factor in our more constructive view on EM assets

USD index and real rate differentials between US and other index members



Source: Bloomberg, Standard Chartered

What is the outlook for the AUD?

The AUD has broken above key resistance over the past couple of weeks. We believe the following factors have been the most significant in driving the latest move higher:

1. Broad USD weakness – the USD sold off broadly amid reduced expectations of a Fed rate hike
2. Surging iron ore prices – iron ore has seen a strong recovery in prices from a low base
3. Hawkish market perception of RBA policy messaging – market expectations of a 2017 rate hike have increased

Technical indicators suggest the rally could extend. AUD/USD has broken above resistance at 0.784 (medium-term range top) and the chart set-up is positive (higher lows since its 2016 low), suggesting the pair has reached a medium-term bottom. A sustained break above 0.800 (200DMA on weekly charts) and 0.816 (May 2015 top) will determine if the rally can extend further.

However, fundamentals remain mixed:

- USD weakness could take a pause beyond the very short term as it approaches a region of technical support (see page 25)
- Extreme long positioning on the AUD could argue for a pullback
- Supply-side constraints may limit the iron ore rally. Inventories remain at an all-time high, while China real estate fixed asset investment (a long-term driver of iron ore prices) shows no signs of rebounding
- The RBA's stance is unclear. An elevated unemployment level (still close to 2008 levels), flat wage growth and slowing momentum in job creation argue for steady policy settings for now

On balance, we have closed our medium-term bearish view on AUD/USD. While we are not fully convinced fundamentals have moved in favour of a stronger AUD, the pair has undoubtedly broken higher, against our expectations. Therefore, we believe risk management favours closing our medium-term bearish AUD/USD view at current levels.

What are the key risks to watch out for?

Most risks we highlighted in our *Outlook 2017* publication have, in our view, abated in H1 17. The only risk that has materially increased is that of geopolitics, given rising tensions in the Middle East and North Asia. However, another related risk – increasing protectionism – is starting to rise on the agenda, in our opinion.

Steel exports from China to the US appears to be an area of focus, with the US potentially using a clause in the WTO rules that permits a country to ignore trade agreements if it poses a threat to national security.

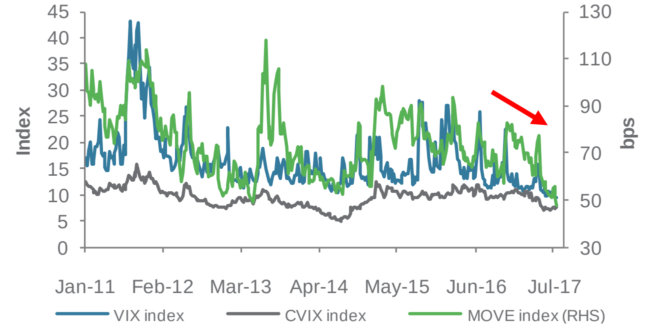
Meanwhile, the US is drafting increased sanctions against Russia, which Europe is concerned may be detrimental to its companies. Indeed, Europe is allegedly preparing a list of potential retaliatory actions should the US unilaterally undertake protectionist measures.

A sharp rise in protectionism could lead to slower global growth and higher inflation, which could undermine elevated valuations in both equity and bond markets. This comes at a time when markets are pricing in a benign outlook for asset class volatility (see Figure 8).

Therefore, though a sharp increase in protectionism is not a central scenario, investors should continue to monitor developments on this front.

Figure 8: Markets pricing in low volatility across three major asset classes

Equity (VIX), FX (CVIX) and bond (MOVE) volatility indices



Source: Bloomberg, Standard Chartered

Macro overview

IMPLICATIONS
FOR INVESTORS

01 The Fed is likely to hike rates two more times over the next 12 months

02 The ECB is likely to taper policy stimulus in the next 12 months; the BoJ will remain on hold for now

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

Not-too-hot, not-too-cold

- **Core scenario:** A modest acceleration of growth, together with limited inflationary pressures, remains our core scenario.
- **Policy outlook:** The Fed is likely to continue with gradual interest rate increases. We also expect it to slowly reduce the size of its balance sheet, starting in Q4. The ECB could begin reducing the size of asset purchases in 2018.
- **Key risks:** a) Inflation/deflation surprise, b) weaker growth in Emerging Markets (EMs), c) rising political tensions in the Euro area, with Italy the most likely source, and d) rising trade tensions/geopolitical risks.

Back to muddle-through?

Our Global Investment Committee (GIC) continues to assign a 75% probability of reflation or muddle-through scenarios unfolding over the next 12 months. There is increased talk of global growth finally breaking higher, with China's Q2 GDP data surprising on the upside and expectations for growth in the Euro area and Asia, including Japan, continuing to rise. This constructive global backdrop is likely to enable China to focus on sustaining financial stability as it seeks to avoid an excessive credit bubble. Inflationary or deflationary downside remain outside risks (at 15% and 10%, respectively), highlighting the tussle between tightening job markets in DMs and the impact of lower oil prices. Geopolitics and trade tensions remain other potential sources of risk.

Figure 9: Euro area and Asia ex-Japan have favourable macroeconomic backdrop for risk assets

Region	Growth	Inflation	Benchmark rates	Fiscal deficit	Comments
US	🟡	🟡	🔴	🟢	Growth remains supported by strong job market and consumption, while inflation stays subdued. The Fed on course for one more rate hike this year
Euro area	🟢	🟡	🟡	🟡	Growth expectations upgraded further but inflation remains subdued. The ECB may signal gradual tapering of asset purchases by yearend
UK	🔴	🔴	🟡	🟡	Growth to slow as rising inflation, slowing wages hurt purchasing power. Markets pricing in a BoE rate hike in H1 18
Japan	🟢	🟡	🟡	🟡	Growth outlook remains robust amid solid exports, but growing deflationary pressures argue for continued easy monetary policy by the BoJ
Asia ex-Japan	🟢	🟡	🟡	🟢	China's economy accelerated in Q2 but growth to slow modestly as authorities tighten policy. South Korea growth outlook upgraded
EM ex-Asia	🟡	🟢	🟢	🟡	Brazil's recovery undermined by political risks. Falling inflation supports further rate cuts

Source: Standard Chartered Global Investment Committee

Legend: 🟢 Supportive of risk assets 🟡 Neutral 🔴 Not supportive of risk assets

US – Robust growth likely to extend

Jobs growth fails to generate inflation. The US economy continues to generate just under 200k additional jobs every month, which could support consumer spending, the recent deceleration notwithstanding. Even better news is that inflation remains controlled. This suggests that, while the economic cycle is mature, the economic expansion can continue for some time yet.

Fed remains patient. With the gap between nominal interest rates and nominal growth still wide, the argument for higher rates is clear. However, hiking rates aggressively could accelerate the end of the economic expansion. The good news is, with inflation expectations falling, the Fed can hike rates and reduce the size of its balance sheet gradually. This reduces the risk of a policy mistake.

Euro area – Optimism rises further

Growth forecasts continue to rise. Economic growth is now expected to hit 2.0% in Q2. To put this in context, since the start of 2010, growth has averaged a mere 1.1%. Expectations remain on an uptrend buoyant business confidence and reduced political concerns.

ECB sends mixed messages. ECB Governor Draghi's comments have led many to believe the ECB could signal a reduction in its financial asset purchases as early as September. Although inflation remains subdued, the economy is doing well and the ECB, under current rules, will start running out of assets to buy next year. Therefore, tapering its asset purchases relatively soon makes sense.

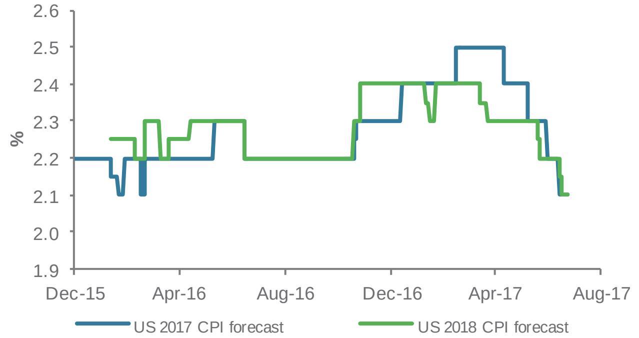
UK – Growth expectations may have peaked

Brexit fears rise. Inflation has risen sharply, as a lagged response to GBP weakness last year. This is reducing the boost to competitiveness seen last year and is eroding household purchasing power. Growth expectations for this year appear to have peaked as a result.

BoE sees risks everywhere. Higher inflation and rising consumer debt levels argue for raising interest rates. However, the BoE is concerned Brexit uncertainties will ultimately undermine business confidence. Markets are pricing in a rate hike for the first half of next year.

Figure 10: US inflation forecasts have been gradually revised down after a series of disappointing inflation prints

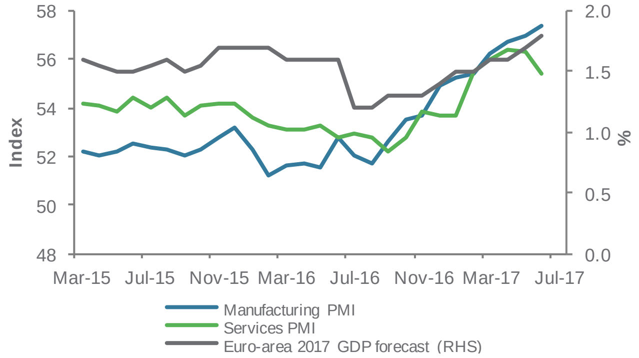
Consensus 2017 and 2018 inflation expectations for the US; %, y/y



Source: Bloomberg, Standard Chartered

Figure 11: Euro area growth trends higher despite a dip in services

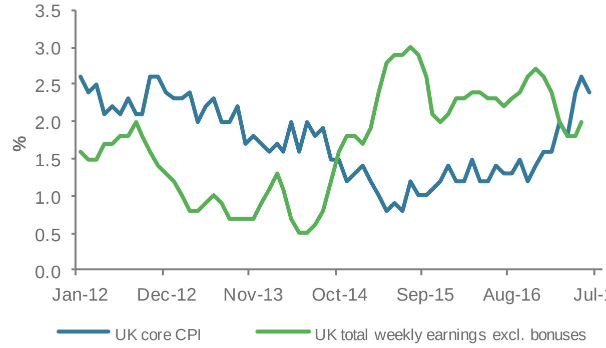
Euro area manufacturing, services PMI and Euro area consensus GDP growth expectations for 2017



Source: Bloomberg, Standard Chartered

Figure 12: UK purchasing power has been hurt by rising inflation

UK core CPI, %y/y; UK weekly earnings ex-bonus, % y/y



Source: Bloomberg, Standard Chartered

Japan – Inflation too low for comfort

Growth relatively resilient. Recent economic data has disappointed consensus expectations, but analysts are confident economic growth will accelerate in 2017. The BoJ's quarterly survey of business confidence improved again in Q2, with the headline number at its highest since the global financial crisis and investment intentions firming.

BoJ lowers inflation forecasts. The BoJ cut its 2017 inflation forecast to 1.1% from 1.4% previously against the backdrop of inflation currently hovering around 0%. This reaffirms the outlook for the BoJ to maintain its current monetary policy settings for the foreseeable future despite its upgrade to its growth forecasts for this fiscal year.

China – Consumption driving growth

Economy accelerates. The economy accelerated in Q2 and growth remained above the government's forecast. While retail spending remains a key driver of growth, the property sector, government investment and exports were also strong. We expect growth to slow modestly in the coming months.

Balancing risks. We expect policymakers to focus on balancing the risks of excessive credit growth/financial stability, and a slump in activity should it tighten policies too much. This is especially important in the run up to the Party Congress later this year. Therefore, we expect a modest tightening of policies in the second half of the year.

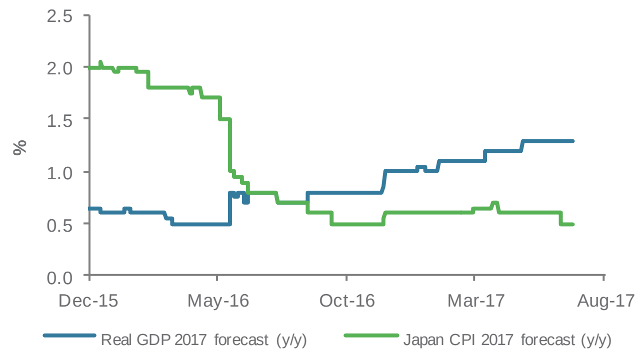
Emerging Markets – North Asia upgraded

North Asia growth expectations upgraded. Korea has led the way in growth upgrades of late on increased optimism following the recent presidential election, which has increased hopes of a fiscal stimulus and reforms. Revisions have been more muted in Southeast Asia, with Singapore leading the upgrades and growth expectations in India for FY 18 have moderated somewhat.

Brazil continues to disappoint. The pace of recovery in Brazil has continued to disappoint while the political situation remains fluid. The good news is that the falling inflation is likely to enable further rate cuts and support the recovery going forward. Growth in South Africa continues to disappoint, but Turkey's outlook appears to have improved.

Figure 13: Japan's positive growth outlook has been offset by continued deflationary pressures

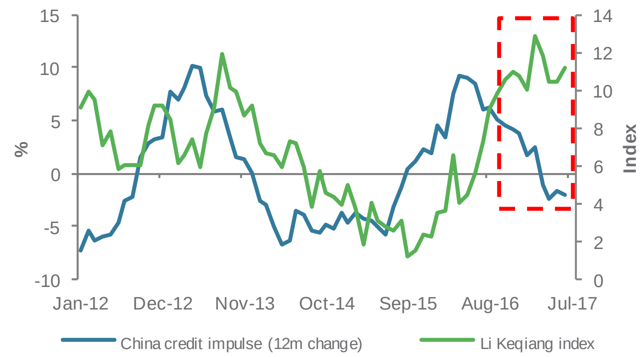
Consensus 2017 growth and inflation expectations for Japan; %, y/y



Source: Bloomberg, Standard Chartered

Figure 14: China's credit stimulus has slowed as the government turns its focus on sustaining financial stability

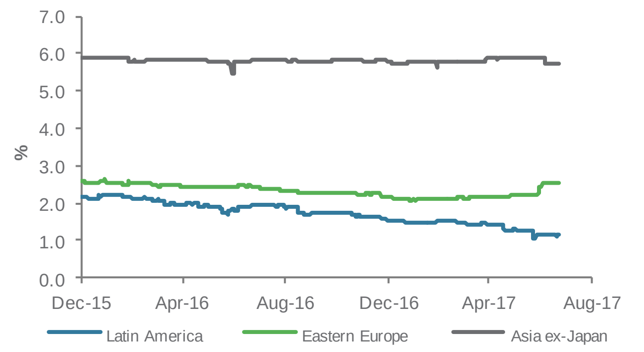
China Credit Impulse (12m change, %), China Li Keqiang index



Source: Bloomberg, Standard Chartered

Figure 15: Asia ex-Japan remains the brightest spot among EMs

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



Source: Bloomberg, Standard Chartered

Bonds

IMPLICATIONS
FOR INVESTORS

01 Favour EM USD and local currency government bonds

02 Prefer corporate bonds over government bonds within DM

03 Prefer IG bonds over HY bonds within Asia

Opportunity to add EM bonds

- We retain our preference for Emerging Market (EM) government bonds, denominated in the USD and local currencies, driven by attractive yields, robust EM growth and reduced risk of a sharp move in yields and/or significant USD strength.
- While recent moves in government bond yields have been driven by central bank guidance, long-term inflation expectations remain a key driver of 10-year yields. We expect US 10-year Treasury yields to remain within 2.25-2.50%, with a slight upside bias.
- Within Developed Markets (DMs), we continue to favour corporate bonds over government bonds. We view Asia USD bonds, DM High Yield (HY) bonds and DM Investment Grade (IG) corporate bonds as core holdings. We also continue to like floating rate senior loans as an alternative to DM HY bonds.

Figure 17: Bond sub-asset classes in order of preference

Bond asset class	View	Rates policy	Macro factors	Valuations	FX	Comments
EM USD government	▲	● Not supportive	● Supportive	● Neutral	NA	Attractive yield, inexpensive valuations, supportive fundamentals
EM local currency	▲	● Neutral	● Supportive	● Neutral	● Neutral	High yield on offer, balanced by greater volatility and currency risk
Asia USD	◆	● Not supportive	● Neutral	● Neutral	NA	Defensive allocation. Influenced by China risk sentiment
DM HY corporate	◆	● Not supportive	● Supportive	● Neutral	● Supportive	Attractive yield on offer offset by somewhat expensive valuations
DM IG corporate	◆	● Not supportive	● Supportive	● Neutral	● Neutral	Likely to outperform DM IG govt bonds. Yield premium relatively low
DM IG government	▼	● Not supportive	● Not supportive	NA	● Neutral	Returns challenged by less supportive monetary policy

Source: Standard Chartered Global Investment Committee

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

Figure 16: Where markets are today

Bonds	Yield	1m return
DM IG government	*1.2%	1.1%
EM USD government	5.3%	0.4%
DM IG corporates	*2.5%	1.2%
DM HY corporates	5.2%	1.4%
Asia USD	3.8%	0.1%
EM local currency government	6.1%	1.7%

Source: Bloomberg, JP Morgan, Barclays, Citigroup Standard Chartered

*As of 30 June 2017

Developed Market IG government bonds – Less preferred

The past month saw a divergence between the trajectory of US and German government bond yields. Although US and European bond yields rebounded in early July, driven by a reduction in stretched positioning and central bank guidance, US 10-year Treasury yields fell over the past two weeks as US economic data, especially core inflation, continued to disappoint. Long-term inflation expectations remain a key driver of long-term bond yields and, barring a large upside surprise in inflation, we expect US 10-year Treasury yields to remain centred around 2.25-2.50% over the next 12 months, with a slight upside bias. Over the next few months, markets are likely to focus on central bank announcements. We do not expect the Fed's decision to start balance sheet

Figure 18: Inflation expectations remain an important driver of US 10-year Treasury yields

US 10y Treasury yield and US 10y inflation breakeven (market expectation of inflation)

Source: Bloomberg, Standard Chartered

reductions to materially impact US 10-year Treasury yields in the long term. While there could be short-term volatility after the announcement, the pace of balance sheet reduction is expected to be gradual, which should reduce the risk of a sharp rise in Treasury yields. On the other hand, any ECB announcement to reduce its bond purchase programme could drive European government bond yields higher.

In the US, we expect short-term (2-year) yields to rise faster than long-term (10-year) yields over the next year. Thus, for USD-denominated bonds, we prefer a moderate maturity profile (5-7 years), as it offers a good balance of reasonable yield and limited interest rate sensitivity.

Emerging Market USD government bonds – Preferred

EM USD government bonds remain one of our preferred bond sub-asset classes, as they offer an attractive yield of over 5% and is one of the few areas within bonds where valuations (as measured by credit spread or yield premium) remain reasonable. The gradually improving growth trajectory of EM economies and lower external vulnerability are supportive for the asset class.

Over the past month, returns have been largely flat due to the moderate rise in US Treasury yields and some outflows from EM bond funds. As we assign a low probability to a sharp increase in US Treasury yields, we would use current valuations to add to EM USD government bonds.

A sharp rise in US Treasury yields, fall in commodity prices or a major EM-specific geopolitical event are risks. However, we are not too worried about developments in Venezuela, as its bonds account for less than 2% of the sub-asset class.

Figure 19: EM USD government bond valuations remain reasonable

EM USD government bond credit spreads (yield premium)

Source: Bloomberg, Standard Chartered

Developed Market IG corporate bonds – Core holding

DM IG corporate bonds remain a core holding, in our view, as we believe the yield premium over government bonds is likely to help them outperform DM government bonds.

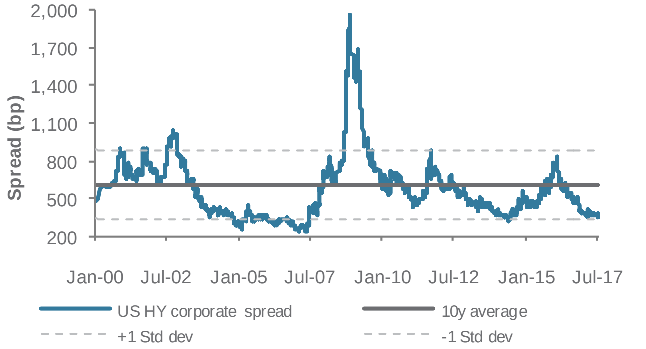
We prefer US IG over European IG corporate bonds owing to the higher absolute yield on offer in the US, as well as the relatively greater risk of a sharper rise in European government bond yields once the ECB announces its plan to reduce bond purchases. US IG corporate bonds have also seen a higher ratio of rating upgrades to downgrades compared to their European counterparts.

Developed Market HY corporate bonds – Core holding

We maintain DM HY corporate bonds as a core holding. The bonds have benefitted from a significant decline in default rates. While we expect defaults to remain low over the next 6-12 months, yield premiums over government bonds are close to multi-year lows, indicating the asset class has become somewhat expensive. Given our view that we are in the late stage of the US economic cycle, we would prefer to get similar yields from EM government bonds, which offer better credit quality and more reasonable valuations.

Figure 20: DM HY bonds spreads are at multi-year lows

DM HY bond spreads or yield premium



Source: Barclays, Bloomberg, Standard Chartered

US floating rate senior loans remain an attractive alternative to HY bonds due to their low interest rate sensitivity and track record of delivering positive returns in a rising interest rate environment. The recent decline in loan re-pricing (which hurts total returns) is a positive development.

Asia USD bonds – Core holding

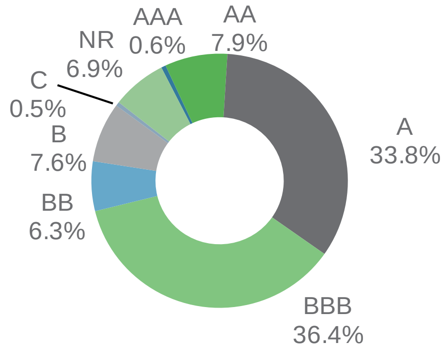
Asia USD bonds remain a core holding, as we continue to view them as a defensive allocation within EM bonds. Asia USD bonds benefit from a strong regional buyer base, which may make them less vulnerable to a broadbased sell-off compared to other regions in EM. We also like the credit quality – IG bonds account for about 80% of the universe.

Valuations are not cheap, and we see limited room for a decline in yield premium. Within the Asia HY bond space, we are concerned about the rise in issuance from lower-rated companies (rated single-B or lower), which could lead to higher default rates in the future.

Recently, we have seen renewed focus on deleveraging from authorities in China. Given issuers in China account for over 50% of the Asia USD bond universe, we could see some cases of idiosyncratic stresses within the HY asset class. Hence, we prefer IG bonds over HY within Asia.

Figure 21: IG bonds account for almost 80% of Asia USD bond universe

Asia USD bond universe composition by rating bucket



Source: Bloomberg, Standard Chartered

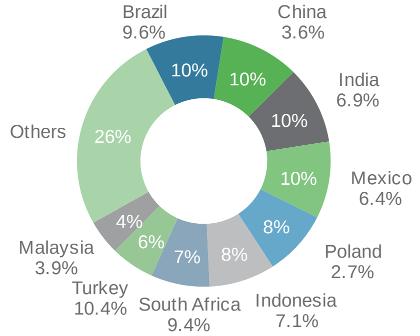
Emerging Market local currency bonds – Preferred

EM local currency bonds have outperformed other bond asset classes since we upgraded them to one of our preferred bond sub-asset classes in June. The bulk of the performance was driven by strength of EM currencies, validating our view that currency returns are a key driver for EM local currency bond performance, especially over the short term.

That said, we continue to like them given their attractive yield of over 6%, as well as our expectations of broadly range-bound EM FX and the rising prospect of further rate cuts in select economies such as India and Brazil.

Figure 22: Composition of EM local currency bond universe

GBI Broad Diversified index country weights (inside) and yields (outside)



Source: JPMorgan, Bloomberg, Standard Chartered

Equities

IMPLICATIONS
FOR INVESTORS

01 Global equities remain our preferred asset class

02 Euro area and Asia ex-Japan are our preferred regional markets

03 We are positive on China and Korea within Asia ex-Japan

USD weakness impacting equities

- Global equities remain our preferred asset class. The continuation of a Goldilocks environment, which involves a modest acceleration in growth with limited inflation pressures, has the potential to extend the equity cycle and increase the flow of funds into risk assets, including equities.
- USD weakness is having a positive effect on Asia ex-Japan equities but a negative one on Euro area equities. US equities, a core holding, are performing well, benefiting from the Goldilocks environment.
- Euro area remains one of our preferred equity markets. The EUR strength is likely to weigh on markets in the short term, but we believe the economic recovery is broadening and will lift earnings. Consensus earnings are forecast to grow 15% in the coming 12 months.
- Asia ex-Japan equities are also preferred. Our optimism is driven by the pick-up in fund inflows on the back of the weaker USD and signs of better-than-expected growth in China. Within Asia ex-Japan, China and Korea are our preferred markets.
- Equities in Emerging Markets (EMs) ex-Asia are a core holding. They continue to struggle in the face of weaker commodity prices and political uncertainty. Japan equities, also a core holding, are performing well despite the recent JPY strength.
- Key risks to our preferred view on equities include elevated valuations, political uncertainty in the US, increased trade tensions and a surprise slowdown in China.

Figure 23: Where markets are today

Market P/E ratio	P/B	EPS	Index level
US (S&P 500)			
18x	2.9x	11%	**2475**
Euro area (Stoxx 50)			
15x	1.6x	17%	**3493**
Japan (Nikkei 225)			
14x	1.3x	11%	**20,080**
UK (FTSE 100)			
14x	1.8x	14%	**7,443**
MSCI Asia ex-Japan			
13x	1.5x	16%	**657**
MSCI EM ex-Asia			
12x	1.4x	17%	**1426**

Source: FactSet, MSCI, Standard Chartered
Note: Valuation and earnings data refer to MSCI indices, as of 28 July 2017

Figure 24: Euro area and AXJ are our preferred regions; the UK is the least preferred

Equity	View	Earnings revision	Earnings	Return on equity	Economic data	Benchmark bond yields	Comments
Euro area	Preferred	Neutral	Supportive	Supportive	Supportive	Neutral	Lead indicators for earnings have dipped in line with the rise in bond yields
Asia ex-Japan	Preferred	Supportive	Supportive	Supportive	Supportive	Supportive	Earnings outlook is improving and a weak USD is a positive
Japan	Core holding	Neutral	Neutral	Supportive	Neutral	Not supportive	Corporate tax reforms are needed to trigger further re-rating
US	Core holding	Supportive	Supportive	Supportive	Neutral	Neutral	Equity market is benefiting from a Goldilocks economic backdrop
EM ex-Asia	Core holding	Not supportive	Neutral	Neutral	Neutral	Neutral	Weak commodity prices are acting as a drag on equities in EMs ex-Asia
UK	Less preferred	Not supportive	Neutral	Neutral	Not supportive	Not supportive	Political uncertainty acting as a drag on corporate investment plans

Source: Standard Chartered Global Investment Committee

Legend: Supportive, Neutral, Not supportive, Preferred, Less preferred, Core holding

Euro area equities – Preferred

Euro area remains a preferred equity market. We acknowledge that performance since the May 2017 high has been disappointing, impacted by a lower EUR/USD. Nevertheless, the market remains up 8% YTD in local currency terms, and we see signs of earnings drivers broadening beyond a reliance on a weak exchange rate.

Investors have become increasingly concerned that EUR strength will undermine the earnings recovery. This has some validity given the catalyst for the initial recovery in Euro area earnings growth was prior to the EUR weakness. Nevertheless, as the economic recovery has broadened, the catalysts for a recovery in earnings have also broadened beyond a reliance on a weak exchange rate.

Factors supporting a recovery also include the improving demand outlook in EMs, in particular China, as well as rising Euro area non-financial corporate margins, which have increased to 5.5% from 4.5% a year ago. We expect margins to continue trending higher in the coming 12 months.

The broadening of growth drivers and margin recovery have contributed to consensus forecasts for a 15% increase in Euro area earnings in the coming 12 months.

Similar to the US, Euro area equity valuations are elevated relative to history, but they remain below cycle highs at 14.4x consensus earnings estimates. We see further upside to valuations in the coming 12 months.

Figure 25: Euro area earnings growth is on a recovering path

Consensus 12m forward earnings growth expectations

Source: FactSet, Standard Chartered

Asia ex-Japan equities – Preferred

Asia ex-Japan equities remain a core holding. We see favourable risk-reward for Asia ex-Japan equities, underpinned by expectations of a weak USD and resilience of the Asian economy, particularly in China.

We also continue to see a significant upswing in Asia ex-Japan corporate earnings – the consensus is for 16% growth over the next 12 months. While earnings momentum may slowdown in 2018 given a higher base, we expect any weakness to be short-lived. Top-line revenue growth should be supported by steady demand, while capex and cost disciple could mean higher corporate margins and a return on equity (ROE) over the long term.

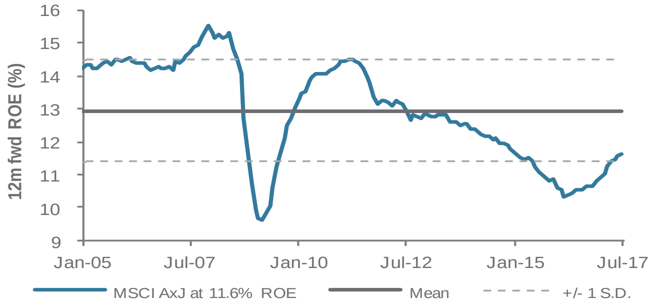
Valuations for Asia ex-Japan equities also remain relatively attractive, at a 12-month forward P/E of 13.2x, making it the second-cheapest market among the six major regions. Given global investors are still believed to be underweight Asia ex-Japan, we expect solid growth to drive increased foreign buying, which could trigger a further market re-rating.

China remains our preferred market within Asia ex-Japan. Drivers include a recovery in private sector capex, domestic consumption strength and sustained liquidity support from HK's increasingly successful stock connect programmes.

We also reiterate our positive view on Korea equities. Valuations are compelling, with its 12-month forward P/E at a 29% discount to the region's. Improved corporate governance and higher dividend yields could provide room for valuation multiples to re-rate higher.

Figure 26: Room for Asia ex-Japan's ROE to trend higher

Asia ex-Japan's ROE for the last 12 years



Source: FactSet, Standard Chartered

US equities – Core holding

We are more optimistic than the consensus on the outlook for US equities, viewing it as a core holding. In an environment of low inflation, rising bond yields are a sign of resilience with regards to growth and could contribute to an improvement in the outlook for market earnings.

While US market valuations are elevated at 18x consensus earnings forecasts for this year, we are comfortable with these valuations as they are consistent with our own scenario analysis that places the US economy in a Goldilocks environment, which involves modest economic growth with limited inflationary pressures.

The US Q2 earnings season is expected to result in 10% earnings growth, with a similar pace of growth for the full year. While there has been some weakness in guidance from banks and energy companies, the overall picture is of a 'not-too-hot, not-too-cold' scenario with regards to earnings.

The technology sector has recovered from its June dip and is the best-performing sector YTD, rising 23%. Energy remains the worst performer, declining 12% over the same period, reflecting the slump in oil prices.

We believe the Fed is on track to raise interest rates over the next 12 months, implying a further rise in bond yields. The impact of higher yields on banks so far in this cycle has been disappointing. Nevertheless, we continue to monitor trends in the sector for signs of an improvement in interest income.

Figure 27: US valuations remain elevated

US P/E

Source: FactSet, Standard Chartered

EM ex-Asia equities – Core holding

We reiterate EM ex-Asia equities as a core holding. An improving EM GDP growth differential (versus Developed Markets [DM]) and a more muted USD backdrop should benefit EM capital inflows and support EM ex-Asia equities.

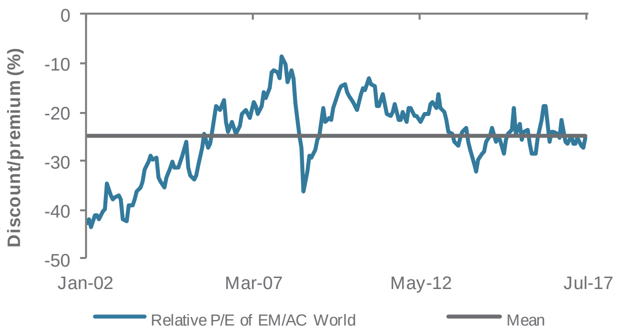
In addition, the recent moderation in EM ex-Asia earnings growth momentum could ease if commodity prices, particularly of crude oil and iron ore, rebound. As the ongoing EM recovery catches up further with DM and moves into a more sustainable expansion phase, the current P/E valuation discount of 25% between EM ex-Asia and DM is likely to narrow.

Nevertheless, we remain cognisant of the ongoing political risks in EM ex-Asia – in particular, the leadership election of South Africa's ruling African National Congress (ANC) party in December 2017. Concerns about policy stagnation and a shift toward populist initiatives could cap upside to South Africa equities.

Visibility on Brazil's 2018 presidential election remains limited due to lack of clarity on the potential candidates. The success of reforms in Brazil depends on the next president. South Africa and Brazil are our least preferred markets within EM ex-Asia.

Figure 28: Valuations of EM ex-Asia are compelling

EM ex-Asia 12m forward premium/(Discount) versus MSCI AC World



Source: FactSet, Standard Chartered

Japan equities – Core holding

Japan equities remain a core holding, with the corporate earnings outlook likely to be the key focus in the near term. The consensus is for 10% earnings growth over the next 12 months, with an upward revision seen since May 2017. This bodes well for corporate profits, particularly among Japan's exporters, given our base case scenario for a weak JPY and strong cost discipline.

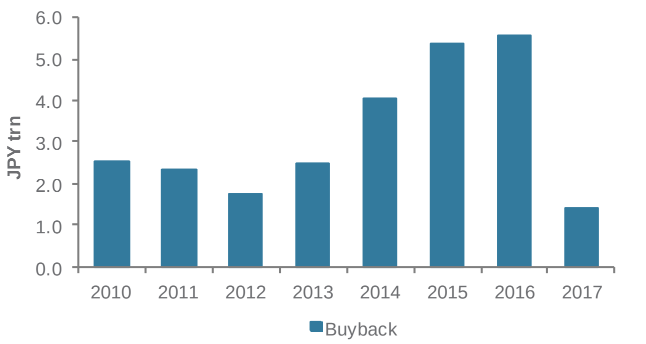
We also see prospects of an upturn in equity returns, mainly driven by increasing share buybacks; share buybacks came in at a record JPY 5.5trn in 2016. We see room for further upside surprise this year, given the ample cash holdings among Japan's companies, which stood at JPY 112trn as of March 2017.

Nonetheless, the absence of a meaningful policy upside surprise could limit the performance of Japan equities. The loss by Prime Minister Shinzo Abe's Liberal Democratic Party in the recent Tokyo assembly election means that a significant policy action ahead of the impending Japan's general election is less likely.

Overall, we retain Japan equities as our core holding, although the positives from healthy EPS growth and further share buybacks could be mitigated to a certain degree by the lack of strong policy support.

Figure 29: Improving share buybacks could lead to higher ROE

Japan's share buybacks^



Source: Bloomberg, Standard Chartered
^Data for 2017 as of Q2 17
Note: Aggregate data based on constituents in the TPX index

UK equities – Less preferred

We view UK equities as the least preferred among our six major regions. The focus of investors remains on Brexit negotiations under the weakened mandate obtained by the conservative party, which lost its overall majority in the June election.

Consensus UK earnings growth forecasts for this year are positive at 20%. However, this largely reflects the positive effect of prior GBP weakness on large export-orientated companies. Small- and mid-cap companies that focus on the domestic economy are expected to struggle.

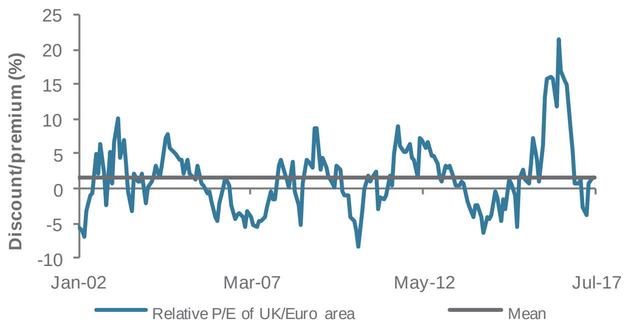
We are cautious on the outlook for UK earnings and margins, focusing on the downside risks in the coming 12 months.

The longer-term effect of Brexit is already being witnessed in the financial sector, which accounts for 7% of UK's economic output. Financial companies are setting up or expanding other bases in the Euro area to hedge against the risk of losing access to the single market on Brexit.

Brexit is also making a real impact on investment in the aerospace and science sectors as European institutions disengage from UK companies. This could cause long-term damage to the earnings power of UK companies, which will focus more on the smaller domestic market for growth.

Figure 30: UK 12m forward P/E relative to Euro area has rebounded to its historical average

MSCI UK P/E relative to MSCI Euro area



Source: FactSet, Standard Chartered

Equity derivatives

Goldilocks – Opportunities in China equities

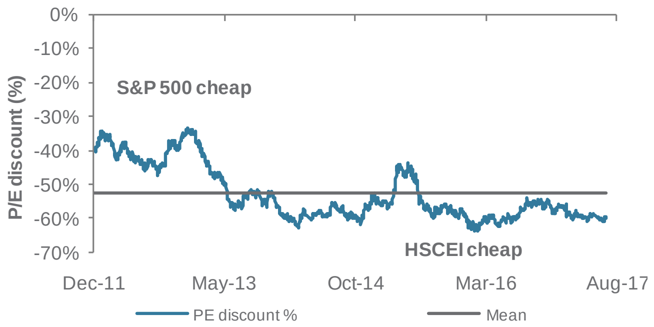
In the last *Global Market Outlook* publication, we highlighted potential opportunities for investors to sell Put options in the oil sector and to sell Call options against the US technology sector. Both of these have been playing out, especially as oil rebounded from support at USD 45.

Today, we believe investors have opportunities in China, especially in the old economy sectors. The Goldilocks environment of reasonable growth, low inflation and a weak USD lends tailwinds to Asia ex-Japan equities.

Earlier in the year, we took profit on our preference for China New Economy equities, as we felt a stronger CNY could lead to a rotation back into the more asset-heavy, old economy sectors. Valuations in such sectors remain attractive. The Hang Seng China Enterprise index is our barometer in measuring the performances of the China old economy space, and it still trades at a heavy discount against the S&P 500.

Figure 31: China equities valuations undemanding

12m forward P/E discount: HSCEI versus S&P 500

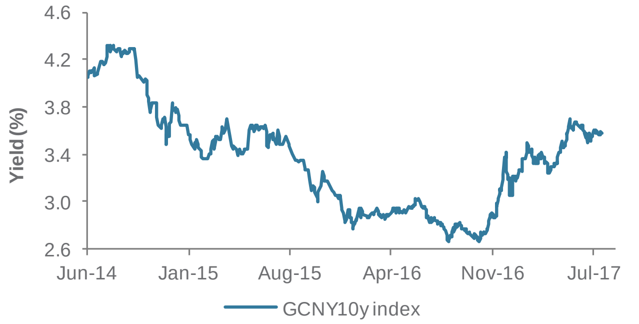


Source: Bloomberg, Standard Chartered
As of 21 July 2017

We believe **China's insurance sector** is worthy of investor attention. The investment yield is improving, with the China 10-year bond yield rebounding to the current 3.6% from 2.6% at the end of 2016. This is higher than the average guaranteed return for life insurers and lessens reinvestment risk for the sector. Moreover, improvement in the general investment environment in Hong Kong/China markets is good for the sector.

Figure 32: Higher China bond yields mean less reinvestment risks

China 10Yr bond yields



Source: Bloomberg, Standard Chartered
As of 21 July 2017

China's property development sector is benefitting from the recent strengthening in the CNY. Capital outflows are much less of an issue now compared to most of 2016. As other global central banks outside the US are turning more hawkish, it poses potential risks to property investments for these markets. Liquidity in China is likely to channel itself in local investments, such as stocks and properties.

In terms of volatility, six-month implied volatility for both China insurers and properties developers are at their most expensive level compared to the Hang Seng China Enterprise Index since January 2016.

Given the reasonable valuation in China equities and the expensive implied volatility in these two sectors, we see an opportunity in considering selling Put options to gain exposure.

Commodities

IMPLICATIONS
FOR INVESTORS

01 Oil prices are likely to gradually head higher

02 We expect upside in gold to be limited

03 A further modest retracement of base metal prices is still possible

Remain selectively constructive

- We expect commodities to rise modestly as global growth improves and geo-political risks remain contained.
- We retain our view that crude oil prices should move higher in H2 17 as demand-supply fundamentals improve.
- Gold is expected to trade largely within USD 1,200-1,300/oz; a significant upside is unlikely amid gradually rising yields globally.

Figure 34: Commodities: key driving factors and outlook

Commodity	View	Inventory	Production	Demand	Real interest rates	USD	Risk sentiment	Comments
Oil	Core holding	Not supportive	Neutral	Supportive	NA	Neutral	Neutral	OPEC cuts and slowing US shale production to support prices
Gold	Core holding	Neutral	Neutral	Not supportive	Neutral	Neutral	Neutral	Gradually rising yields globally to weigh on gold
Metals	Core holding	Not supportive	Not supportive	Neutral	NA	Neutral	Neutral	Further retracement likely as supply headwinds persist

Source: Standard Chartered Global Investment Committee

Legend: Supportive · Neutral · Not supportive · Preferred · Less preferred · Core holding

Focus on US Shale

Global growth in 2017 has so far surprised to the upside though inflation has remained relatively contained. We remain selectively constructive on commodities as the broad demand-supply picture remains supportive. Risks to our view would be acceleration in supply growth and a sharper-than-expected slowdown in China.

Investors have been fixated on oil prices, particularly on US shale, crude oil inventories and the pace at which they will be reduced. In our view, we believe OPEC production cuts will support prices, which will likely end the year modestly higher from here.

Gold prices continue to be driven by real (ie, net of inflation) interest rates, and they have been supported by subdued investor risk sentiment of late. We expect to see range-bound price action amid higher real rates globally.

Although industrial metals have rebounded due to increased optimism brought by resilient China economic data and short covering, supply-side reforms and China's policy path remain key areas to watch.

Figure 33: Where markets are today

Commodity	Current level	1m return
Gold (USD/oz)	1259	1.0%
Crude oil (USD/bbl)	51	9.7%
Base metals (index)	119	5.7%

Source: Bloomberg, Standard Chartered

Crude oil – A gradual rise expected

Oil prices slumped in June amid rising investor concerns over bloated global inventories. They have since recovered slightly, supported by OPEC production cuts and the promise of further export reductions from Saudi Arabia.

In our view, US shale production is likely to face headwinds in the near term. Costs appear to be rising while productivity (especially in the Permian basin) is falling. A potential turn in US rig count would be an important indicator.

OPEC efforts have also been undermined by rising production in Nigeria and Libya. Most recently, Saudi Arabia has pledged to lower crude exports, while Nigeria has plans to limit production – which are positive developments. Risks to our view are weaker producer solidarity and a higher-than-expected increase in output from Iran and Iraq.

Gold – Gains likely to be limited

We expect gold prices to remain in a broad USD 1,200-1,300/oz range until the end of 2017. In our view, the recent upward move in prices was a result of weaker-than-expected US macroeconomic data. We retain our bias for reducing exposure should gold move towards USD 1,300/oz.

We maintain our view that central banks will gradually raise interest rates, which in turn should result in US Treasury and Bund yields gradually rising. Barring a large surprise in inflation, we believe gold's upside is limited, as gold prices move inversely to real interest rates.

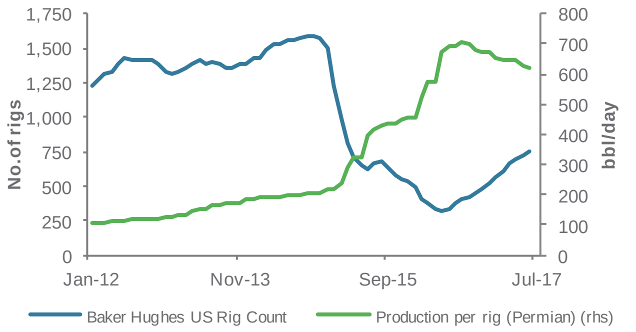
Industrial metals – Remain cautious

Industrial metals prices have seen a recovery on the back of better-than-expected China macro data, where activity was markedly stronger. Forward-looking indicators for metals demand, such as fixed asset investment and land purchases, also indicate some positive momentum in the near term.

China steel prices also recovered amid better liquidity and signs that China is serious about curbing excess steel capacity. However, inventories remain elevated and demand could slow in coming months due to the ongoing targeted monetary tightening in China. The risk to our view would be a policy mistake should the policymakers tighten too much.

Figure 35: US shale productivity gains are starting to slow

Baker Hughes US rig count and production per rig Permian oil (bbl/day)



Source: Bloomberg, Standard Chartered

Figure 36: Iron ore prices are closely linked to China real estate fixed asset investment

China real estate fixed asset investment and China iron ore price (USD/mt)

Source: Bloomberg, Standard Chartered

Figure 37: What has changed – Oil

Factor	Recent moves
Supply	OPEC production continues to decline; US crude inventories decreased
Demand	Leading economic indicators in the US and China continue to expand
USD	USD index has weakened to a 1-year low

Source: Standard Chartered

Figure 38: What has changed – Gold

Factor	Recent moves
Interest rate expectations	US yields have declined due to weaker-than-expected inflation data
Inflation expectations	The US, Euro area and Japan remain flat
USD	USD index has weakened to a 1-year low

Source: Standard Chartered

Alternative strategies

IMPLICATIONS
FOR INVESTORS

01 Actively use both substitutes and diversifiers

02 Equity Hedge (most preferred) and Event Driven are long equity substitutes

03 Scenarios drive our allocation

Markets supporting substitutes

- We continue to favour Equity Hedge as our preferred strategy, given positively trending equity markets and a reflationary or muddle-through economic outlook.
- Equity Hedge, Event Driven and Relative Value substitute strategies delivered positive performance over July as global equities rose; performance for our diversified alternative strategies allocation is up 4% since our *Outlook 2017.*
- Cross asset dispersion has fallen over the past six weeks, potentially reducing a key driver for Global Macro strategies

Following a framework for alternative strategies

In our H2 Outlook, we introduced a framework highlighting the key drivers for alternative strategies (Figure 40). We talked about two broad categories: substitutes, which have higher correlations to traditional asset classes, and diversifiers with lower correlations, which could potentially provide insurance-like characteristics during sustained market downturns. This year, both equity and bond markets have been positive performers, with substitute strategies understandably outperforming diversifier strategies.

Focusing on the key drivers highlighted in our framework, we see positively trending equity markets, which are extending their strong performance, continuing to drive both Equity Hedge and Event Driven strategies higher. Global Macro strategies have been laggards this year due to subdued volatility levels and narrowing credit spreads. Cross asset dispersion, which had been rising this year, has also moved lower in the past six weeks, once again hampering a key driver for the strategy.

Equity Hedge remains preferred, with an alternatives allocation as follows: 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 our *Outlook 2017* publication.

Figure 39: Where markets are today

Alternatives	Since outlook	1m return
Equity long/short	4.9%	1.8%
Relative value	2.7%	0.9%
Event driven	6.7%	1.2%
Macro CTAs	0.6%	0.1%
Alternatives allocation	4.0%	1.1%

Source: Bloomberg, Standard Chartered

Figure 40: Framework for alternative strategies

		Description	Key drivers
SUBSTITUTES	**Equity Hedge**	In essence, buying undervalued stocks and selling overvalued stocks	• Positively trending equity markets • Rising equity market dispersion
SUBSTITUTES	**Event Driven**	Taking positions based on an event, such as a merger or acquisition	• Positively trending equity markets • Rising mergers and acquisitions
SUBSTITUTES	**Relative Value**	Looking to take advantage of differences in pricing of related financial instruments	• Lower interest rate levels • Cost of funding, narrowing credit spreads
DIVERSIFIER	**Global Macro**	Looking to exploit themes, trends and asset class relationships (correlations) at a global level, generally with leverage	• Increasing volatility, rising credit spreads • Increasing cross asset dispersion • Clear market trends (up/down)

Source: Standard Chartered Global Investment Committee

FX

IMPLICATIONS FOR INVESTORS

01 We expect EUR gains to extend

02 We expect further JPY losses

03 We scale back our bearish AUD view

Do not give up on the USD just yet

- We expect the USD to remain range-bound in the medium term. We do not expect further significant declines in the near term.
- We remain constructive on the EUR in the medium term amid the increasing possibility of the withdrawal of an ECB stimulus.
- We remain bearish on the JPY, as we believe the BoJ will maintain its current yield curve control policy, while we expect US Treasury yields to gradually rise.
- We scale back our bearish AUD view, following its break above the medium-term range and mixed signals regarding an earlier-than-expected RBA rate hike.

Figure 42: 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 diminishing
EUR	▲	● (Supportive)	● (Supportive)	NA	● (Neutral)	Economic momentum supporting ECB stimulus withdrawal
JPY	▼	● (Not Supportive)	● (Neutral)	NA	● (Neutral)	Remains tied to US 10-year yields
GBP	◆	● (Neutral)	● (Neutral)	NA	● (Neutral)	Political and policy uncertainty to weigh in
AUD, NZD	◆	● (Not Supportive)	● (Neutral)	● (Neutral)	● (Neutral)	Central banks likely to maintain policy for now
EM FX	◆	NA	● (Neutral)	● (Neutral)	● (Neutral)	Low volatility and limited USD strength to remain supportive

Source: Bloomberg, Standard Chartered Global Investment Committee

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

USD again testing the limits

- We believe the USD is likely to remain range-bound. Diminishing divergence between the monetary policy of the Fed and other central banks remains the main driver in this regard. Impending stimulus withdrawal by the ECB, a possible BoE rate hike and further BoC rate hikes are likely to narrow rate differentials with the US. In some cases, particularly in Japan, monetary divergence remains intact. The BoJ has indicated it will maintain its current policy for an extended period.
- In the immediate term, the USD index has declined to an important support region and could modestly rebound, given that most short-term factors with respect to diminishing policy divergence may be priced-in. However, we believe any rebound will be limited as other central banks resume policy normalisation.

Figure 41: Where markets are today

FX (against USD)	Current level	1m change
Asia ex-Japan	107.1	1.0%
AUD	0.80	5.1%
EUR	1.17	3.0%
GBP	1.31	2.0%
JPY	111.3	1.0%
SGD	1.36	2.0%

Source: Bloomberg, Standard Chartered

EUR – Remain constructive longer term

We expect the EUR to extend gains over the medium term, though a lot of positives may be priced-in in the short term. We would use any pullback to add to the EUR exposure. Longer term, we believe the main drivers of a stronger EUR remain intact. Positive Euro area economic momentum is likely to continue supporting Bund yields, which have been a key driver for the EUR recently (see Figure 44).

The US experience illustrates that currency gains are front-loaded when an end to the stimulus was first announced. Similarly, significant gains in the EUR could result well before an actual ECB tapering or rate hike. Even as the EUR broke above its medium-term consolidation range, we see the EUR as significantly depressed relative to (pre-QE) history.

JPY – Likely to weaken medium term

We remain bearish on the JPY and believe its recent strength is unlikely to sustain. JPY's recent strength, in our opinion, is largely driven by lower US Treasury yields and a weaker USD (see Figure 45). However, we believe there are limits to how much US Treasury yields can decline in the current environment.

Moreover, in our view, the BoJ is likely to maintain its current yield curve control policy, which supports the widening of US-Japan interest rate differentials as US rates rise. Recent communication from the BoJ continues to highlight the point that it is too early to consider strategies for withdrawal of monetary stimulus as deflationary risks remain significant.

GBP – Expected to be range-bound

While the BoE has made a meaningfully hawkish shift in policy, this has not been overwhelmingly positive for the currency for two reasons. First, the BoE's interest in raising rates sooner reflects immediate concerns regarding inflation, not strong growth momentum in the economy and the labour market. As a result, the BoE's rate hiking trajectory is not entirely clear. Second, political concerns, including talk on Brexit, are likely to linger amid a weak government. This could continue to weigh on sentiment and keep GBP gains in check. A broad sideways range is the most likely scenario for now, in our view.

Figure 43: 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; the volatility index is near an all-time low
Speculator positioning	USD positioning has turned net-short while EUR positioning is near extreme net-long. JPY positioning remains extreme short while GBP positioning has normalised

Source: Bloomberg, Standard Chartered

Figure 44: Recovering German Bund yields driving EUR higher

Germany 2y Bund yield and EUR/USD

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

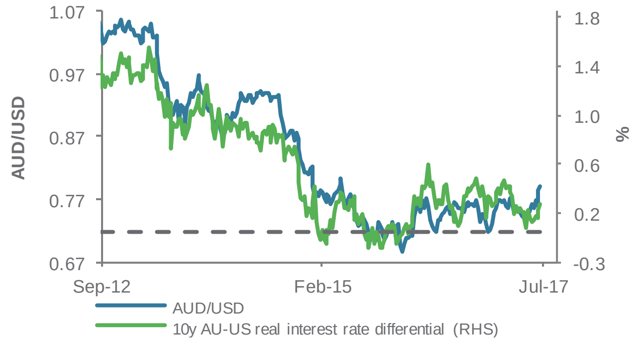
AUD – Scaling back our bearish view

The AUD broke above its medium-term range, leading us to close our bearish view. However, we do not see a strong case for turning constructive on the AUD, as we believe fundamentals have not changed to warrant such a shift.

First, we do not believe the RBA will hike interest rates in 2017. We believe the Australian economy is in an earlier stage of its business cycle, with unemployment elevated and flat wage growth. Second, the outlook for iron ore remains dim given the considerable build-up in iron ore inventory and limited expectations of a strong pickup in China real estate investment. Having said that, we acknowledge supportive factors, such as stable China growth, low financial market volatility and a possible extension of the USD weakness. Against this backdrop, we prefer to close our medium-term bearish view for now, awaiting catalysts for strong directional trends.

Figure 46: AUD/USD real interest rate differential hovers close to zero (dashed line) , suggesting a thin real yield pickup in the AUD

Australia-US 10-year real interest rate differential and AUD/USD



Source: Bloomberg, Standard Chartered

EM currencies – Fundamentals still supportive

The overall environment of Emerging Market (EM) currencies remains broadly supportive. Any near-term pullback (in line with our USD view) notwithstanding, EM currencies are likely to remain broadly stable and deliver positive returns (including the yield on offer). We believe the following factors remain critical in supporting positive sentiment towards EMs: 1) Stable to positive China growth outlook, 2) low market volatility, and 3) limited USD strength. In our view, the above factors are likely to explain the majority of the returns for EM currencies, while individual country factors are likely to play a lesser role.

We expect limited CNY strength from current levels, mainly as policymakers maintain their current currency policy, while the USD is unlikely to decline substantially from current levels. Similarly, with the SGD, we observed a strong correlation recently with the USD index amid a neutral policy stance. Hence, we do not expect the recent gains to sustain, at least in the short term. Among high-yielding currencies, we continue to prefer the INR, IDR, RUB and BRL, as they offer a good combination of high interest rate differentials (carry) and a generally strong balance of payments. The recent underperformance had been due to idiosyncratic issues in Brazil, though the BRL has reversed its recent losses.

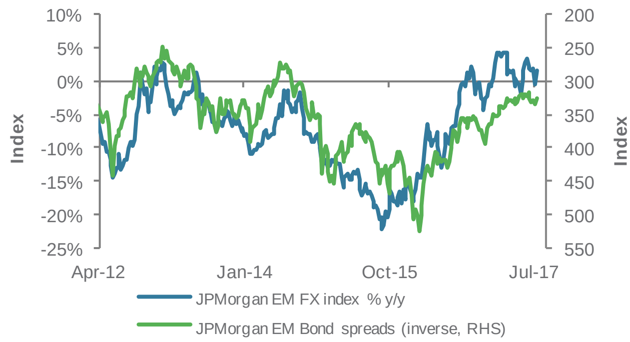
Figure 47: What has changed in EM currencies

Factor	Recent moves
USD	USD has extended its weakness recently
China risks	China remains constructive
Risk sentiment	EM bond yield spreads remain range-bound

Source: Standard Chartered

Figure 48: Sentiment on EM currencies (proxy through EM bond yield spreads) remains positive

JPMorgan EM FX index % y/y and JPMorgan EM Bond yield spreads (bps)



Source: Bloomberg, Standard Chartered

Cryptocurrency

Dangerous yet exciting

- Cryptocurrencies are highly speculative and volatile; Bitcoin has risen around 278% YTD, but its annualised volatility has reached 63.31%.
- Before investing in cryptocurrencies, it is important for investors to understand how risky they can be.
- Cryptocurrencies lack security measures; there have been instances of hacked exchanges resulting in losses.
- Cryptocurrencies are a digital representation of value that is not issued by a central bank.
- Each cryptocurrency has a distinct purpose – Bitcoin is used to pay for goods and services, while Ethereum is a platform that runs smart contracts.

What is a cryptocurrency?

Money is a means of payment and a store of value, and is typically an officially issued legal tender.

A cryptocurrency is a decentralised virtual currency that does not require a central governing body. In a more traditional environment to make any form of monetary transfer, we would have to trust an individual third party or a bank to manage our money. Cryptocurrencies facilitate monetary transfers without the need for an intermediary.

In this regard, Bitcoin could be seen as an attractive means of payment, as it enhances the speed and security of payments, while reducing transaction costs.

Factors influencing price of cryptocurrencies

The price of cryptocurrencies is determined by the laws of demand and supply. Demand for Bitcoins surged after Japan legalised the use of cryptocurrencies, where no consumption tax will apply on purchases of cryptocurrencies. In China, cryptocurrencies are being used by companies for aggregated payment services, thus boosting its demand.

The growth of supply of most cryptocurrencies is designed to decrease over time; the number of Bitcoins generated is set to decrease geometrically, and its supply is limited to 21m coins.

Risks of cryptocurrencies

Despite its impressive returns, it is important to note that cryptocurrencies are still in their infancy, and it is unclear whether they will become globally accepted or will eventually disappear.

The uptick in volatility looms over the Bitcoin market's legitimisation, and its drawdown profile reflects the speculative nature of cryptocurrencies. The decline in Bitcoin's value has moderated recently, but the maximum drawdown was -72.75% in 2015, which highlights the volatility of cryptocurrencies.

Cryptocurrency markets are largely unregulated with many instances of hacked exchanges; since its inception in 2009, about one-third of Bitcoin exchanges have been hacked. The lack of regulations and the anonymous nature of the transaction mean that hacks are rarely solved, and investors do not get back their money.

How to 'invest' in cryptocurrencies

Every cryptocurrency has a purpose, and to diversify an allocation to a cryptocurrency portfolio, it is essential to select cryptocurrencies that solve problems within diversified industries. For instance, Bitcoin and Ethereum solve different issues in the digital payment and mobile application industry, respectively.

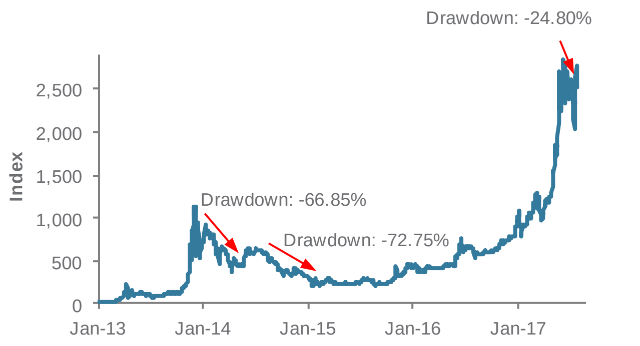
Cryptocurrencies that provide real value to businesses have the potential of being backed by major companies or to undergo future pilot programmes. Value propositions can help dictate what kind of opportunities a cryptocurrency may offer, though a strategy of diversifying cryptocurrency holdings may be a good starting point.

Regulators are starting to weigh in on the cryptocurrency market, and we may see a more restrained market with stricter compliance rules that require greater disclosure over time.

Cryptocurrencies can be considered an investment under the alternatives asset class. Although there could potentially a reward for the risk premium associated with this private investment, it is important to understand the risks involved. These include a high degree of speculation, volatility, and lack of liquidity and regulation.

Figure 49: Drawdown profile reflects the high risks of cryptocurrencies

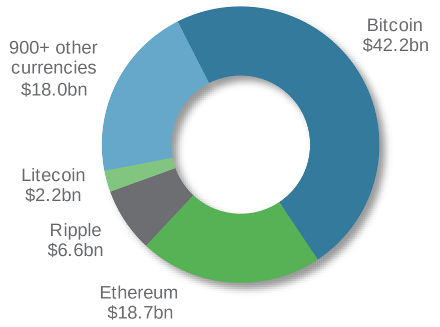
Price of Bitcoin



Source: Bloomberg, Standard Chartered

Figure 50: The cryptocurrency universe keeps expanding

Market capitalisation of cryptocurrencies



Source: coinmarketcap.com, Standard Chartered

Multi-asset

IMPLICATIONS
FOR INVESTORS

01 Scenario approach to multi-asset investing remains important following strong H1 gains

02 Consider non-core assets as a key component of a multi-asset income allocation

03 Diversified fixed income should form part of a balanced allocation

Figure 51: Key multi-asset views

Allocation performance	Since outlook	1m return
Balanced	10.9%	2.0%
Multi-asset income	9.0%	1.6%

Source: Bloomberg, Standard Chartered

USD a boon for balanced allocation

- Limited USD strength and supportive economic fundamentals should support continued outperformance of our growth-focused balanced allocation.
- For income investors, an allocation to non-core assets, such as convertible bonds, preferred stock and REITs, should not be ignored. Such assets could benefit in a Goldilocks environment of moderately improving growth and subdued inflation.
- For investors enjoying equity market gains in 2017, a scenario approach to multi-asset investing is important. While downside scenarios do not form our central view, a fixed income allocation could help buffer against market uncertainty.

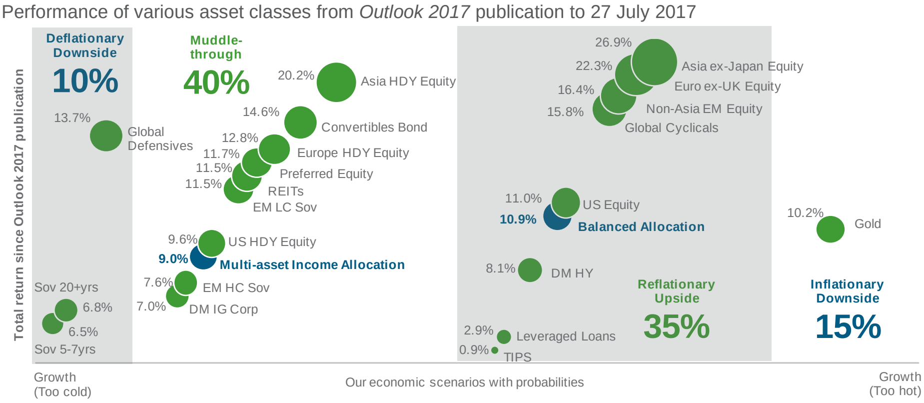
Over the past month, a weak USD environment has provided strong support for Emerging Market (EM) equities and high-quality bonds (sovereigns and corporates). Asia ex-Japan and other EM equities have been primary beneficiaries of this currency trend among regional equity markets. With government bonds yields largely unchanged, FX returns have driven performance in high-quality Developed Market (DM) bonds. A combination of these factors has allowed the balanced allocation to maintain (and extend) its outperformance (190bps) versus the multi-asset income allocation. Interestingly, while the weak USD environment has helped EM fixed income, the strength in G3 currencies has meant it has underperformed its DM counterpart over the past month. This has been another factor contributing to the underperformance of multi-asset income, which has a higher allocation to the EM fixed income asset class.

Non-core – Unsung heroes within multi-asset income

In a muddle-through economic scenario (40% probability, in our view), bonds yields are likely to remain capped. In such a scenario, an income-focused strategy should remain relevant for yield-seeking investors. Within this strategy, non-core assets continue to provide valuable performance but are often overlooked.

Figure 52: The balanced allocation powers ahead on Asia ex-Japan equity performance

Performance of various asset classes from *Outlook 2017* publication to 27 July 2017



Source: Bloomberg, Standard Chartered
Size of bubble represents total return of asset class

Income investors should consider non-core assets – convertible bonds, preferred stock and REITs – as part of their income allocation for the following reasons:

1. They are yielding assets with attractive payouts (4-5%), thereby supporting the income objective of the strategy.
2. In a number of cases, they are hybrid asset classes, ie, assets that have both equity and bond characteristics. This allows them to capture the best of both the muddle-through and reflationary scenarios, which represent a 75% probability within our economic scenario analysis.
3. These asset classes generally have lower correlations to the rest of the income allocation, thus providing a measure of risk diversification to the strategy.

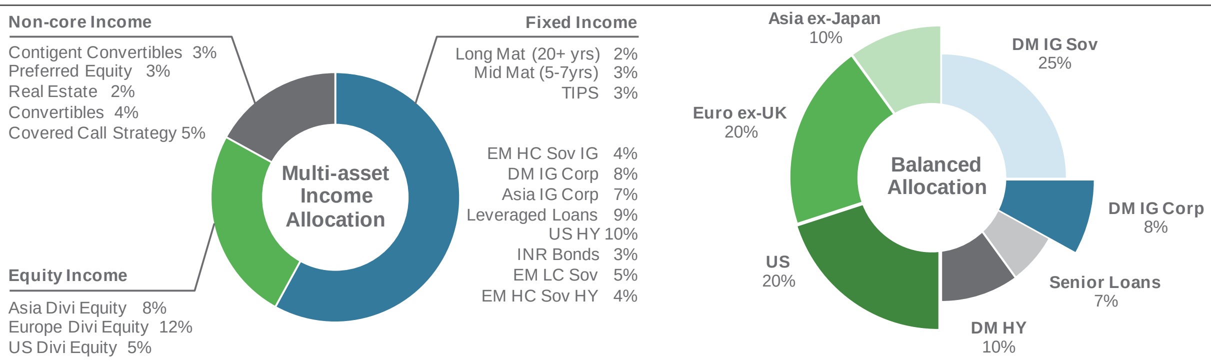
B is for balanced; B is for bond…

The balanced allocation has delivered stellar performance (10.9%) since our *Outlook 2017* publication, driven by double-digit returns in major equity markets. Against this backdrop, it is easy to forget that around half the balanced allocation is invested in diversified fixed income.

Investors focused on the reflation story might be tempted to focus solely on equity markets given their recent performance. While we continue to retain a preference for the equity asset class, it is important for growth-focused investors to adopt a scenario approach to investing and ensure their allocations contain exposure to fixed income

For equity investors enjoying the gains of the last few months, an allocation to fixed income should act as a good risk management tool and help preserve some of the profit in the event of market uncertainty. While downside scenarios do not form our central view, an allocation to fixed income could act as a buffer, particularly in the case of the deflationary downside scenario, increasing geopolitical risks or rising tension driven by a protectionist sentiment.

Figure 53: Revised multi-asset income allocation and balanced allocation (asset class weight in %)



Source: Standard Chartered

Figure 54: 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	**4.3**	🟡	🟡	🟡	**Portfolio anchor; source of yield; some interesting ideas but not without risks**
Leveraged Loans	**4.8**	🟢	🟡	🟡	Attractive alternative to traditional HY exposure; senior in capital structure to simple HY bonds; small yield penalty in return; low sensitivity to changes in US interest rates but loan callability a risk
Corporate - US HY	**5.4**	🟢	🟡	🟡	Valuations have eased modestly, but still relatively full; attractive yields; default rates should trend lower
EM HC Sovereign Debt	**5.3**	🟢	🟡	🔴	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
EM LC Sovereign Debt	**6.1**	🟢	🟡	🔴	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
INR Bonds*	**7.3**	🟢	🟡	🔴	
Investment Grade*	**2.6**	🔴	🟡	🟡	Portfolio anchor, structural carry; some interesting ideas but interest rate sensitivity a risk
Corporate - DM IG*	**2.5**	🔴	🟡	🟡	Yield premiums have narrowed but prices fair; long-term US corporate bonds look appealing if Fed hiking cycle 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 sov but offers exposure to further rise in US inflation
Sovereign*	**1.3**	🔴	🔴	🟡	QE offers strong anchors for sov 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	**4.6**	🟡	🟡	🔴	**Key source of income and modest upside from capital growth**
North America	**3.1**	🔴	🟡	🟡	Fair to slightly rich valuations; low yields; some sectors attractive
Europe	**5.6**	🟢	🟢	🟡	Fair valuations; attractive yields; overhang from political risk, mitigated by improving global growth outlook; improving momentum
Asia ex-Japan	**4.0**	🟡	🟢	🔴	Good payouts; selectively attractive valuations, but pullback a risk from challenges in China/US growth, earnings, Fed and leverage
Non-core Income	**4.2**	🟡	🟡	🟡	**Useful diversifier for income and growth**
Preferred	**5.4**	🟢	🟡	🔴	Attractive yields and exposure to financials; risk from higher rates may not be completely offset by improvement in banks' underlying credit
Convertibles	**3.6**	🟡	🟡	🟡	Moderate economic expansion + gradual pace of rate hikes should be good for converts. 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	**3.9**	🟡	🟡	🟡	Useful income enhancer assuming limited equity upside
Coco	**4.7**	🟢	🟡	🔴	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 27 July 2017;*Yield data as of 30 June 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

Market performance summary*

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 27 July 2017 and 1-month performance from 27 June 2017 to 27 July 2017

Equity

	Year to date		1 month	
Global Equities	14.7%	↑	2.8%	↑
Global High Dividend Yield Equities	12.9%	↑	1.9%	↑
Developed Markets (DM)	13.4%	↑	2.5%	↑
Emerging Markets (EM)	25.8%	↑	5.7%	↑
BY COUNTRY				
US	11.6%	↑	2.4%	↑
Western Europe (Local)	9.6%	↑	-0.4%	↓
Western Europe (USD)	18.9%	↑	2.3%	↑
Japan (Local)	6.7%	↑	0.5%	↑
Japan (USD)	11.5%	↑	1.0%	↑
Australia	14.9%	↑	7.0%	↑
Asia ex- Japan	29.7%	↑	4.9%	↑
Africa	17.3%	↑	6.3%	↑
Eastern Europe	2.6%	↑	4.9%	↑
Latam	18.5%	↑	9.0%	↑
Middle East	5.6%	↑	0.5%	↑
China	34.9%	↑	7.1%	↑
India	29.0%	↑	7.2%	↑
South Korea	36.2%	↑	5.0%	↑
Taiwan	25.8%	↑	2.2%	↑
BY SECTOR				
Consumer Discretionary	15.4%	↑	2.8%	↑
Consumer Staples	13.5%	↑	1.0%	↑
Energy	-3.8%	↓	4.1%	↑
Financial	14.7%	↑	5.2%	↑
Healthcare	15.6%	↑	-1.2%	↓
Industrial	14.3%	↑	1.1%	↑
IT	26.7%	↑	4.1%	↑
Materials	15.8%	↑	5.9%	↑
Telecom	8.1%	↑	4.5%	↑
Utilities	13.3%	↑	0.9%	↑
Global Property Equity/REITS	10.3%	↑	2.2%	↑

Bonds

	Year to date		1 month	
SOVEREIGN				
Global IG Sovereign	5.9%	↑	1.1%	↑
US Sovereign	1.9%	↑	-0.4%	↓
EU Sovereign	9.3%	↑	2.6%	↑
EM Sovereign Hard Currency	7.1%	↑	0.4%	↑
EM Sovereign Local Currency	11.8%	↑	1.7%	↑
Asia EM Local Currency	8.7%	↑	0.9%	↑
CREDIT				
Global IG Corporates	6.6%	↑	1.2%	↑
Global HY Corporates	7.8%	↑	1.4%	↑
US High Yield	6.1%	↑	1.1%	↑
Europe High Yield	15.6%	↑	3.8%	↑
Asia High Yield Corporates	4.3%	↑	0.1%	↑

Commodity

	Year to date		1 month	
Diversified Commodity	-3.3%	↓	4.8%	↑
Agriculture	-3.1%	↓	5.7%	↑
Energy	-17.2%	↓	6.7%	↑
Industrial Metal	10.2%	↑	5.7%	↑
Precious Metal	6.8%	↑	0.6%	↑
Crude Oil	-12.5%	↓	9.7%	↑
Gold	9.3%	↑	1.0%	↑

FX (against USD)

	Year to date		1 month	
Asia ex- Japan	4.0%	↑	1.0%	↑
AUD	10.5%	↑	5.1%	↑
EUR	11.0%	↑	3.0%	↑
GBP	5.9%	↑	2.0%	↑
JPY	5.2%	↑	1.0%	↑
SGD	6.5%	↑	2.0%	↑

Alternatives

	Year to date		1 month	
Composite (All strategies)	3.7%	↑	1.1%	↑
Relative Value	2.5%	↑	0.9%	↑
Event Driven	5.7%	↑	1.2%	↑
Equity Long/Short	5.2%	↑	1.8%	↑
Macro CTAs	0.4%	↑	0.1%	↑

Events calendar

2017

JULY
- **01** India rolls out nationwide Goods and Services Tax (GST)
- **07-08** G20 Summit in Germany
- **20** BoJ policy decision
- **20** ECB policy decision
- **27** FOMC policy decision

AUGUST
- NA

SEPTEMBER
- **24** Germany's General Elections
- **07** ECB policy decision
- **21** FOMC policy decision
- **21** BoJ policy decision

OCTOBER
- **X** China's 19th National Party Congress
- **26** ECB policy decision
- **31** BoJ policy decision

NOVEMBER
- **02** FOMC policy decision

DECEMBER
- **14** ECB meeting
- **14** FOMC policy decision
- **21** BoJ policy decision

2018

JANUARY
- **23** BoJ policy decision
- **25** ECB policy decision

FEBRUARY
- **01** FOMC policy decision
- **X** Italy general elections

MARCH
- **08** ECB policy decision
- **09** BoJ policy decision
- **22** FOMC policy decision

APRIL
- **26** ECB policy decision
- **27** BoJ policy decision

MAY
- **03** FOMC policy decision

JUNE
- **14** FOMC policy decision
- **14** ECB policy decision
- **15** BoJ policy decision

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

The team

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