




Our Global Market Outlook in 5 minutes

MARKET OUTLOOK FOR 2017

-  Economy
-  Policy
-  Risks

2 UK

-  Growth to falter amid Brexit uncertainty
-  BOE to look through inflation up to c. 3%
-  EU market access, post-Brexit, key to outlook

4 China




-  Stable growth ahead of 2017 Party Congress
-  Easy fiscal policy, still-accommodative monetary policy
-  US trade protectionism, capital outflows key risks



6 Asia ex-Japan

-  China to provide stability to region
-  Central banks still accommodative
-  US trade policy, capital outflows key risks

1 US

-  Growth to get a boost from fiscal stimulus
-  Fed likely to hike rates at least twice in 2017
-  Risk of faster pace of Fed hikes if inflation accelerates

3 Other EM

-  Brazil, Russia to emerge from recession
-  Rate cuts likely as inflation slows
-  Capital outflows, US protectionism key risks

5 Euro area

-  Growth and inflation to stay lacklustre
-  ECB focused on supporting growth
-  Political risks from upcoming elections

WHAT THIS
MEANS FOR YOU?



Multi-Asset Strategies

Multi-asset income strategy remains valid for an income investor.

For a total return-focused investor, a gradual rebalancing into growth assets is preferred.



Equities

We are more positive on global equities heading into 2017.

US and Japan (FX-hedged) are our most preferred markets.



Bonds

Look to scale back bond exposure amid rising inflation risk.

We prefer Developed Market High Yield bonds and US floating rate senior loans.



FX

Moderate USD strength vs. EUR, JPY, GBP and CNY going into 2017.

Expect AUD and NZD to extend gains in 2017 as commodities rise.



Commodities

Oil prices to rise further, but stay capped below USD 60-65/bbl.

Gold to remain range-bound, supported by rising inflation, but capped by rising US yields.



Alternative Strategies

Global macro strategies offer diversification benefits through their insurance-like characteristics.

OUR HOUSE VIEWS ACROSS ASSET CLASSES



Cross-Asset view

- >>> **Equities:** More positive amid higher growth and inflation
- <<<>> **Commodities:** Moderate upside in oil and industrial metals
- <<<>> **Alternatives:** Diversification and asset class substitution benefits
- <<< **Bonds:** Look to scale back exposure on rising inflation
- <<< **Cash**

Equities

- >>> **US:** Margin recovery
- >>> **Japan, FX-hedged:** Weak JPY to lift profits
- <<<>> **Asia ex-Japan:** Improving outlook for China banks
- <<<>> **Euro area, FX-hedged:** Weak EUR lifts earnings
- <<<>> **Non-Asia EM:** Stable commodities
- <<< **UK:** High valuations

Bonds

- >>> **Developed Market High Yield Corporate**
- <<<>> **Asian USD bonds**
- <<<>> **Developed Market Investment Grade Corporate**
- <<<>> **EM Government (USD)**
- <<<>> **EM (Local Currency)**
- <<< **Developed Market Govt**

Currencies

- >>> **USD:** Modest strength
- >>> **AUD:** Higher commodities
- <<<>> **EM:** CNY, SGD may weaken; IDR, INR, RUB, BRL may outperform
- <<< **EUR:** Policy divergence, political risk
- <<< **JPY:** Modest downside as US rates rise
- <<< **GBP:** Weak fundamentals, Brexit risks

Commodities

- >>> **Oil:** Higher prices by end 2017, but capped at USD 60-65/bbl
- <<<>> **Gold:** Range-bound, capped by rising US rates

Alternative Strategies

- >>> **Multi-Asset Macro Strategies:** Good diversification benefits

>>> Add

<<<>> Maintain/Rangebound

<<< Reduce/Bearish

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For more information and insights, contact your Relationship Manager today

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