Global Market Outlook

H2 Outlook:
Should I stay, or …?

Contents

Highlights

p1
Should I stay, or …?

Strategy

p3
Investment strategy

Perspectives

p4
Perspectives on key client questions

p7
Macro overview

Asset classes

p10
Commodities

p12
Foreign exchange

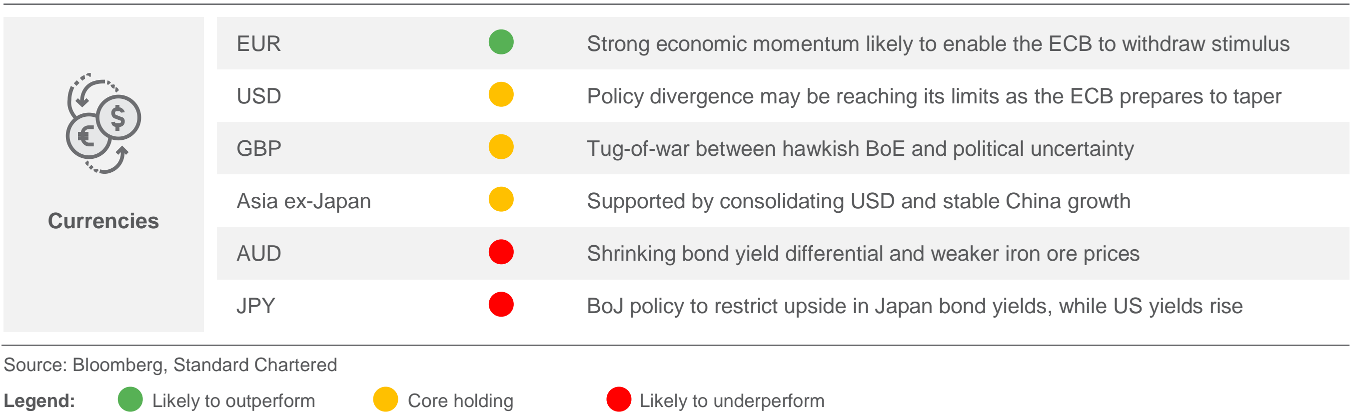
Performance review

p15
Market performance summary

p16
Events calendar

p18
Disclosure appendix

Investment strategy



Currencies		
	EUR	Strong economic momentum likely to enable the ECB to withdraw stimulus
	USD	Policy divergence may be reaching its limits as the ECB prepares to taper
	GBP	Tug-of-war between hawkish BoE and political uncertainty
	Asia ex-Japan	Supported by consolidating USD and stable China growth
	AUD	Shrinking bond yield differential and weaker iron ore prices
	JPY	BoJ policy to restrict upside in Japan bond yields, while US yields rise

Source: Bloomberg, Standard Chartered

Legend: Likely to outperform Core holding Likely to underperform

Perspectives

on key client questions

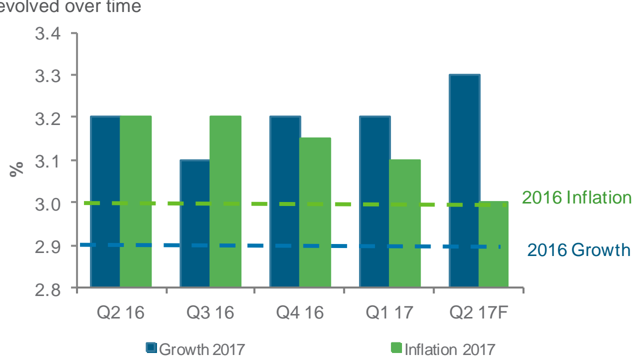
Do you still believe in the 'pivot towards reflation'?

Our 'pivot towards reflation' theme has two aspects: accelerating growth and moderately higher inflation. In our *Outlook 2017* report, we stated we were 'not convinced these shifts will be as seismic as many expect'. This has proved prescient. Global growth is still expected to accelerate this year, but inflation expectations have fallen back to 2016 levels.

As we look ahead to H2, we expect inflationary pressures to rise modestly, but this would likely require commodity prices to bottom out again and/or wage pressures to accelerate. This trend would likely be reinforced if we were to see a pivot towards greater fiscal stimulus in Developed Markets.

Figure 1: Growth strengthens, inflation expectations decline

How consensus estimates of 2017 global economic growth and inflation have evolved over time



Source: Bloomberg, Standard Chartered
As of 22 June 2017

From an investment perspective, this means we continue to expect a multi-asset income allocation to generate 4-5% yields as interest rates and bond yields are expected to rise only gradually. However, it also means that we would continue to allocate to more cyclical areas of equity markets, rather than being solely reliant on high dividend-yielding equities.

Have political and geopolitical concerns peaked?

We continue to see significant risks in the coming years. In the US, the political environment remains fluid, with the president struggling to develop a constructive working relationship with Congress. In Asia, it is still unclear how competing territorial claims and North Korea's increasing belligerence will be resolved peacefully. In the Middle East, the recent embargo against Qatar highlights a more confrontational geopolitical landscape. Euro area political risks declined in H1, as we expected, although, we believe Italian polls, due by Q2 18, remain a major risk to European unity.

The good news is US President Trump has moved back from a large number of his pre-election promises on the trade front (trade has actually accelerated). Trump has notably not followed through on labelling China a currency manipulator. However, it is not clear how this calm would survive if and when the US goes into recession (not something we see as likely in the short-term). A recession would merely exacerbate the longer-term trend towards populist and nationalist sentiment.

When do you expect the next recession?

Normally there are three causes of a recession: an external shock, significant credit excesses or rising inflationary pressures. The first is clearly very difficult to forecast, but one could argue the risk an external shock could knock us into a recession is slightly higher than normal, given the above political/geopolitical landscape.

On the second, while financial asset valuations have risen broadly and significantly over the past few years, we do not believe there are generalised excesses that will induce a recession in the next 12 months.

This leads us to the risk of a sharp rise in inflation, which could encourage the Fed to prioritise fighting inflation over supporting growth, risking a recession. However, inflation expectations have fallen in recent months as oil prices have fallen and US wage pressures have failed to increase. As such, we believe the risk of the economy getting too hot has actually declined in the recent months.

Our central scenario is that the US as well as the global economy will continue to grow at a reasonable pace in the coming 12-18 months. Purely statistically speaking, at any point in time, there is a one in five chance of a recession in the next 12 months. Given the length of the recovery and the tightness in the US labour market, we believe the conditional probability is currently slightly higher.

Figure 2: Risks of overheating have likely fallen

Broad global economic scenarios and our view on their probabilities

Too Cold	Muddle-through	Reflation	Too Hot
10%	40%	35%	15%

Source: Standard Chartered Global Investment Committee

What is your outlook for oil prices?

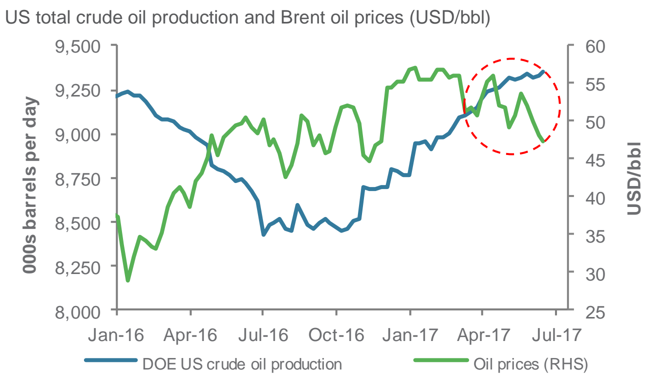
Most of our investment views have worked well in the first half of the year. However, the worst performing view so far has been our expectation that oil prices will rise in 2017.

We continue to believe that the excess supply situation is getting eroded and that this will ultimately push oil prices higher. For sure, US shale production has recovered faster than we anticipated and breakeven costs appear to have fallen sharply. However, oil demand continues to grow, OPEC is proving effective at constraining supply and inventories are falling.

Assuming this continues, the time is likely to come when oil prices will rebound. We are less convinced that oil prices will end the year in the USD 60-65/bbl range, but we see a 75% probability that they will close the year higher than USD 45/bbl.

Figure 3: Oil markets have been focusing on rising US production

US total crude oil production and Brent oil prices (USD/bbl)



Source: Bloomberg, Standard Chartered

Macro overview

IMPLICATIONS
FOR INVESTORS

01 Global growth expectations have moderately increased due to upgrades in the Euro area and Asia

02 Inflation expectations have fallen through H1 amid lower oil prices and the absence of wage pressures

03 The Fed is likely to hike rates twice and the ECB likely to start tapering bond purchases over the next 12 months

Steady growth, slowing inflation

- **Core scenario:** We see the global economy still slowly pivoting towards moderately stronger growth, although inflation expectations have softened. Economic activity in the Euro area and Asia is holding up, offsetting moderation in the US.
- **Policy outlook:** The Fed is likely to raise rates twice over the next year, amid full employment and below-target inflation. The ECB may trim stimulus by H1 18. China is likely to sustain fiscal/credit stimulus, while tightening monetary policy.
- **Key risks:** a) Deflation surprise; b) weaker growth in Emerging Markets; c) faster-than-expected Fed rate hikes caused by an inflation surprise; d) early ECB tapering; e) geopolitical risks in the Middle East, North Asia and related to Italy's elections.

Tussle between muddle-through and reflation

Our Global Investment Committee (GIC) assigns a combined 75% probability to reflation or muddle-through scenarios unfolding over the next 12 months. However, prospects for a muddle-through scenario (40%) of moderate growth and low inflation have increased modestly in recent months amid a decline in inflation worldwide. The Euro area and Asia continue to see growth expectations revised upwards, helping offset a moderation in US activity. Inflationary or deflationary downside remains outside risks (at 15% and 10%, respectively), highlighting the tussle between tightening job markets in developed economies and lower oil prices. Geopolitics remain another source of risk.

Figure 4: Growth upside in the Euro area and Asia is helping offset moderation in the US

Region	Growth	Inflation	Benchmark rates	Fiscal deficit	Comments
US	🟡	🟢	🔴	🟢	Growth, inflation indicators have moderated from Q1 highs. Fed is likely to raise rates twice in the next 12 months
Euro area	🟢	🟢	🟡	🟡	Growth expectations remain on an uptrend, but inflation has slowed from Q1 highs. ECB could signal less stimulus later in the year
UK	🔴	🔴	🟡	🟡	Consumers squeezed by slowing wage growth and rising inflation. BoE is under pressure to raise rates as inflation rises
Japan	🟢	🔴	🟡	🟡	Growth remains above trend amid strong exports. BoJ to maintain stimulus as deflation concerns return
Asia ex-Japan	🟢	🟡	🟡	🟡	Growth expectations have been revised higher. Fiscal, credit policy in China to remain supportive despite PBoC tightening
EM ex-Asia	🟡	🟢	🟢	🔴	Brazil and Russia emerge from two years of recession. Falling inflation could support further central bank easing

Source: Standard Chartered Global Investment Committee

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

US – robust job market fails to lift inflation

Strong job market fuelling consumption: The subdued US jobless rate, at a 16-year low, is helping sustain consumption-driven growth. This is reflected in rising home sales and healthy services sector activity. However, some sectors, notably auto sales, are showing signs of saturation. Economic data has surprised negatively of late amid fading expectations of fiscal stimulus.

Gradual Fed tightening: US inflation expectations have declined amid lower oil prices and subdued wage growth. This is likely to enable the Fed maintain its gradual path for withdrawing its stimulus. We expect two rate hikes over the next 12 months, although the pace could change depending on the impact of a plan to slowly reduce its balance sheet.

Euro area – growth forecasts revised higher

Easing political risk lifts confidence: Euro area confidence indicators continue to rise amid easing political risk. There is growing expectation that France's President Macron will push for wide-ranging reforms after winning the parliamentary elections. However, a significant slack exists in southern Europe, leaving regional inflation subdued.

ECB gets some space as inflation slows: The decline in inflation expectations, partly due to lower oil prices, provides the ECB some time before it starts to unwind its stimulus. We expect the ECB to start tapering bond purchases by H1 18.

UK – consumer economy at risk

Inflation to hurt purchasing power: UK retail sales continued its downtrend, highlighting the risk to the consumption-led economy from rising inflation and slowing wage growth. PM May's failure to win a majority in the snap general election adds to the uncertainty around Brexit talks.

BoE's balancing act: There is growing pressure within the BoE to raise rates as inflation approaches 3%. Governor Carney has cited Brexit risks for keeping rates unchanged. However, a further rise in inflation may force the BoE to act.

Figure 5: US activity indicators are holding up, but long-term inflation expectations have trended lower after peaking in January

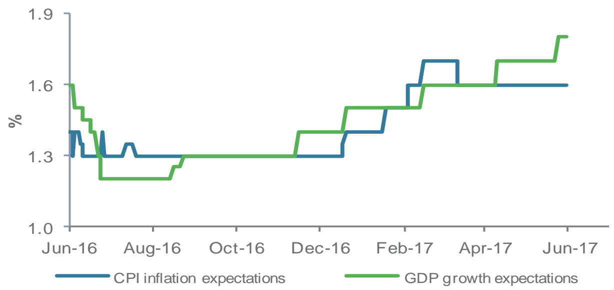
US manufacturing and services sector indicators; 10y breakeven inflation

Index: 60, 55, 50, 45
%: 2.2, 2.0, 1.8, 1.6, 1.4, 1.2, 1.0
Jun-15, Feb-16, Oct-16, Jun-17
ISM manufacturing
ISM non-manufacturing
10y breakeven inflation (RHS)

Source: Bloomberg, Standard Chartered

Figure 6: Euro area growth expectations continue to be revised higher, although inflation expectations have declined

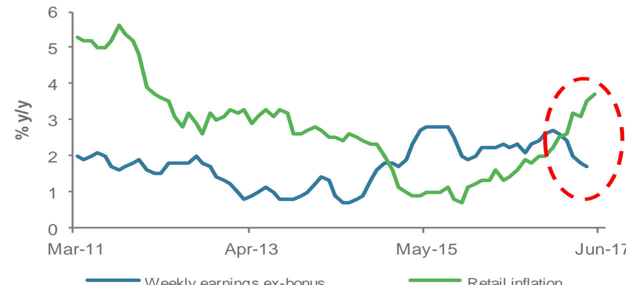
Euro area consensus GDP growth and CPI inflation expectations for 2017



Source: Bloomberg, Standard Chartered

Figure 7: UK's rising inflation pressures and slowing wage growth are likely to hurt domestic consumption over the coming months

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



Source: Bloomberg, Standard Chartered

Japan – above-trend growth, zero inflation

Export-driven growth: Japan's economy continues to grow above its trend-rate of recent years. The JPY's weakness since last year, combined with a recovery in global trade, is boosting exports. There are also signs of a gradual pick-up in domestic demand given low oil prices and the impact of last year's fiscal stimulus. However, momentum may be peaking.

Deflationary pressures to keep BoJ accommodative: Japan's core inflation, excluding food and energy, is now at 0%, highlighting continued significant deflationary pressure despite the recovery in growth indicators. Thus, we do not expect the central bank to tighten policy – by raising its 10-year JGB yield target – over the next 12 months.

China – consumption holding up

Shift towards consumption drivers continues: China's services sector activity and domestic retail sales remained robust, despite signs of a slowdown in the manufacturing sector. Rising short-term rates and credit tightening appear to have impacted the small-scale manufacturing sector. However, money supply and 'real' economic data remain robust, suggesting overall economic activity is holding up.

Focus on stable growth: We expect policymakers to maintain growth close to the 6.5% target, while taking steps to mitigate financial sector risks, ahead of the Communist Party Congress in Q4. This would entail sustaining the selective fiscal and credit stimulus, while tightening short-term monetary policy to curb excessive financial leverage.

Emerging Markets – gradually re-emerging

Asia's domestic drivers of growth: Growth expectations in Asia have been revised higher in recent months, partly aided by robust global trade. As exports slow due to base effects, we expect sustained fiscal stimulus in China and India and from the new government in South Korea to buoy domestic consumption, sustaining the region's growth outperformance.

Brazil, Russia emerge from recession: Brazil and Russia emerged from two years of recession in H1. Falling inflation is likely to enable further rate cuts. However, renewed political uncertainty in Brazil has led to a downgrade in growth expectations and has clouded the outlook.

Figure 8: Japan's manufacturing activity remains robust, helped by strong exports, but deflationary pressures have increased lately

Japan manufacturing indicator; core CPI inflation, % y/y (RHS)

PMI manufacturing; CPI ex-food, energy and VAT tax effect (RHS)

Source: Bloomberg, Standard Chartered

Figure 9: China's economic activity appears to have peaked, although money supply is holding up despite monetary tightening

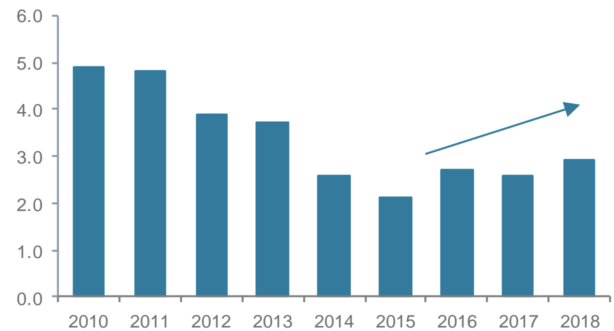
China's Li Keqiang index ('real' economic activity); M2 money supply, %, y/y

Li Keqiang index; M2 money supply

Source: Bloomberg, Standard Chartered

Figure 10: Emerging Markets' growth outperformance versus Developed Markets may slow this year, but then pick up in 2018

Emerging Markets growth outperformance over Developed Markets, ppt (2017 and 2018 data reflects consensus growth expectations)



Source: Bloomberg, Standard Chartered

Commodities

IMPLICATIONS
FOR INVESTORS

01 Oil prices to gradually head higher

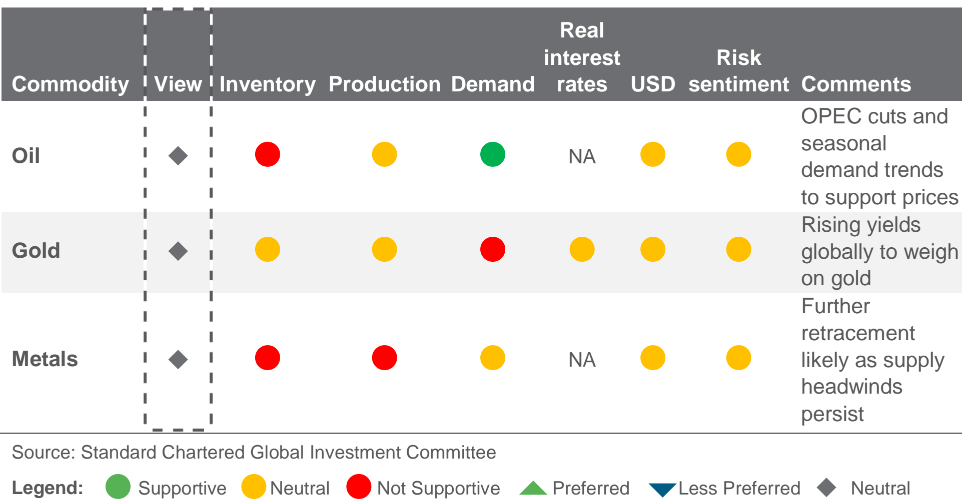
02 We expect upside in gold to be limited

03 Further modest retracement of base metal prices still possible

Down, but not out

- We expect commodities to rise modestly as global growth remains resilient and risks of a slowdown in China remain contained.
- We expect crude oil prices to move higher in H2 17 as demand-supply fundamentals remain supportive, although an adjustment higher could take time.
- Gold is expected to trade largely range-bound (USD 1,200-1,300/oz); significant upside unlikely amid gradually rising yields globally.

Figure 12: Commodities: key driving factors and outlook



Commodity	View	Inventory	Production	Demand	Real interest rates	USD	Risk sentiment	Comments
Oil	Neutral	Not Supportive	Neutral	Supportive	NA	Neutral	Neutral	OPEC cuts and seasonal demand trends to support prices
Gold	Neutral	Neutral	Neutral	Not Supportive	Neutral	Neutral	Neutral	Rising yields globally to weigh on gold
Metals	Neutral	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, Neutral

Oil supply fundamentals key

We remain constructive on commodities overall as the broader demand-supply picture remains supportive. Although the likelihood of a 'muddle-through' scenario has increased of late, global growth prospects remain on track with China likely maintaining stability in the medium term.

The sharp decline in oil prices has been the key focus of markets with investors zooming in on stubbornly high US oil inventories. We believe seasonal demand trends and OPEC and Russia's resolve to maintain production cuts to be supportive of oil prices, but we are less convinced that oil prices will end the year in the USD 60-65/bbl range.

Gold prices have been supported by declining US Treasury yields, but we do not expect gold to extend its gains. Given our views for gradually higher yields globally, we think gold's upside will likely be limited.

For industrial metals, the immediate demand picture remains broadly unchanged, although supply-side concerns and China's policy path remain key risk factors.

Figure 11: Where markets are today

Commodity	Current level	1-month return
Gold (USD/oz)	1,246	-1.9%
Crude Oil (USD/bbl)	47	-9.9%
Base Metals (index)	114	2.3%

Source: Bloomberg, Standard Chartered

Crude oil – remain constructive longer term

The recent sharp decline in oil prices was due to concerns over higher-than-expected US shale production undermining OPEC efforts to curb supply. While geopolitical risks have risen in the Middle East, we believe this will have a marginal impact on oil prices. Overall, we do not expect any significant downside to oil prices from current levels.

In our view, while OPEC and Russia's agreement to extend supply cuts is supportive of prices, the surge in output from the US, Nigeria and Libya could offset some of these cuts. As US shale production approaches previous peak levels, we believe production is unlikely to be sustained as prices decline past producer breakeven levels. We believe OPEC compliance should remain high, in line with historical data, which should allow markets to rebalance.

Gold – reduce exposure on gains

We expect gold prices to move in a range of around USD 1200-1300/oz until early 2018. In our view, the recent uptick in prices was sparked by concerns over lower real yields, and we are biased towards reducing exposure should gold moves higher towards USD 1,300/oz.

While the odds of a Fed rate hike later this year have fallen, we still believe central banks will gradually raise interest rates and the USD will not weaken significantly. As a result, we think US Treasury and Bund yields could move higher, pushing real yields higher. Against this backdrop, gold's upside should likely be limited.

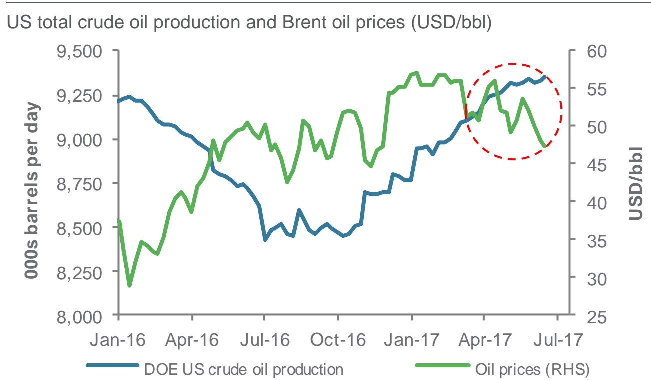
Industrial metals – maintain limited exposure

Fundamentals in the industrial metals market have not shown significant improvement for us to have a constructive view. We note that there has been some divergence in recent performance as copper prices rose while iron ore prices continued their decline.

Copper's recent outperformance was largely driven by a drop in copper-refined inventories. While inventory levels remain high, industrial metal demand should slow given the ongoing targeted monetary tightening in China.

Figure 13: Markets have been focusing on rising US production

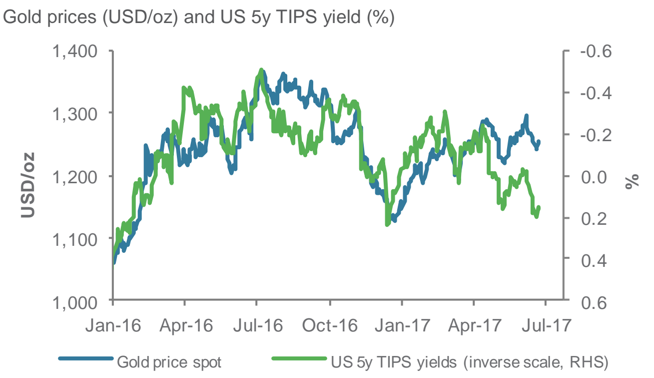
US total crude oil production and Brent oil prices (USD/bbl)



Source: Bloomberg, Standard Chartered

Figure 14: Rising yields could limit gold price upside

Gold prices (USD/oz) and US 5y TIPS yield (%)



Source: Bloomberg, Standard Chartered

Figure 15: What has changed – Oil

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

Source: Standard Chartered

Figure 16: What has changed – Gold

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

Source: Standard Chartered

FX

IMPLICATIONS
FOR INVESTORS

01 EUR gains to extend

02 JPY to weaken further

03 Further AUD downside likely

Rising Differentiation

- We remain constructive on the EUR for the medium term, amid increasing possibility of an ECB stimulus withdrawal and reduced political concerns.
- We remain bearish on the JPY, as we believe the BoJ will maintain its current yield curve control policy, and we expect US Treasury yields to rebound modestly.
- We turn bearish on the AUD, as a combination of shrinking interest-rate differentials and declining iron ore prices are likely to weigh.
- Emerging Market (EM) currencies are likely to be stable for now, amid a combination of a sideways USD, low volatility and attractive yields.

Figure 18: Foreign exchange; key driving factors and outlook

Currency	View	Real interest rate differentials	Risk sentiment	Commodity prices	Broad USD strength	Comments
USD	Neutral	Neutral	Neutral	NA	NA	US not exceptional in withdrawing stimulus
EUR	Preferred	Supportive	Supportive	NA	Neutral	Economic momentum to support ECB stimulus withdrawal
JPY	Less Preferred	Not Supportive	Neutral	NA	Neutral	BoJ policy to restrict upside in Japan yields
GBP	Neutral	Neutral	Neutral	NA	Neutral	Lower risks, but BoE likely to maintain policy
AUD, NZD	Less Preferred	Not Supportive	Neutral	Neutral	Neutral	Worsening real-yield differentials negative
EM FX	Neutral	NA	Neutral	Neutral	Neutral	Low volatility and commodity prices key

Source: Standard Chartered Global Investment Committee

Legend: Supportive Neutral Not Supportive Preferred Less Preferred Neutral

Limited upside left in the USD, prefer EUR longer term

- We believe the USD is likely to modestly rise in the short term, with risks to the downside over the medium term. However, there is considerable room for differentiation with respect to individual currencies. We believe the EUR is likely to extend gains further amid a continued Euro area recovery and the possibility of an earlier-than-expected withdrawal of monetary stimulus. We believe further JPY weakness is likely as US yields rise modestly and weigh on US-Japan interest rate differentials. We highlight a change in our medium-term AUD outlook to bearish amid shrinking real yields relative to the US and continued weakness in iron ore prices. We expect EM currencies to remain broadly stable.
- In the immediate term, the USD could recover some of its losses as we believe the decline in US yields may have been excessive. We would use this opportunity to accumulate the EUR and EM currencies.

Figure 17: Where markets are today

FX (against USD)	Current Level	1-month change
Asia ex-Japan	106	0.0%
AUD	0.77	3.3%
EUR	1.14	2.5%
GBP	1.30	1.3%
JPY	112	-0.8%
SGD	1.38	0.5%

Source: Bloomberg, Standard Chartered

EUR – further gains likely medium term

We expect the EUR to extend gains further over the medium term, based on two key assumptions. First, we believe a continued recovery in the Euro area economy will eventually cause the ECB to withdraw stimulus, sooner than markets currently expect. Second, Euro area political risks have receded; Italian elections will likely take place next year.

The Euro area economic recovery is likely to continue to gather pace, further closing the gap with the US. As a result, we expect the ECB to eventually come under pressure to either reduce bond purchases or hike interest rates. We also believe the sharp reduction in political risks (Figure 46) is likely to further improve sentiment towards Euro area assets, which is likely to support the EUR. In the immediate term, we believe the EUR could continue to trade range-bound as markets grapple with the possibility of the ECB changing policy direction.

JPY – likely to weaken medium term

We remain bearish on the JPY. We believe YTD strength has largely been explained by lower US long-end yields. From current levels, we expect a modest rise in US 10-year yields. Simultaneously, we expect the BoJ's yield curve control policy to likely remain in place, effectively anchoring Japan 10-year yields close to zero. As a result, we believe a widening of yield differentials is likely to weaken the JPY. We also believe geopolitical risks, a potential supporting factor for the JPY, remain largely contained and do not form part of our base case scenarios.

GBP – still looking for a catalyst

We believe the GBP is likely to remain largely range-bound as it is in a tug-of-war between continued political concerns and the possibility of an earlier than expected BoE rate hike. On the first point, near-term political uncertainty is likely to weigh on sentiment, while longer-term concerns over capital outflows and a large current account deficit could justify inexpensive valuations for now. However, the BoE's concerns regarding inflation have begun to surface, resulting in a slight hawkish tilt in policy messaging. This could lead to an earlier BoE rate hike than what markets expect, which would be supportive of the GBP.

Figure 19: What has changed – G3 currencies

Factor	Recent moves
Real interest rate differentials	Continue to improve in favour of the EUR, the GBP and the JPY recently at the expense of the USD
Risk sentiment	Volatility remains low relative to history, while Euro area risk indicators fall sharply
Speculator positioning	Remains balanced for the USD, moderately net-short for the JPY and the GBP and moderately net-long for the EUR

Source: Bloomberg, Standard Chartered

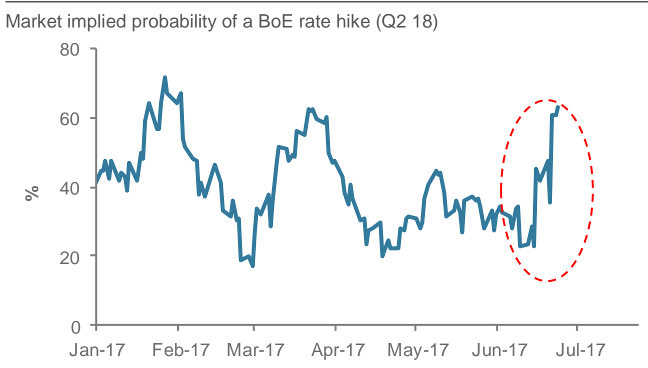
Figure 20: Sharp decline in Euro area policy uncertainty to support economic sentiment and demand for Euro area assets in general

Euro area economic policy uncertainty composite indicator

Source: Bloomberg, Standard Chartered

Figure 21: Probability of a BoE rate hike within 12 months has risen sharply

Market implied probability of a BoE rate hike (Q2 18)



Source: Bloomberg, Standard Chartered

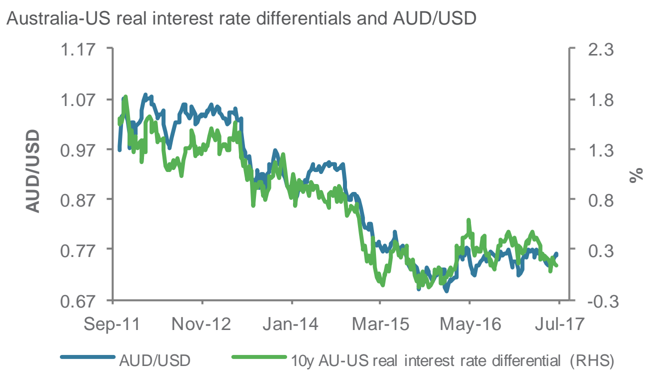
AUD – looking for more downside

We scale down our view on the AUD, as we believe fundamentals suggest potential for a further medium-term downside. Two key considerations motivate our thinking.

First, we believe fundamentals in the iron ore market remain weak as suppliers have not cut output while inventories remain high. In this context, we believe there are still considerable risks to the downside. We also see the significant improvement in Australia's current account balance as largely a result of the earlier surge in iron ore price and is now likely to reverse. Second, Australia's real interest rate differentials with the US continue to deteriorate as the Fed hikes interest rates while the RBA maintains policy for an extended period (see Figure 48).

Figure 22: Further decline in AU-US real interest rate differentials to push AUD lower

Australia-US real interest rate differentials and AUD/USD



Source: Bloomberg, Standard Chartered

Emerging Market currencies – fundamentals still supportive

We believe overall fundamentals are still constructive for risk assets and EM currencies. In this context, high carry (currencies supported by high bond yields), contained volatility and continued capital flows to the region are likely to be supportive. As a result, we still expect EM currencies to remain broadly stable, although we expect respective central banks to push back against any further strength.

We continue to favour high-yielding currencies in the EM space as these provide a good carry cushion. While respective central banks are likely to push back against significant strength due to its adverse impact on exports, on a total return basis (ie, including the yield on offer), these currencies are likely to remain attractive (also see pg 15).

Elsewhere, we believe risks to further CNY downside remain contained because of 1) limited USD strength and 2) limited capital outflows. With policy continuing to favour a largely neutral stance, we expect the outlook for the SGD to be driven by key trade partner currencies (CNY, MYR, EUR). In the case of the MYR, we believe the recent decline in commodity prices, in addition to any push back from the central bank, is likely to limit further strength. The trade-focused KRW is likely to see limited further gains this year as we believe it has already incorporated some of the recent positives.

Figure 23: What has changed in EM currencies

Factor	Recent moves
USD	USD has started to stabilise
China risks	China data remains resilient
Capital flows	Capital inflows into EMs remain strong

Source: Standard Chartered

Figure 24: Stable EM currencies allowing gains on a total return basis (including the yield on offer)

Bloomberg Emerging Market currency carry index (total return) and JPMorgan Emerging Market currency index

Source: Bloomberg, Standard Chartered

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 29 June 2017 and 1-month performance from 29 May 2017 to 29 June 2017

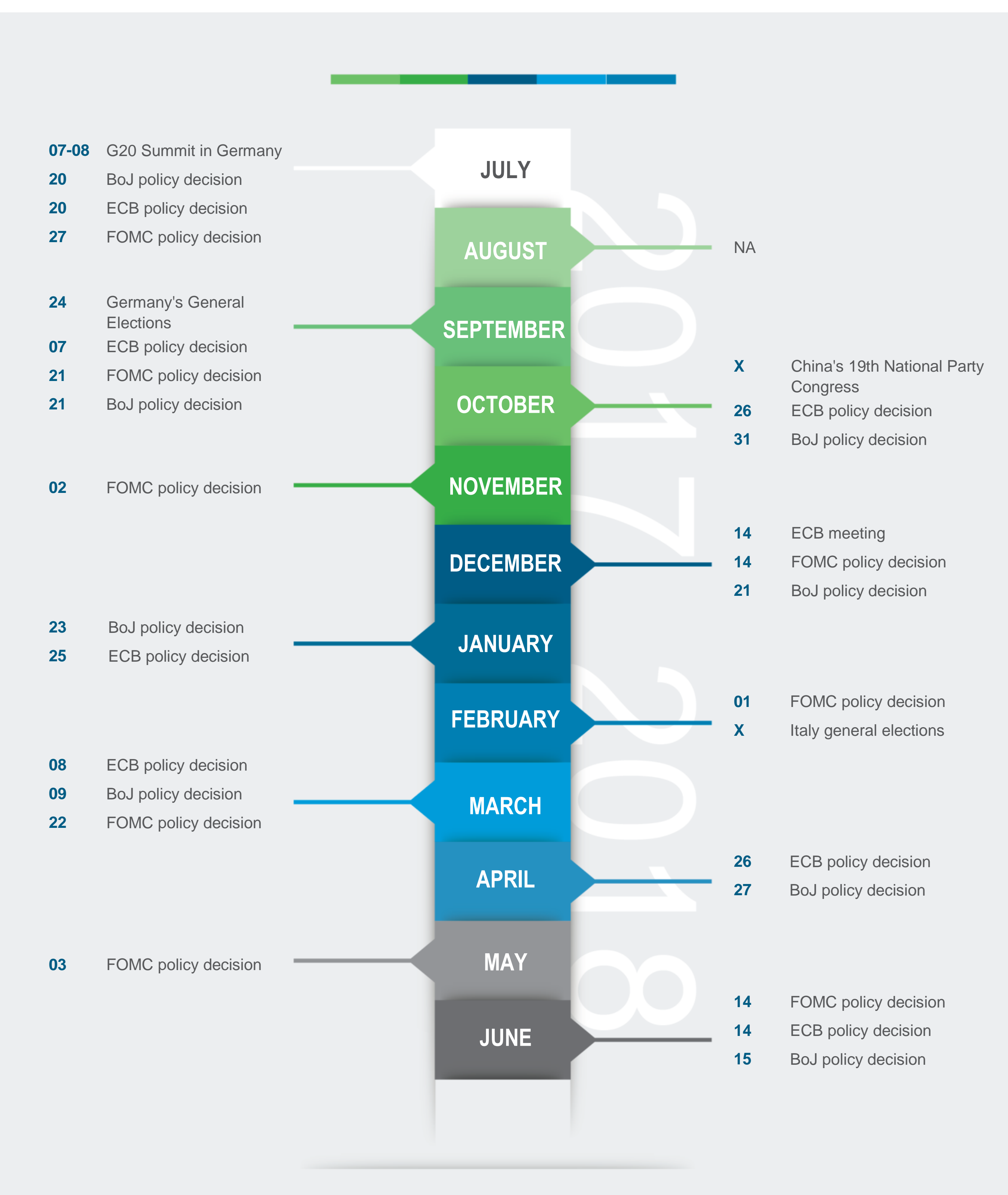
Commodity

	Year to date	1 month
Diversified Commodity	-6.7% ↓	-3.1% ↓
Agriculture	-6.7% ↓	-1.3% ↓
Energy	-21.6% ↓	-9.2% ↓
Industrial Metal	5.5% ↑	2.3% ↑
Precious Metal	6.1% ↑	-2.6% ↓
Crude Oil	-19.2% ↓	-9.9% ↓
Gold	8.1% ↑	-1.9% ↓

FX (against USD)

	Year to date	1 month
Asia ex- Japan	3.0% ↑	0.0% ↑
AUD	6.6% ↑	3.3% ↑
EUR	8.8% ↑	2.5% ↑
GBP	5.4% ↑	1.3% ↑
JPY	4.3% ↑	-0.8% ↓
SGD	5.0% ↑	0.5% ↑

Events calendar



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

The team

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

Alexis Calla*
Global Head, Investment Advisory and Strategy,
Chair of the Global Investment Council
Alexis.Calla@sc.com

Steve Brice*
Chief Investment Strategist
Steve.Brice@sc.com

Aditya Monappa*, CFA
Head, Asset Allocation and Portfolio Solutions
Aditya.Monappa@sc.com

Clive McDonnell*
Head, Equity Investment Strategy
Clive.McDonnell@sc.com

Audrey Goh, CFA
Director, Asset Allocation and Portfolio Solutions
Audrey.Goh@sc.com

Manpreet Gill*
Head, FICC Investment Strategy
Manpreet.Gill@sc.com

Rajat Bhattacharya
Investment Strategist
Rajat.Bhattacharya@sc.com

Arun Kelshiker, CFA
Executive Director,
Asset Allocation and Portfolio Solutions
Arun.Kelshiker@sc.com

Tariq Ali, CFA
Investment Strategist
Tariq.Ali@sc.com

Abhilash Narayan
Investment Strategist
Abhilash.Narayan@sc.com

Trang Nguyen
Analyst, Asset Allocation and Portfolio Solutions
Trang.Nguyen@sc.com

Jeff Chen
Analyst, Asset Allocation and Portfolio Solutions
JeffCC.Chen@sc.com

DJ Cheong
Investment Strategist
DJ.Cheong@sc.com

Jill Yip
Investment Strategist
Jill.Yip@sc.com

* Core Global Investment Council voting members

Wealth Management, Vietnam

Do Lan Anh
Head of Wealth Management
LanAnh.Do@sc.com

Nguyen Anh Tuan
Associate Director,
Markets Products Specialist, WM
AnhTuan.Nguyen@sc.com

Chu Thi Minh Anh
WMPS Dealer
Anh-Thi-Minh-Chu@sc.com

Mach Khoi Tin, CFA
WMPS Dealer
Tin.MachKhoi@sc.com

Nguyen Thanh Tung, CFA
Treasury Specialist
Tung.Nguyenthanh@sc.com

Tran Quyen Bieu
Treasury Specialist
Bieu.Tranquyen@sc.com

Disclosure appendix

THIS IS NOT A RESEARCH REPORT AND HAS NOT BEEN PRODUCED BY A RESEARCH UNIT.

This document is not research material and it has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. This document does not necessarily represent the views of every function within Standard Chartered Bank, ("SCB") particularly those of the Global Research function.

Standard Chartered Bank is incorporated in England with limited liability by Royal Charter 1853 Reference Number ZC18. The Principal Office of the Company is situated in England at 1 Basinghall Avenue, London, EC2V 5DD Standard Chartered Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

Banking activities may be carried out internationally by different Standard Chartered Bank branches, subsidiaries and affiliates (collectively "SCB") according to local regulatory requirements. With respect to any jurisdiction in which there is a SCB entity, this document is distributed in such jurisdiction by, and is attributable to, such local SCB entity. Recipients in any jurisdiction should contact the local SCB entity in relation to any matters arising from, or in connection with, this document. Not all products and services are provided by all SCB entities.

This document is being distributed for general information only and it does not constitute an offer, recommendation or solicitation to enter into any transaction or adopt any hedging, trading or investment strategy, in relation to any securities or other financial instruments. This document is for general evaluation only, it does not take into account the specific investment objectives, financial situation or particular needs of any particular person or class of persons and it has not been prepared for any particular person or class of persons.

Opinions, projections and estimates are solely those of SCB at the date of this document and subject to change without notice. Past performance is not indicative of future results and no representation or warranty is made regarding future performance. Any forecast contained herein as to likely future movements in rates or prices or likely future events or occurrences constitutes an opinion only and is not indicative of actual future movements in rates or prices or actual future events or occurrences (as the case may be).

This document has not and will not be registered as a prospectus in any jurisdiction and it is not authorised by any regulatory authority under any regulations.

SCB makes no representation or warranty of any kind, express, implied or statutory regarding, but not limited to, the accuracy of this document or the completeness of any information contained or referred to in this document. This document is distributed on the express understanding that, whilst the information in it is believed to be reliable, it has not been independently verified by us. SCB accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental or consequential loss or damage) from your use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any part thereof or any contents.

SCB, and/or a connected company, may at any time, to the extent permitted by applicable law and/or regulation, be long or short any securities, currencies or financial instruments referred to on this document or have a material interest in any such securities or related investment, or may be the only market maker in relation to such investments, or provide, or have provided advice, investment banking or other services, to issuers of such investments. Accordingly, SCB, its affiliates and/or subsidiaries may have a conflict of interest that could affect the objectivity of this document. This document must not be forwarded or otherwise made available to any other person without the express written consent of SCB.

Copyright: Standard Chartered Bank 2017. Copyright in all materials, text, articles and information contained herein is the property of, and may only be reproduced with permission of an authorised signatory of, Standard Chartered Bank. Copyright in materials created by third parties and the rights under copyright of such parties are hereby acknowledged. Copyright in all other materials not belonging to third parties and copyright in these materials as a compilation vests and shall remain at all times copyright of Standard Chartered Bank and should not be reproduced or used except for business purposes on behalf of Standard Chartered Bank or save with the express prior written consent of an authorised signatory of Standard Chartered Bank. All rights reserved. © Standard Chartered Bank 2017.

Country Specific Disclosures

Botswana: This document is being distributed in Botswana by, and is attributable to, Standard Chartered Bank Botswana Limited which is a financial institution licensed under the Section 6 of the Banking Act CAP 46.04 and is listed in the Botswana Stock Exchange

China: This document is being distributed in China by, and is attributable to, Standard Chartered Bank (China) Limited which is mainly regulated by China Banking Regulatory Commission (CBRC), State Administration of Foreign Exchange (SAFE), and People's Bank of China (PBOC).

Dubai International Financial Centre ("DIFC"): The attached material is circulated by Standard Chartered Bank DIFC on behalf of the product and/or Issuer. Standard Chartered Bank DIFC is regulated by the Dubai Financial Services Authority (DFSA) and is authorised to provide financial products and services to persons who meet the qualifying criteria of a Professional Client under the DFSA rules. The protection and compensation rights that may generally be available to retail customers in the DIFC or other jurisdictions will not be afforded to Professional Clients in the DIFC.

Hong Kong: This document, except for any portion advising on or facilitating any decision on futures contracts trading, is being distributed in Hong Kong by, and is attributable to, Standard Chartered Bank (Hong Kong) Limited 渣打銀行（香港）有限公司 (CE#AJI614) which is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong.

India: SCB in its capacity of a distributor or referrer of Investment Products may offer advice which is incidental to its activity of distribution/referral. SCB will not be charging any fee/consideration for such advice and such advice should not be construed as 'Investment Advice' as defined in the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013. The client can avail of the investment advisory services of SCB only upon (i) executing separate documents with the Investment Advisory Group of SCB for availing 'Investment Advice' (as defined in the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013) from it; and (ii) paying specific fees (if applied by SCB) for such 'Investment Advice'.

Kenya: Our Investment Products and Services are distributed by Standard Chartered Investment Services Limited, a wholly owned subsidiary of Standard Chartered Bank Kenya Limited (Standard Chartered Bank/the Bank) that is licensed by the Capital Markets Authority as a Fund Manager. Standard Chartered Bank Kenya Limited is regulated by the Central Bank of Kenya.

Philippines: This document may be distributed in the Philippines by, and is attributable to, Standard Chartered Bank (Philippines) which is regulated by the Bangko Sentral ng Pilipinas. This document is for information purposes only and does not offer, sell, offer to sell or distribute securities in the Philippines that are not registered with the Securities and Exchange Commission unless such offer or sale qualifies as an exempt transaction under Section 10 of the Securities Regulation Code.

Singapore: This document is being distributed in Singapore by, and is attributable to, Standard Chartered Bank (Singapore) Limited ("SCBSL"). Recipients in Singapore should contact SCBSL in relation to any matters arising from, or in connection with, this document. SCBSL is an indirect wholly-owned subsidiary of Standard Chartered Bank and is licensed to conduct banking business in Singapore under the Singapore Banking Act, Chapter 19.

IN RELATION TO ANY FIXED INCOME AND STRUCTURED SECURITIES REFERRED TO IN THIS DOCUMENT (IF ANY), THIS DOCUMENT TOGETHER WITH THE ISSUER DOCUMENTATION SHALL BE DEEMED AN INFORMATION MEMORANDUM (AS DEFINED IN SECTION 275 OF THE SFA). IT IS INTENDED FOR DISTRIBUTION TO ACCREDITED INVESTORS, AS DEFINED IN SECTION 4A OF THE SFA, OR ON TERMS THAT THE SECURITIES MAY ONLY BE ACQUIRED AT A CONSIDERATION OF NOT LESS THAN S$200,000 (OR ITS EQUIVALENT IN A FOREIGN CURRENCY) FOR EACH TRANSACTION.

Further, in relation to fixed income and structured securities mentioned (if any), neither this document nor the Issuer Documentation have been, and will not be, registered as a prospectus with the Monetary Authority of Singapore under the SFA. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the product may not be circulated or distributed, nor may the product be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons other than a relevant person pursuant to section 275(1) of the SFA, or any person pursuant to section 275(1A) of the SFA, and in accordance with the conditions, specified in section 275 of the SFA, or (iii) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Singapore dollar deposits of non-bank depositors are insured by the Singapore Deposit Insurance Corporation, for up to S$50,000 in aggregate per depositor per Scheme member by law. Foreign currency deposits, dual currency investments, structured deposits and other investment products are not insured.

Thailand: Please study the Scheme Information Documents carefully e.g. investment policy, risks, fund performance before investing.

UAE: For residents of the UAE – Standard Chartered Bank UAE does not provide financial analysis or consultation services in or into the UAE within the meaning of UAE Securities and Commodities Authority Decision No. 48/r of 2008 concerning financial consultation and financial analysis.

United Kingdom: Standard Chartered Bank (trading as Standard Chartered Private Bank) is an authorised financial services provider (licence number 45747) in terms of the South African Financial Advisory and Intermediary Services Act, 2002.

Zambia: This document is distributed by Standard Chartered Bank Zambia Plc, a company incorporated in Zambia and registered as a commercial bank and licensed by the Bank of Zambia under the Banking and Financial Services Act Chapter 387 of the Laws of Zambia.

Market Abuse Regulation (MAR) Disclaimer (2017)

Standard Chartered Bank is incorporated in England with limited liability by Royal Charter 1853 Reference Number ZC18. The Principal Office of the Company is situated in England at 1 Basinghall Avenue, London, EC2V 5DD. Standard Chartered Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority. Banking activities may be carried out internationally by different Standard Chartered Bank branches, subsidiaries and affiliates (collectively “SCB”) according to local regulatory requirements.

Opinions may contain outright "buy", "sell", "hold" or other opinions. The time horizon of this opinion is dependent on prevailing market conditions and there is no planned frequency for updates to the opinion.

This opinion is not independent of SCB’s own trading strategies or positions. SCB and/or its affiliates or its respective officers, directors, employee benefit programmes or employees, including persons involved in the preparation or issuance of this document may at any time, to the extent permitted by applicable law and/or regulation, be long or short any securities or financial instruments referred to in this document or have material interest in any such securities or related investments. Therefore, it is possible, and you should assume, that SCB has a material interest in one or more of the financial instruments mentioned herein. If specific companies are mentioned in this communication, please note that SCB may at times do business or seek to do business with the companies covered in this communication; hold a position in, or have economic exposure to, such companies; and/or invest in the financial products issued by these companies. Further, SCB may be involved in activities such as dealing in, holding, acting as market makers or liquidity providers, or performing financial or advisory services including but not limited to, lead manager or co-lead manager in relation to any of the products referred to in this communication. SCB may have received compensation for these services and activities. Accordingly, SCB may have a conflict of interest that could affect the objectivity of this communication. SCB has in place policies and procedures, logical access controls and physical information walls to help ensure confidential information, including material non-public or inside information is not disclosed unless in line with its policies and procedures and the rules of its regulators.

Please refer to https://www.sc.com/en/banking-services/market-disclaimer.html for more detailed disclosures, including past opinions in the last 12 months and conflict of interests, as well as disclaimers.

This document must not be forwarded or otherwise made available to any other person without the express written consent of SCB.

THIS IS NOT A RESEARCH REPORT AND HAS NOT BEEN PRODUCED BY A RESEARCH UNIT.