Wealth Management Advisory

Standard Chartered
Private Bank

Stay bullish and diversified

Global Market Brief

June 2018

Foreword

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Diversity matters. That is one lesson markets again gave us in the first few months of 2018. After a very strong 2017, we saw a "break in diversity" in Q1 18, when the markets got complacent with the positive narrative for global equities and the negative narrative for the USD. With diversity having now returned to markets, through a typical sudden pick-up in volatility, sharp moves have become less likely, at least for now.

A key pillar of our investment philosophy is the pervasive role of diversity:

1) Diversity of views and objectives among market participants to ensure resilient and liquid markets

2) Diversity in the input of views and ideas to make better investment decisions

3) Diversity of assets held to ensure growth and resilience of one's portfolio

As we went through the end of 2017, we saw global equities rally strongly amidst very low levels of volatility, while the USD declined in almost a linear fashion. Simultaneously, we saw a significant decline in market diversity, as measured by various indicators such as investor positioning, "fractal dimension"* and the lack of diversity in the views of brokers and asset managers. In hindsight, this was indicating that we were likely to see at least a short-term reversal of these trends and a pick-up in volatility, which is exactly what the market delivered.

Since then, we have seen the return of diversity. While positioning in some instances remains quite high (for example, short-term speculators are still significantly short US Treasury and USD futures), other indicators suggest there is less reason to be concerned. Certainly, there is significant diversity of third-party views, with the debate on the USD's outlook becoming particularly intense. Meanwhile, fractal analysis* suggests there is less "groupthink" when it comes to determining asset price movements.

Just to be clear, increased diversity, in this context, is not necessarily good or bad. But, just as a rise in volatility is the result of a collapse in diversity, a rise in diversity reduces the risk of any sharp asset price movement, be it gains or losses. Therefore, while we remain constructive on the outlook for global equities, we believe gains may take some time to come to fruition. We will continue to closely monitor our diversity indicators.

"Market diversity has returned. Until it recedes again, this means, market moves (up or down) are likely to be less severe than we saw in the first half of 2018."

** Fractal analysis is a mathematical way of measuring the diversity of supply and demand forces. "When investment horizons converge to a groupthink herd, the fractal structure breaks down… This is a warning sign of an impending liquidity-triggered trend reversal, either short-term or long-term." (Source: BCA Research)*

Investment strategy

Stay bullish and diversified

- We continue to strongly favour equities, given they typically outperform in the late stages of an economic cycle. We favour global equities over corporate bonds and cash. Within equities, the US remains our most preferred region, supported by strong earnings growth, though we expect most equity markets to perform well.
- Yields are gradually becoming more attractive. USD interest rates and bond yields have risen significantly over the past 12-18 months. As global growth remains strong and inflationary pressures gradually build, we expect this trend to broaden to other regions, such as the Euro area. This will, over time, allow income investors to achieve higher yields.
- Now is not the time to go all-in on risky assets. We favour diversification. While our central scenario is bullish for global equities, timing the end of the market cycle is fraught with difficulty. Therefore, ensuring consistency with one's appetite for risk and including investments that should offset losses in the event of a sustained equity market sell-off are key, in our view.

IMPLICATIONS
FOR INVESTORS

Global equities remain our preferred asset class

Relative preference for US equities and EM USD government bonds

Balanced strategies offer attractive risk/reward; multi-asset income remains relevant for income investors

Financial market performance in the first half of 2018 has been in stark contrast to 2017. At face value, asset class performance suggests a similar environment to last year with global equities, bonds and commodities (ex-agri) delivering 2.7%, -1.1% and 8.9% returns since we published our *2018 Outlook*, respectively. However, this number masks the journey: while December and January were characterised by strong returns, they were followed by sharp losses in February and March and have been relatively range-bound thereafter.

Looking forward, we continue to see the global economy as being in the late stage of the economic cycle, as envisaged in our *2018 Outlook*. This is a period usually characterised by a gradual heating up of inflationary pressures, increase in policy rates and strong equity market performance.

Figure 1

Global equities trendless in H1 this year

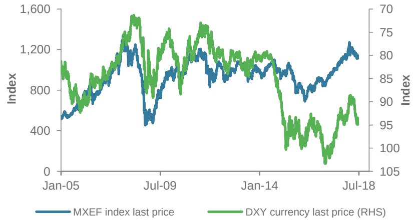
MSCI AC World in H1 of 2017 and 2018

Source: Bloomberg, Standard Chartered

Figure 2

USD rally a key risk to EM assets

MSCI EM (LHS) and USD index (RHS, inverted)



Source: Bloomberg, Standard Chartered

Macro overview

US economy in the lead

- **Core scenario:** The global economy continues to grow above recent trend, led by the US, although growth has moderated in the Euro area, Japan and China. EMs face increasing challenges from USD strength.
- **Policy outlook:** We expect the Fed to hike rates two more times in 2018, the ECB to end bond purchases by December and the BoJ to stay accommodative. The PBoC is likely to balance growth with reforms.
- **Key risks:** Inflation surge, mainly in the US; trade tensions; and tighter liquidity conditions, especially in the EMs, from a stronger USD

Core scenario

The Global Investment Committee continues to assign a 70% probability to a scenario of moderate-to-strong growth and limited inflation unfolding in the next 12 months. The US economy has taken the lead in driving global growth on the back of last year's tax cuts, which has helped boost consumer confidence and encouraged businesses to start investing. Growth in Europe and Japan has moderated, although they are likely to grow above their long-term potential over the coming year. China is balancing a growth-moderation with structural reforms. EMs have seen fund outflows this year as the USD strengthened, although a gradual pace of rate hikes in the US and still accommodative central banks in Europe and Japan are likely to relieve some of the pressure.

Figure 3

US growth and inflation outlook has been upgraded after the tax cuts in December

Region	Growth	Inflation	Benchmark rates	Fiscal deficit	Comments
US	🟢	🟡	🟡	🟢	US emerged as the main global growth driver, while other major economies slowed. Inflation is a key risk. Fed to hike twice more in 20 8
Euro area	🟢	🟡	🟢	🟡	Euro area growth expectations cut further, but remain above potential. Inflation still tepid. The ECB to end bond purchases by December
UK	🟡	🟡	🟢	🟡	Brexit transition path remains uncertain, clouding economic outlook. BoE rate hike postponed as inflation slows
Japan	🟡	🟡	🟢	🟡	Export rebound drives recovery, although trade tensions risk delaying private investment. The BoJ to keep easy polic amid low inflation
Asia ex-Japan	🟢	🟡	🟢	🟡	China's growth moderates amid deleveraging, although consumption remains robust. Asia to raise rates modestly to align with the Fed
EM ex-Asia	🟢	🟡	🟢	🟡	Pressure on non-Asia EMs likely to ease as USD strength dissipates, China remains stable

Source: Standard Chartered Global Investment Committee

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

IMPLICATIONS
FOR INVESTORS

The Fed likely to raise rates two more times in 2018

The ECB likely to end bond purchases by December 2018, while the BoJ remains highly accommodative

China likely to balance domestic-driven growth with structural reforms

Bonds

Turning selective in EM risk

- Bonds remain a core holding as we expect them to deliver moderate returns, but we like their defensive nature as we are likely in late stage of the US economic cycle. We expect 10-year yields to rise gradually to the 3.0-3.25% range over the next 12 months.
- Emerging Market (EM) USD government bonds are our preferred area within bonds owing to their attractive yield and relatively stable credit quality. However, we reduce our preference for EM local currency bonds as we become more selective in where we take EM risk.

Figure 4
Bond sub-asset classes in order of preference

Bond asset class	View	Rates policy	Macro factors	Valua-tions	FX	Comments
EM USD government	Preferred	Not Supportive	Supportive	Neutral	NA	Attractive yields, relative value and stabilising credit quality are positive
Asian USD	Core	Not Supportive	Supportive	Neutral	NA	High credit quality, defensive allocation. Influenced by China risk sentiment
EM local currency	Core	Not Supportive	Supportive	Neutral	Neutral	Attractive yield balanced by changing central bank stance and currency risks
DM HY corporate	Core	Not Supportive	Neutral	Not Supportive	Supportive	Attractive yields on offer, offset by expensive valuations
DM IG corporate	Core	Not Supportive	Neutral	Neutral	Supportive	Likely to outperform DM IG government bonds. Yield premium is relatively low
DM IG government	Less Preferred	Not Supportive	Not Supportive	NA	Supportive	Returns challenged by normalising Fed and ECB monetary policy

Source: Standard Chartered Global Investment Committee

Legend: Supportive Neutral Not Supportive Preferred Less Preferred Core

Calmer waters ahead?

The first half of 2018 was a challenging period for bond investors as US yields rose by nearly 50bps (or 0.5%), leading to losses in most areas within bonds. Additionally, a stronger USD led to the re-emergence of concerns around EMs, which led to the underperformance of EM bonds relative to global bonds.

In our opinion, we have seen bulk of the increase in 10-year US yields and believe 10-year US Treasury yields are likely to edge only moderately higher to 3.0-3.25% range, unless long-term inflation expectations rise sharply. Nevertheless, in light of higher currency risks, we choose to be more selective in risk-taking, by reducing our exposure to EMs and shortening our maturity profile slightly below neutral (5 years).

IMPLICATIONS
FOR INVESTORS

Prefer EM USD government bonds

Expect 10-year US Treasuries to trade in the 3.0-3.25% range

Favour slightly short maturity profile (5 years) for USD-denominated bonds

Figure 5
Where markets are today

Bonds	Yield	1m return
DM IG government (unhedged)	***1.55%**	**0.3%**
EM USD government	**6.51%**	**-0.4%**
DM IG corporates (unhedged)	***2.94%**	**0.2%**
DM HY corporates	**6.26%**	**-0.3%**
Asia USD	**4.96%**	**0.3%**
EM local currency government	**6.69%**	**-2.2%**

Source: Bloomberg, JPMorgan, Barclays, Citigroup, Standard Chartered
*As of 31 May, 2018

Equities

US equities are preferred

- Global equities remain our preferred asset class. Consensus earnings growth for the MSCI All Country World index in 2018 is 16% and the forward P/E ratio is almost in line with the long-term average at 14.9x.
- The US is our preferred region, implying we expect outperformance relative to global equities over the next 12 months. Consensus expectations are for earnings growth of 21% in 2018, aided by tax cuts and elevated corporate margins. Technology, energy and financials are our preferred sectors.
- Asia ex-Japan equities have been reduced to core (from preferred), implying our expectations of the region performing in line with global equities in the next 12 months in USD terms. Double-digit earnings growth and attractive valuations are still supportive.
- Euro area equities are a core holding. Rising capacity utilisation paves the way for higher capital expenditure. However, the end of ECB quantitative easing presents a risk. The UK has been upgraded to core (from least preferred) on late-cycle growth optimism.
- Emerging Market (EM) ex-Asia is a core holding. Deteriorating fundamentals a concern, but high commodity prices can be an offset.

Figure 6

US is our preferred market

Equity	View	Valuations	Earnings	Return on Equity	Economic Data	Bond yields	Comments
US	Preferred	Neutral	Supportive	Supportive	Supportive	Neutral	Robust earnings growth, potential for share buybacks
Asia ex-Japan	Core Holding	Supportive	Supportive	Neutral	Supportive	Neutral	Earnings recovery, improving margins and fair valuations. Trade war a risk
EM ex-Asia	Core Holding	Neutral	Neutral	Neutral	Neutral	Neutral	Elevated oil price supportive of earnings. But rising US rates are weighing on markets
Euro area	Core Holding	Neutral	Neutral	Neutral	Neutral	Supportive	Improving credit growth is a positive. Weak sentiment due to trade war risks.
Japan	Core Holding	Supportive	Not Supportive	Supportive	Neutral	Neutral	Strong balance sheets, falling net debt to equity. Trade war a risk
UK	Core Holding	Neutral	Neutral	Not Supportive	Neutral	Neutral	Rising commodity prices boosting FTSE100, but domestic demand is weak

Source: Standard Chartered Global Investment Committee

Legend: Supportive Neutral Not Supportive Preferred Less Preferred Core Holding

IMPLICATIONS FOR INVESTORS

Global equities our preferred asset class

US is a preferred market

Prefer China within Asia ex-Japan

Figure 7

Where markets are today UPDATE

Market P/E ratio	P/B	EPS	Index level
US (S&P 500)			
17x	3.1x	16%	**2,750**
Euro area (Stoxx 50)			
14x	1.6x	8%	**3,404**
Japan (Nikkei 225)			
13x	1.3x	7%	**22,693**
UK (FTSE 100)			
13x	1.7x	8%	**7,556**
MSCI Asia ex-Japan			
12x	1.5x	12%	**686**
MSCI EM ex-Asia			
10x	1.4x	19%	**1,303**

Source: FactSet, MSCI, Standard Chartered.

Note: Valuation and earnings data refer to MSCI indices, as of 21 June 2018

Alternative strategies

Positioning for a higher volatility regime in 2018

- Given volatility has risen this year, we believe an alternatives allocation, with its defensive characteristics, can be beneficial over the longer term when managing drawdown risk.
- Our preference is still Equity Hedge; we have also recently upgraded Global Macro to a core strategy alongside Relative Value.
- Our alternatives allocation is flat 0.01 % YTD, as compared with global equities 0.3% YTD and global fixed income -1.7% YTD.

Mid-year performance review

Global equity markets have had a volatile first half with geopolitics, trade tensions and inflation worries dampening investors' initial enthusiasm over economic fundamentals and strong corporate earnings. Volatility also spiked early in the year, but has now settled at lower levels, albeit higher than the extremely low levels seen in 2017. While our central global scenario is positive on global equities, we believe we have moved to a higher volatility regime, as compared with the recent past. As such, we continue to advocate investing into alternatives strategies, as part of a diversified allocation, to manage overall drawdown risk over the longer term.

Figure 8

Traffic light framework alternatives strategies

		Description	View	Drivers for strategies to perform	
SUBSTITUTES	Equity Hedge	In essence, buying undervalued stocks and selling overvalued stocks	▲	• Positively trending equity markets • Rising equity market dispersion	🟡 🟢
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	🟡 🟡
SUBSTITUTES	Event Driven	Taking positions based on an event such as a merger or acquisition	▼	• Positively trending equity markets • Rising mergers and acquisitions • Narrowing credit spreads	🟡 🔴 🟡
DIVERSIFIERS	Global Macro	Looking to exploit themes, trends and asset class relationships (correlations) at a global level, generally with leverage	◆	• Rising volatility and credit spreads • Increasing cross asset dispersion • Clear market trends (up/down)	🟢 🟡 🟡

Source: Standard Chartered

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

IMPLICATIONS
FOR INVESTORS

Use both substitutes and diversifiers

Equity Hedge (preferred); Global Macro and Relative Value (core)

Alternatives allocation weights are: Equity Hedge 46%, Relative Value 28%, Event Driven 8% & Global Macro 18%.

Figure 9

Where markets are today

Alternatives	YTD	1m return
Equity Hedge	1.0%	-0.8%
Relative Value	1.2%	-0.1%
Event Driven	-4.4%	-1.8%
Global Macro	-0.8%	0.4%
Alternatives Allocation	0.01%	0.0%

Source: Bloomberg, Standard Chartered

FX

USD near-term gains possible

- We continue to expect US trade and budget deficits and narrowing real interest rate differentials to drive USD weakness in the medium term. However, in the short term, there remains scope for further USD strength.
- The JPY is largely range-bound, driven by fears of global trade disruption, interest rate differentials on one side and safe-haven status on the other.
- Asian Emerging Market (EM) currencies remain vulnerable near term to contagion. We are monitoring CNY, which has remained an EM anchor.

Figure 10

Foreign exchange; key driving factors and 12-month outlook

Currency	View	Real interest rate differentials	Risk sentiment	Commodity prices	Broad USD trend	Comments
USD	Less Preferred	Not Supportive	Neutral	NA	NA	Rate hiking trajectory priced in
EUR	Preferred	Supportive	Supportive	NA	Supportive	Monetary policy normalisation not yet complete
JPY	Neutral	Not Supportive	Neutral	NA	Supportive	Range-bound amid opposing constraints
GBP	Neutral	Neutral	Supportive	NA	Supportive	Inversely tracking the USD, awaiting Brexit clarity
AUD	Neutral	Neutral	Neutral	Neutral	Supportive	RBA policy and EM weakness a risk
EM FX	Neutral	NA	Neutral	Neutral	Supportive	Weakening global growth environment

Source: Bloomberg, Standard Chartered Global Investment Committee

Legend: Supportive Neutral Not Supportive Preferred Less Preferred Neutral

Bearish USD bias longer term; short-term strength still likely

Strong counter-trend rally continues. The USD has been supported by softening ex-US growth momentum and rising real (net of inflation) US interest rates. US international trade policy concerns may be adding to near-term USD strength and exposing vulnerabilities for some EM countries, whose asset prices have historically weakened during periods of USD strength.

We remain longer-term bearish. Our view continues to be that the current short-term corrective rally will peak and that the USD will re-establish its long-term structural decline. We see this driven both by (i) narrowing global growth and real interest rate differentials, where central banks collectively begin to normalise their policies, and (ii) a renewed focus on US's twin budget and trade deficits.

IMPLICATIONS FOR INVESTORS

USD weakness medium term

EUR strength medium term

USD strength near term

Figure 11

Where markets are today

FX (against USD)	Current level	1m change
Asia ex-Japan	108	-1.1%
AUD	0.74	-2.1%
EUR	1.15	-1.8%
GBP	1.31	-2.0%
JPY	111	0.7%
SGD	1.36	-1.2%

As of 21 June 2018

Source: Bloomberg, Standard Chartered

Multi-asset

Late-stage economic cycle can benefit a balanced strategy

- We continue to believe a balanced allocation will outperform an income allocation, given the late-stage of the economic cycle
- However, for income-seeking investors, a multi-asset income allocation can continue to help an investor's regular income goal
- We update both our balanced and income allocations, review performance and highlight key current positioning for H2 18

In our *2018 Outlook*, we shared two distinct asset allocations focusing on goals for i) capital growth investors and ii) income focused investors (Figure 53).

Mid-year, we find the performance of our balanced and income allocations as follows YTD, 0.5% and -1.1%, respectively. In sharp contrast to 2017, H1 2018 has been challenging for asset classes across the board (Figure 49). Looking at recent history, it reminds us that asset class performances can vary and continues to highlight the benefits of diversifying an investment allocation to generate sustainable long-term returns.

Figure 12

A challenging H1 2018 for asset returns

Asset class returns from 2012 to 2018 YTD*

2012	2013	2014	2015	2016	2017	2018*
Global HY Bonds 19%	Global Equities 23%	Asia Corp 8%	Asia Corp 3%	Global HY Bonds 14%	Global Equities 24%	Global Equities 2%
EM Sov HC 17%	Global HY Bonds 8%	DM IG Sov Bonds 8%	DM IG Sov 1%	EM Sov HC 10%	EM Sov LC 14%	DM IG Sov Bonds 0%
Global Equities 16%	DM IG Sov 0%	DM IG Corp 8%	EM Sov HC 1%	EM Sov LC 9%	Global HY Bonds 10%	Global HY Bonds -1%
EM Sov LC 15%	DM IG Corp 0%	EM Sov HC 7%	DM IG Corp -1%	Global Equities 8%	EM Sov HC 10%	Global Bonds -2%
Asia Corp 14%	Asia Corp -1%	Global Equities 4%	Global Equities -2%	DM IG Corp 6%	DM IG Corp 9%	DM IG Corp -2%
DM IG Corp 11%	Global Bonds -3%	Global Bonds 1%	Global Bonds -3%	Asia Corp 6%	DM IG Sov Bonds 8%	Asia Corp -2%
DM IG Sov 5%	EM Sov HC -5%	Global HY Bonds 0%	Global HY Bonds -5%	DM IG Sov 4%	Global Bonds 7%	EM Sov HC -5%
Global Bonds 4%	EM Sov LC -7%	EM Sov LC -2%	EM Sov LC -12%	Global Bonds 2%	Asia Corp 6%	EM Sov LC -5%

Source: Barclays, JPMorgan, Citi, MSCI, Bloomberg, Standard Chartered; * performance till 15 Jun 2018

IMPLICATIONS
FOR INVESTORS

Focus on aligning investment return expectations with your appetite for risk

Put together your allocation using "building blocks" which are diversified across asset classes

Tailor your overall multi-asset allocation in line with your return expectations and risk appetite

Figure 13

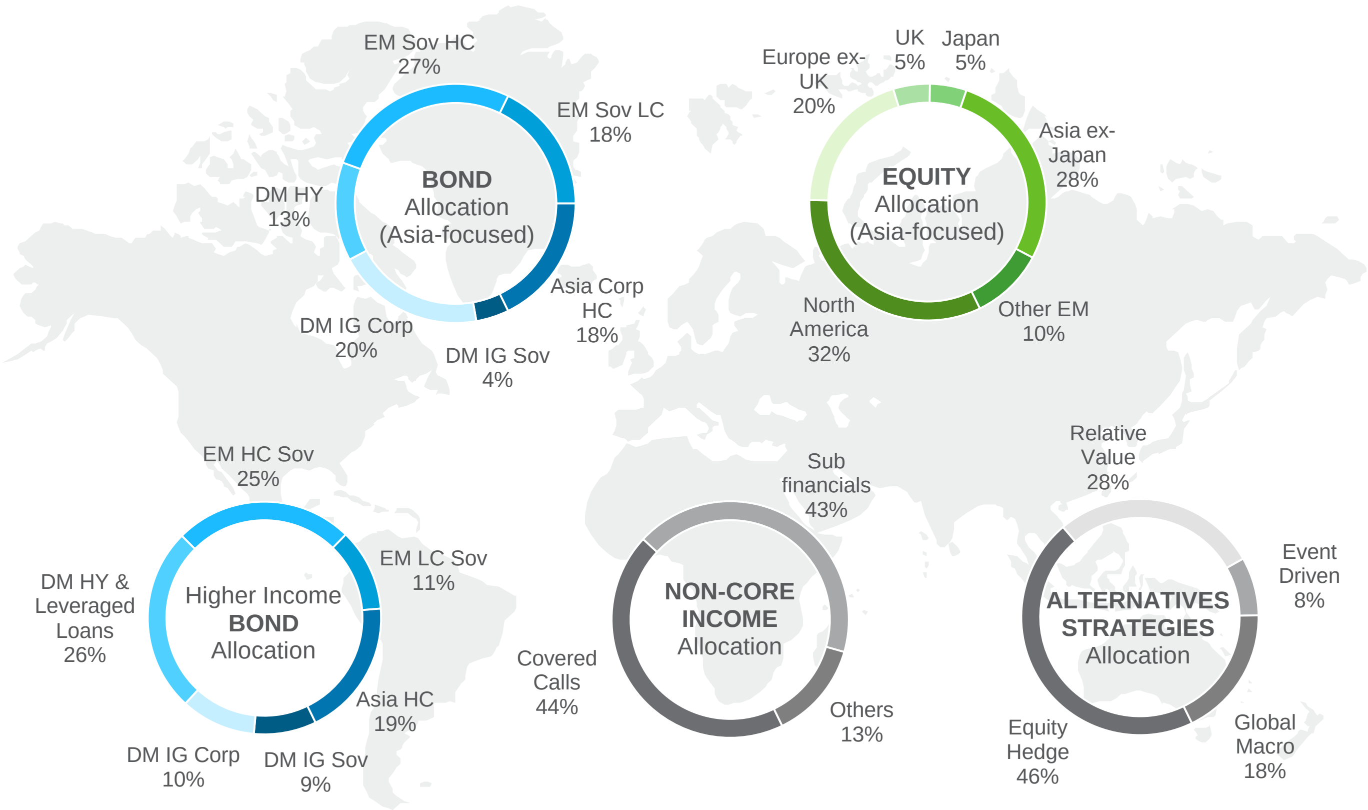
Key multi-asset views

Allocation performance	YTD	1m return
Total return balanced	0.5%	-1.2%
Multi-asset income	-1.1%	-0.8%

Source: Bloomberg, Standard Chartered

Our recommended allocations

Tactical Asset Allocation - (12m)



Tailoring a multi-asset allocation to suit an individual's return expectations and appetite for risk

- We have come up with several asset class "sleeves" across major asset classes driven by our investment views
- Our modular allocations can be used as building blocks to put together a complete multi-asset allocation
- These multi-asset allocations can be tailored to fit an individual's unique return expectations and risk appetite
- We illustrate allocation examples for both Global and Asia-focused investors, across risk profiles (page 40)

BOND Allocation (Asia-focused)	Higher Income BOND Allocation	EQUITY Allocation (Asia-focused)	NON-CORE Income Allocation	ALTERNATIVES STRATEGIES Allocation
• For investors who want a diversified allocation across major fixed income sectors and regions • Asia-focused allocation	• For investors who want a diversified allocation across major fixed income sectors and regions • Asia-focused allocation	• For investors who want a diversified allocation across major equity sectors and regions • Asia-focused allocation	• For investors who want to diversify exposure from traditional fixed income and equity into "hybrid" assets • Hybrid assets have characteristics of both fixed income and equity • Examples include Covered Calls, REITs, and sub-financials (Preferred Shares and CoCo bonds)	• For investors who want to increase diversification within their allocation • Include both “substitute” and “diversifying” strategies

Asset allocation summary

Tactical Asset Allocation - (12m). All figures are in percentages.

		ASIA FOCUSED				GLOBAL FOCUSED			
Summary	View	Conservative	Moderate	Moderately Aggressive	Aggressive	Conservative	Moderate	Moderately Aggressive	Aggressive
Cash	Least preferred	9	0	0	0	9	0	0	0
Fixed Income	Core holding	66	45	35	9	66	44	35	10
Equity	Most preferred	24	40	50	81	24	41	50	80
Alternative Strategies	Core holding	1	15	15	10	1	15	15	10

		ASIA FOCUSED				GLOBAL FOCUSED			
Asset class	View	Conservative	Moderate	Moderately Aggressive	Aggressive	Conservative	Moderate	Moderately Aggressive	Aggressive
USD Cash	Least preferred	9	0	0	0	9	0	0	0
DM Government Bonds	Least preferred	3	2	2	0	5	3	3	1
DM IG Corporate Bonds	Core holding	12	9	6	2	16	11	8	3
DM HY Corporate Bonds	Core holding	9	6	5	1	12	8	6	2
EM USD Sovereign Bonds	Most preferred	18	12	10	2	15	10	8	2
EM Local Ccy Sovereign Bonds	Core holding	12	8	6	2	9	6	5	1
Asia Corporate USD Bonds	Core holding	12	8	6	2	9	6	5	1
North America	Most preferred	8	13	17	27	13	21	26	41
Europe ex-UK	Core holding	5	8	10	15	2	4	5	8
UK	Core holding	1	2	2	4	1	2	2	4
Japan	Core holding	1	2	2	4	1	2	2	4
Asia ex-Japan	Core holding	7	11	14	23	5	8	10	15
Non-Asia EM	Core holding	2	4	5	8	2	4	5	8
Alternatives	Core holding	1	15	15	10	1	15	15	10
		100	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Bloomberg, Standard Chartered

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

Note: 1. For assets assigned small allocations, investors may prefer to instead allocate to a broader category. 2. We are changing the way we cover 'Commodities' from our asset class categories.

● Least preferred ● Core holding ● Most preferred

Market performance summary*

Equity

	Year to date	1 month
Global Equities	0.3%	-1.4%
Global High Dividend Yield Equities	-3.3%	-2.7%
Developed Markets (DM)	1.2%	-1.0%
Emerging Markets (EM)	-6.0%	-4.7%
BY COUNTRY		
US	3.8%	0.9%
Western Europe (Local)	-0.7%	-3.9%
Western Europe (USD)	-3.7%	-4.9%
Japan (Local)	-2.6%	-3.2%
Japan (USD)	-0.2%	-2.1%
Australia	-1.4%	-0.2%
Asia ex- Japan	-3.0%	-3.9%
Africa	-16.4%	-7.8%
Eastern Europe	-7.6%	-6.8%
Latam	-13.7%	-10.3%
Middle East	12.9%	2.0%
China	1.8%	-2.9%
India	-6.5%	3.0%
South Korea	-9.5%	-7.3%
Taiwan	0.0%	-2.1%
BY SECTOR		
Consumer Discretionary	6.0%	1.5%
Consumer Staples	-6.9%	1.2%
Energy	2.5%	-6.8%
Financial	-5.5%	-5.0%
Healthcare	2.5%	1.1%
Industrial	-3.5%	-4.5%
IT	10.0%	1.8%
Materials	-3.8%	-5.4%
Telecom	-9.7%	-1.8%
Utilities	-2.2%	-0.5%
Global Property Equity/REITS	0.0%	1.8%

Bonds

	Year to date	1 month
SOVEREIGN		
Global IG Sovereign	-1.5%	0.3%
US Sovereign	-1.4%	1.1%
EU Sovereign	-2.3%	-0.1%
EM Sovereign Hard Currency	-5.3%	-0.4%
EM Sovereign Local Currency	-5.7%	-2.2%
Asia EM Local Currency	-3.8%	-0.8%
CREDIT		
Global IG Corporates	-3.2%	0.2%
Global HY Corporates	-0.8%	0.2%
US High Yield	0.7%	0.9%
Europe High Yield	-3.8%	-1.6%
Asia High Yield Corporates	-2.4%	0.3%

Commodity

	Year to date	1 month
Diversified Commodity	-1.2%	-4.8%
Agriculture	-5.2%	-8.6%
Energy	5.0%	-5.9%
Industrial Metal	-4.2%	-2.6%
Precious Metal	-4.6%	-1.8%
Crude Oil	12.2%	-7.8%
Gold	-2.8%	-2.0%

FX (against USD)

	Year to date	1 month
Asia ex- Japan	-1.3%	-1.2%
AUD	-5.5%	-2.7%
EUR	-3.3%	-1.6%
GBP	-2.0%	-1.4%
JPY	2.5%	1.0%
SGD	-1.7%	-1.3%

Alternatives

	Year to date	1 month
Composite (All strategies)	-0.5%	-0.6%
Relative Value	2.5%	0.8%
Event Driven	-4.2%	-0.3%
Equity Long/Short	1.1%	-0.4%
Macro CTAs	-2.0%	-3.3%

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

*All performance shown in USD terms, unless otherwise stated

*YTD performance data from 31 December 2017 to 21 June 2018 and 1-month performance from 21 May 2018 to 21 June 2018

Events calendar

JULY

01	Mexico Presidential and Parliamentary elections
26	ECB policy decision
31	BoJ policy decision

AUGUST

02	FOMC policy decision

SEPTEMBER

X	Japan LDP President election where Prime Minister Abe faces challengers
13	ECB policy decision
19	BoJ policy decision
27	FOMC policy decision

OCTOBER

7	Brazil elections – 1st round
25	ECB policy decision
28	Brazil elections – 2nd round
31	BoJ policy decision

NOVEMBER

06	US House (all 435 seats) and Senate (33 out of 100 seats) elections
09	FOMC policy decision
12-18	APEC Summit

DECEMBER

13	ECB policy decision
20	FOMC policy decision
20	BoJ policy decision

JANUARY

31	Fed policy meeting

FEBRUARY

16	Nigeria general election due
X	Thailand to hold general elections

MARCH

29	UK to leave the EU

APRIL

10	ECB policy decision
17	Indonesia general election due

MAY

02	FOMC policy decision
X	India general election due

JUNE

06	ECB policy decision
20	FOMC policy decision

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

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