QUARTERLY HOUSE VIEWS

Q2 2019

A break in the clouds

Over the course of the first quarter of 2019, global equity markets have made a sharp, V-shaped recovery from the late 2018 meltdown. While world economic growth is still decelerating, green shoots of expansion have emerged. In most geographies, fiscal policies have turned more countercyclical – less austere, in other words – supportive of continued economic growth. In the US and Europe this year, there will be less focus on deficits and debt. China has stepped up efforts to offset the impact of trade frictions by cautiously easing monetary policy, but aggressively loosening fiscal policy. Moreover, central banks are no longer in "tightening" mode, most important of which is the US Federal Reserve. Politics, however, remains a wild card – Brexit is looming.

As of the end of the quarter, the 29 March deadline for Brexit was missed. Deal or No Deal still remains the question. Fatigue has set in from almost three years of Parliamentary debate. Angst, shock, opprobrium and ridicule fill the air.

Nonetheless, the FTSE 100 is up 30% since 22 June 2016, the day before the Brexit vote, in total return terms (i.e. including dividends), to the end Q1 2019. Many will argue this is due to large multi-nationals hardly being "British" companies; the plummeting pound helps their repatriated profits. Inconveniently for that line of argument, the FTSE 250 – more suitably "domestic" – is up 21% in that time. It is all-too-easy to draw the conclusion that one's asset positioning should be defensive during times of heightened conflict or stress. However, financial history teaches a different lesson: geopolitics rarely impact equity markets over the medium to long term, with recent events further supporting historical precedent.

Indeed, equity markets stand at, or close to, fair value across most regions and markets. This leaves us more sanguine on equities than other asset classes, with the view further bolstered by a supportive policy mix, an improving growth outlook, growing corporate earnings and price momentum back into positive territory.

On the other hand, expected returns for government bonds are set to be low, if not negative, this year. Tame inflation and signs of weaker growth have pushed major central banks nearly everywhere to halt normalisation. Long-term yields have tumbled. Some better macro readings as well as a possible rise in inflation could well fuel a recovery in yields, denting bond performance.

Still, risks to equities exist. Politics risks could spike, while macro momentum could worsen on the back of trade frictions and declining business confidence. Any of these could result in a resumption of downtrend, challenging our sanguine view on equities. As always, our investment process seeks to evaluate long-term fundamentals rather than focus on short-term movements, and looks to longstanding drivers of asset returns: valuation, momentum, sentiment and the prevailing macroeconomic regime.

THE FUTURE IS YOU
KLEINWORT HAMBROS

OUR ASSET CLASS VIEWS

The table below presents the latest conclusions of our Kleinwort Hambros Investment Committee (KHIC):

			Summary house views					
			Strong UW	UW	N	OW	Strong OW	Change since last KHIC
EQUITY		GLOBAL EQUITY			■			
		United States			■			
		Eurozone			■			
		United Kingdom			■			
		Japan			■			-
		Emerging			■			+
FIXED INCOME	SOVEREIGN	GLOBAL RATES		■				
		U.S. Treasuries		■				
		Bunds		■				
		Gilts		■				
		EM Govies ($)				■		
		Duration USD*		■				
		Duration EUR*		■				
		Duration GBP*		■				
	CORPORATE	US Investment Grade		■				
		Eurozone Investment Grade		■				
		UK Investment Grade		■				
		High Yield				■		
FOREX		EURUSD				■		
		USDJPY			■			
		GBPUSD				■		
		EM FX (vs. USD)			■			
ALTERNATIVE		COMMODITIES				■		
		Brent			■			
		Gold				■		
		ALT. STRATEGIES			■			
		L/S Equity				■		
		Event-Driven				■		
		FI Arbitrage		■				
		Global Macro		■				
		CTAs				■		

	Positioning	*Duration
O/W	Overweight	Long – 7-10 years
N	Neutral	Intermediate – 5-7 years
U/W	Underweight	Short – 3-5 years

EQUITIES	
United States	A dovish Fed is supportive but weak earnings-per-share (EPS) growth and high valuations argue for a neutral stance.
Europe	Appealing valuations once political uncertainties recede and global activity bottoms out.
Eurozone	This cyclical market should benefit as dovish central banks and Chinese economic stimulus help global activity start to improve in coming quarters.
UK	Valuations and dividends are attractive but overshadowed by the "Brexit" political mess. Sterling has strengthened in anticipation of a resolution.
Japan	Valuations are attractive but weak profit growth and a possible yen strength could be headwinds, warranting a neutral stance.
Emerging	Improving macro factors and attractive valuation compared to developed markets should lead to good performance.

FIXED INCOME	
Sovereigns	More accommodative monetary policies have curbed long-term sovereign bond yields, leaving bonds expensive. Yields are likely to rise if better economic data plays out as expected, leaving us underweight the asset class.
Duration*	Yield curves remain relatively flat and we favour short maturities.
Investment Grade	Investment Grade bond yield differentials over sovereigns are modest and we still prefer High Yield corporate bonds.
High Yield	The yield pick-up offered by High yield corporate bonds remains attractive, especially as default rates are expected to remain low
Emerging debt (in $)	Given the more favourable macro backdrop, we see room for further narrowing of emerging yield spreads.

CURRENCIES	
EUR/USD	The euro remains under pressure, but receding political risks and sounder macro readings should warrant upside.
GBP/USD	A soft "Brexit" outcome would lift sterling, while a no-deal would send the currency to new lows.
EUR/GBP	We expect range-bound trading as both face macro and political risks.
USD/JPY	With monetary policies on hold, the cross rate is unlikely to move sharply.
Emerging	Any meaningful recovery for EM currencies will await a pick-up in growth.

ALTERNATIVES	
Hedge funds	We remain constructive and upgrade yield-bearing strategies such as EM-focused Global Macro and Long/Short Credit.
Gold	We see little upside potential for gold given tame inflation and diminishing tail risks.
Oil	Further upside in oil prices seems unlikely given market oversupply.

Source: Kleinwort Hambros (04/04/2019)
* Duration: short = 3-5 years, medium = 5-7 years, long = 7-10 years
HY = High Yield bonds (higher return but greater risks), IG = Investment Grade bonds (higher quality but lower return)

ECONOMIC OUTLOOK

Exiting the slowdown

Global trade has softened, manufacturing activity has slowed, and political uncertainty is elevated. Although we see further disappointing macro readings in coming months, we nevertheless expect global growth to bottom out around mid-2019 followed by a modest uptick. Our economic outlook is based on five key pillars.

Global trade: the US-led tariff war has slowed global trade with negative spill over effects on manufacturing. The partial resolution we anticipate would improve business confidence and growth prospects.

Chinese policy reaction: China's slowdown has worsened due to a significant drag on exports. The authorities have recently stepped up their countercyclical policies to shore up growth momentum.

EU political speedbumps: Political risks abound in Europe – no-deal Brexit remains possible at time of writing and weak growth in Italy could lead to fiscal slippage. However, we expect some improvement in the second half.

More proactive fiscal policies: Across regions, fiscal policy is set to be growth supportive, particularly in China.

Dovish central banks: "Normalisation" was last year's watchword, this year it will be "patience", Liquidity is set to remain abundant, providing a fillip to risky assets.

What makes us sanguine?

Political risk should be limited

Politics should be less of a concern in H2 2019. In particular, we expect the US and China to reach an agreement that would reverse the trade slump and fuel market relief.

A shift in tone and action from central banks

Central banks have shifted stance on concerns about the growth outlook. At its March meeting, the Federal Reserve (Fed) intimated members no longer expect a rate hike this year and only one in 2020 - the Fed views its policy stance as neutral and appropriate. In the euro zone, the ECB has decided to launch a new round of funding support for banks to ensure sustained credit growth.

Fiscal stance to the rescue

Fiscal policy is also growth supportive. The effects of US tax reform were felt strongly last year, but fiscal policy will also continue to underpin growth this year. Even in the euro zone, where Treaties impose fiscal restraint, additional spending in Germany, France and Italy should provide a moderate boost to activity. China has chosen fiscal stimulus over increased leverage – this year will see lower taxes for households (VAT cuts) and companies (lower employer social contributions), as well as new infrastructure projects.

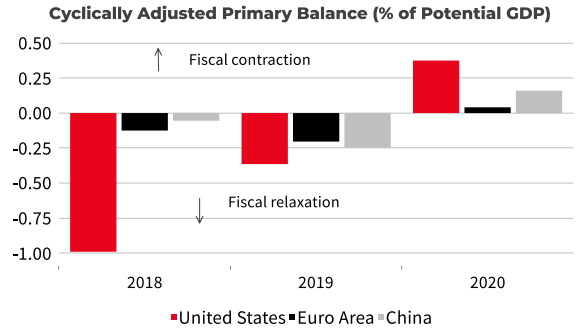
Robust domestic demand

Although industrial output is decelerating across the board, growth remains well supported by domestic demand. In the US, job creation remains buoyant and wages have been rising steadily, while muted inflation has preserved purchasing power. Intellectual property investment is trending sharply higher, lifting overall business spending. Consequently, labour productivity has risen and could accelerate further – this would help mitigate any squeeze on corporate margins or spike in inflation.

Downside risks remain

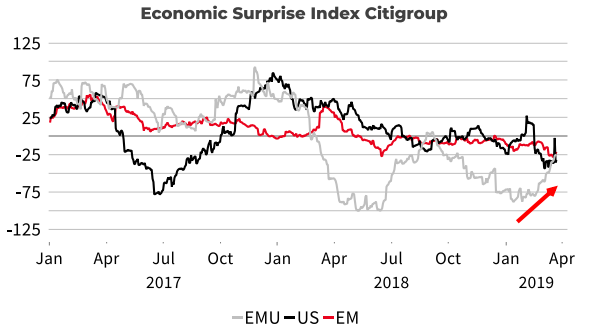
If US-China trade negotiations were to fail or no-deal Brexit to occur, heightened uncertainty would accelerate the slowdown in global trade and growth. Eurozone growth could falter because of structural weakness in peripheral economies, sensitivity to the global business cycle and insufficient policy coordination. While most European countries have less exposure to global demand than Germany, they also have less scope to boost domestic activity given high levels of public or private debt. Any of these factors could trigger headwinds for global financial markets.

Growth supportive fiscal policies



Source: Macrobond, IMF, 21/03/2019

A few macro surprises



Source: Macrobond, Citi, 21/03/2019

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CENTRAL BANKS

Turning dovish

Central banks decided a dramatic shift in stance after a stressful Q4 2018 for both investors and policy makers. An easing bias has taken over the normalisation path as the inflation outlook seems tame and growth momentum has gradually worsened.

A flock of doves

US Federal Reserve (Fed) leads the way

The Fed has triggered a global U-turn in monetary policy. After the hike in December 2018 sent the market into a tailspin, Chairman Powell decided to backtrack in early January in favour of patience. Modest US wage growth and core inflation provide justification for such a stance. We forecast only one 25bp hike this year, in December, if inflation picks up.

The Fed also called a halt to the shrinking of its balance sheet, another accommodative shift. The increase to banks' excess reserves which occurred during the second and third rounds of quantitative easing (QE) will have been removed by year-end.

European Central Bank (ECB) cornered into easing

Bank lending has dipped: non-financial corporate loan growth eased to 3.3% in February, from 4.3% five months ago. The weaker outlook led the ECB to downgrade its growth forecast for 2019, from 1.7% to 1.1%. At the same time, the bank announced the forthcoming launch of new targeted long-term refinancing operations (TLTROs) to ease bank funding pressures.

The ECB has followed the Fed's lead and no longer plans to hike this year, given sharp weakening in activity in the region. We agree.

To infinity, and beyond?

Bank of England (BoE) is Brexit-dependent

Monetary policy choices hinge on Brexit. Disorderly transition risk is likely to keep the BoE on hold to mitigate economic fallout. Conversely, if the negotiation period is extended, the bank could be tempted to resume rate hikes.

We hold a nuanced view and now pencil in only one 25bp rate hike in the next 12 months.

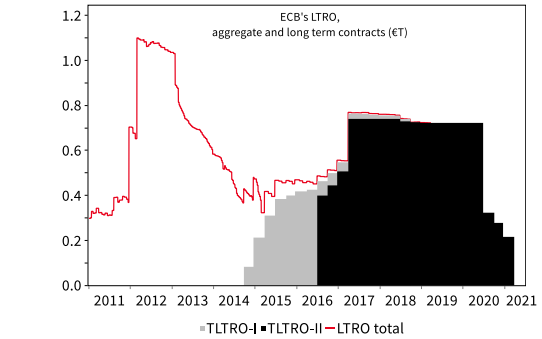
Bank of Japan (BoJ) endorses QE infinity

The Japanese recovery seems too fragile to withstand the end of QE. Governor Kuroda kept monetary policy unchanged in Q1, with 10-year sovereign yields still near zero. Looking forward, the BoJ is likely to keep policy settings unchanged to preserve a weak yen and mitigate deflation in a context of sluggish global trade and structural headwinds.

People's Bank of China (PBoC) spreads out rate cuts

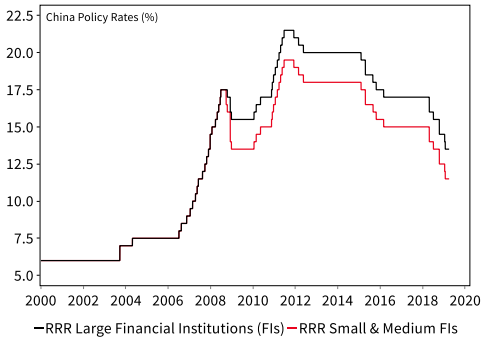
China recently announced a substantial amount of economic stimulus, in particular fiscal measures. And more monetary easing could be rolled out throughout 2019. We expect extra Reserve Requirement Ratio (RRR) cuts to be delivered over the course of the year to support domestic bank lending.

ECB has announced new TLTROs



Source: Macrobond, 01/04/2019

PBoC has more ammunitions



Source: Macrobond, 01/04/2019

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BONDS

Upside for long-term yields should remain limited

More accommodative monetary policies have curbed long-term sovereign bond yields, leaving bonds expensive. Given yields could pick up if – as we anticipate – economic data improves, we remain defensive on long-dated sovereign bonds, favouring short maturities.

Still favour short maturities

Attractive US 2Y as the curve remains flat

The Fed surprised markets by announcing it plans no hikes in 2019 and only one in 2020 (according to its median projections), and that it will halt the rundown of its balance sheet by September. Policy rates are therefore unlikely to be a driver for any pick-up in long-term yields. Instead, the main lift for US Treasury yields could stem from a rise in term premium, i.e. the additional yield required by investors for holding longer-dated bonds. Shrinking safe-haven flows should also help. The difference between yields on short and long maturities is negligible and we prefer 2-year US Treasuries (UST) where expected returns are more attractive.

Hunt for yield in Eurozone with low-rate environment

At its March meeting, the ECB postponed planned rate hikes to 2020 while also announcing a new round of long-term funding for banks. Core eurozone bond yields duly fell on various maturities. We do not think that yields on UST will widen further against Bunds, as monetary policy is no longer diverging. We expect 10-year Bund yields to edge up from zero towards 0.4% over the next twelve months. We expect growth to firm from mid-year which should push core bond yields higher.

Constructive view on Emerging bond debt

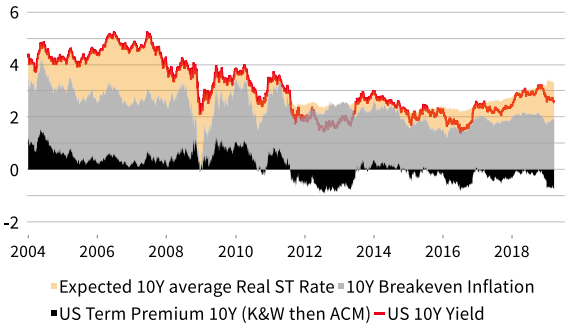
Brexit saga continues

UK markets should remain volatile with the Brexit saga. Our base-case scenario is that the UK Parliament ratifies the agreement, averting a no-deal Brexit. "Soft" Brexit would ease business concerns and eventually boost domestic demand. An uptick in sterling would also dampen any upside inflation risks. In contrast, "hard" Brexit would mean a sharp drop in sterling and economic activity, leading to stagflation. We continue to expect one BoE hike in 2020 – the Bank will likely seek to temper strong wage-driven inflation - pushing 10-year Gilt yields back at 1.65%. This keeps us biased towards short-dated UK bonds.

Emerging bonds looking better

The difference in yields (spread) between the EM Bond Index and US Treasuries has narrowed from a peak 400bp early this year to 327bp (still well above last year's lows of 250bp). We believe there is room for additional spread narrowing. The macro backdrop is now more favourable to EM assets – Chinese stimulus has kicked in with additional slated fiscal boosts; the Fed's pause should cap dollar strength; easier financial conditions for EM means the chase for yield will continue; and EM debt may continue to attract inflows, underpinning valuations.

Higher term premium expected in 10-year US Yields



Source: Macrobond, Bloomberg, 21/03/2019

Scope for a narrowing of EM spreads

Source: Macrobond, Bloomberg, J.P. Morgan 21/03/2019

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CREDIT

Hunt for yield continues

After narrowing rapidly in early 2019, we expect spreads – the difference in yields between sovereign and corporate bonds – to remain broadly flat for the rest of the year thanks to low expected default rates in the US and Europe, stable issuance, and decent earnings growth. However, spreads could begin to widen slightly by early 2020 as investors start to factor in the risk of a US recession in 2021 which could trigger the next wave of defaults.

Still prefer High Yield to Investment Grade bonds

Stable spreads ahead

After narrowing by 150bp in early 2019, we now expect US HY spreads to stabilize in coming months, especially as default rates are well below historical averages. We do not expect spreads to widen again until early 2020 when the postponed rate hike could tighten financial conditions.

HY in Eurozone still offers attractive carry

Eurozone HY spreads have tracked US spreads lower since early 2019. Bank lending to non-financial corporates has gained traction and there is no sign of any tightening in financial conditions. Like in the US, default rates remain low and well below historical averages. Appetite for yield will encourage investors to prefer corporate bonds to sovereigns. We prefer HY to IG given the attractive carry. Tight IG spreads offer little shelter from any rise in sovereign yields.

Time to be constructive on UK corporate bonds

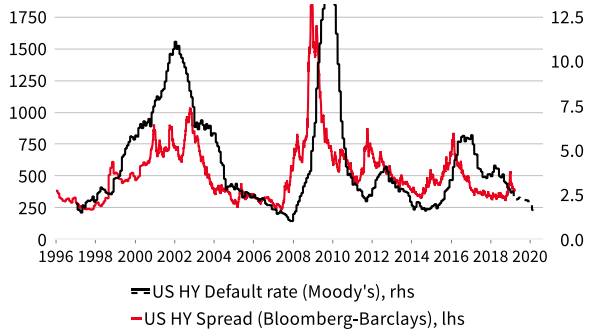
UK High Yield benefits from a large protection

In the UK, HY spreads have narrowed by only 80bp – half as much as in the US and EMU – because of lingering Brexit uncertainty. Our core scenario is for "soft" Brexit and so we would expect spreads to tighten further. In addition, the carry on UK HY is very attractive – spreads would have to widen by more than 275bp before generating a negative return. Nonetheless, risks abound – a chaotic Brexit remains possible – particularly for smaller domestically-focused issuers.

Issuance will be of little concern in the short term

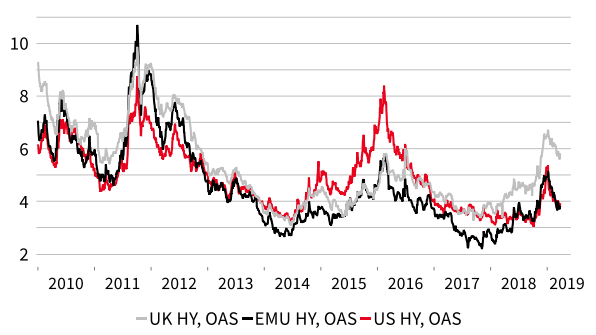
On the corporate bond market, peak refinancing needs remain well in the future. In the US, refinancing of maturing IG bonds will peak in 2021 at $500bn while the top for HY will not come until 2025 at $200bn. In Europe, IG refinancing will peak in 2022 at €250bn while the high point will come in 2023 for HY at €50bn. This means leveraged companies should have no difficulty rolling over their debt for now, especially with low interest rates and no signs of recession.

Low default rates support narrow spreads



Source: Macrobond, Bloomberg, 21/03/2019

UK HY is lagging the global narrowing of spreads



Source: Macrobond, Bloomberg, 21/03/2019

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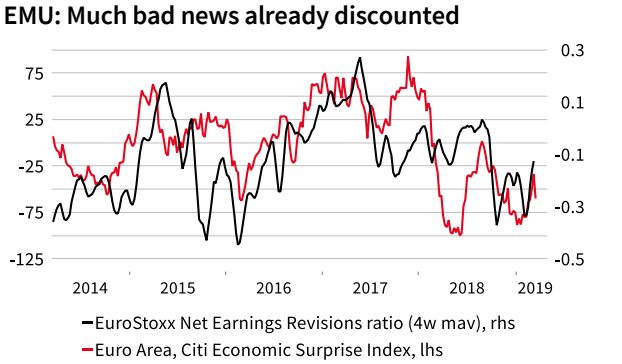
EQUITIES

Better times ahead

Monetary policy has turned more supportive for global equities: Major central banks, led by the Fed, have shifted more dovish and Chinese authorities have stepped up stimulus measures. This should gradually translate into firmer activity in coming quarters, leading us to take a more positive stance for the medium term. In the short-term however, markets are likely to remain volatile due to political uncertainties.

Eurozone equities upgraded to Overweight

EMU – The medium-term outlook is set to improve. Eurozone equities have been hit by weakness in manufacturing and slowing global trade. And the IBES consensus has been swift to revise down 2019 earnings growth estimates for the MSCI EMU, from 9.2% end-December to 6.1% now. Although further downgrades are possible, the net revision ratio picked up recently, suggesting that the process is well advanced. The medium-term outlook should improve, thanks to a weak euro, easier fiscal policy and more ECB support. In addition, this cyclical market should benefit from the stabilisation of the Chinese economy in coming quarters. Critically, valuation is attractive, especially compared to the US, and the high dividend yield (3.5%) looks appealing in a low rate environment. We have thus upgraded our view to Overweight. In the short term, a correction cannot be ruled out after the sharp bounce year-to-date – the market should remain volatile due to high political uncertainty (Brexit, EU elections) and lingering trade tensions.



Source: Macrobond, 20/03/20109

Looser financial conditions are supportive

US - The Fed to the rescue. The Fed's policy shift has helped to loosen financial conditions, a positive for equities in light of moderating US growth as last year's fiscal boost fades. Indeed, earnings growth will decelerate sharply this year after two years of double-digit increases, hit by slower revenue growth and margin compression. The IBES consensus is for S&P 500 earnings growth to slow from 24.1% in 2018 to 4% in 2019. Following the rally year-to-date, the price-to-earnings ratio (P/E) is back to its 20-year average, meaning valuation is not particularly attractive.

UK – Brexit saga. At the time of writing, the Brexit deadline has been postponed to 12 April. If the threat of an imminent chaotic exit has receded, the outcome is still far from clear and the UK market could remain volatile. If a deal is reached, thereby easing political uncertainty, consumer confidence could rebound, and domestic stocks may well outperform exporters and multinationals – large British companies generate a significant share of revenues overseas, making them sensitive to swings in sterling. Overall, attractive valuations, a high dividend yield and better fundamentals in Energy (17% of the FTSE 100) argue for a sanguine view.

Japan – Mind the Yen. Monetary policy will remain easy for a long time to come, domestic demand is solid ahead of October's planned VAT increase, valuation is attractive and stabilisation in China should help revive exports. However, EPS growth looks lacklustre and potential JPY strength in coming months is a headwind due to the highly negative correlation.

MAIN CURRENCIES

The endgame for the dollar rally

There are still headwinds for the EUR – the delay in ECB policy normalisation, low inflation and weak growth – but we see some recovery in the second half. GBP will track the Brexit saga, where we still anticipate an orderly withdrawal. In Japan, dovish monetary policy and soft growth should delay any JPY recovery.

Trade-weighted USD to peak mid-year

There has been a shift in a number of factors driving trends in the US dollar, but we believe that its cycle highs still lie ahead. We expect it to remain resilient in the coming quarter.

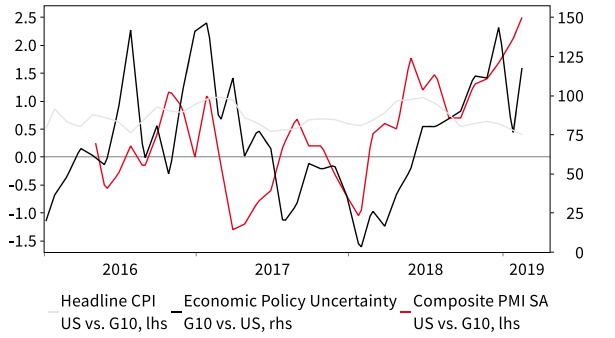
Although the US is still experiencing stronger growth and higher inflation than its peers, the differential in each should narrow in coming months. In addition, safe-haven flows into the dollar are less likely given receding economic tail risks, lower chance of a no-deal Brexit and the likelihood of a US-China trade agreement.

In contrast, hopes that monetary policy differentials would begin to narrow this year have been dashed. Although the Fed seems set to remain on hold for the rest of the year, other major central banks have also taken a dovish stance, most notably the ECB which has suggested it could delay its first hike to 2020. With several EM central banks having turned dovish, US rates should continue to attract inflows.

Additionally, the US administration could favour less market-disruptive policies ahead of the 2020 elections. Moreover, recent extremes in sentiment and positioning have eased, providing further dollar support. Finally, twin deficit concerns no longer seem to top the agenda.

Our fundamental models suggest that conditions for a peak are not yet in place, especially against the euro and the yen. However, we still expect USD to lose ground later in 2019.

Economic, Monetary and Inflation US lead persists



Source: Macrobond, 27/03/2019

EURUSD: under pressure in Q2

We expect the euro to remain under pressure in Q2 due to the delay in ECB normalisation, persistently low inflation, and mixed economic data. Moreover, a number of risks will linger: Brexit uncertainties, elections in Spain and for the European Parliament, and the threat of US auto tariffs.

We still expect these constraints to abate later this year allowing the euro to recover somewhat. We have slightly lowered our EURUSD targets to 1.11 in three months and 1.15 in a year.

GBPUSD: Undervalued, but all hinges on Brexit

GBP remains Brexit-dependent. Our core scenario remains a "soft" Brexit – either via approval of an amended withdrawal agreement (WA) or via extended negotiations along new lines. Either would likely trigger a GBP rally. If a snap election and/or a second referendum is called, we would also expect some sterling strength. Of course, a "no-deal" outcome – the default option if the withdrawal agreement fails and the UK parliament proves unable to agree on a way forward in time – would be a clear negative for GBP.

GBPUSD remains undervalued in our view, and we expect a rate hike within a year horizon. We see GBPUSD at 1.32 in three months and 1.35 in a year.

USDJPY: Delayed reaction

The BoJ could hardly be more dovish and will likely remain on hold at least until it can assess the impact from next October's VAT hike. Mixed economic data and July's upper-house elections could also weigh on JPY in our view. Furthermore, we see no shift in investor outflows in search of higher yields abroad. Finally, we expect the JPY's safe-haven appeal to wane if the US and China strike a trade deal. We see USDJPY trading around 110.

COMMODITIES

Range-trading

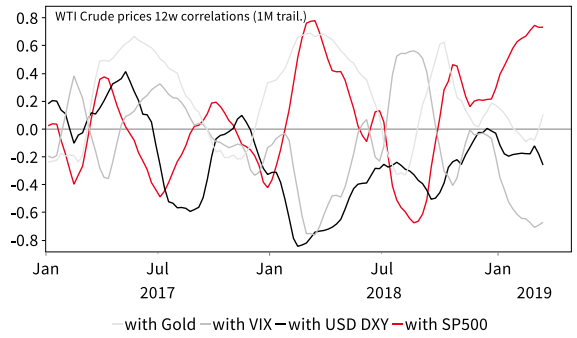
We expect oil prices to remain in a $65-70/b range. Global demand should improve, but upside in prices should be capped by structural oversupply. Gold's traditional role as a hedge against economic shocks, inflationary pressures or policy uncertainty remains an attractive quality. We expect prices to consolidate, offering better conditions later this year.

Gold: Losing fundamental support

Since end 2018, gold has lost a number of supports – global growth should improve, policy tail risks (*e.g.*, Brexit or the trade war) should ease, inflation is muted, and the dollar has rallied. On the other hand, the Fed's halt to rate rises lowers the opportunity cost of holding non-yielding assets like gold.

While it is difficult to value gold and gauge expected returns, it tends to come into its own in times of serious concerns about growth and/or tail risks. While we expect prices to hover between $1250 and 1300/oz this year, we hold it to hedge against risks elsewhere in portfolios. It has low correlation to equities, making it a valuable portfolio diversification tool.

Oil prices have become cyclical again



Source: Macrobond, 27/03/2019

Brent: Capped by structural excess supply

The recent dynamics for oil prices have turned positive – OPEC+ has over-delivered on output cuts; tail risks for global growth have faded, helping oil demand to stabilise; and US output is showing signs of moderating with bottlenecks in pipelines and refining capacity.

Since the shale revolution led by the US, OPEC is no longer the dominant force in the oil market. In order to regain lost clout, OPEC has built alliances with non-members such as Russia to attempt to preserve the cartel's power. This means better compliance with output cuts will be demanded to rebuild credibility. We expect OPEC+ to stick with its planned cuts and to renew them at their next meetings to ensure price stability.

After the plunge in oil prices at end-2018, US producers are now indicating slightly lower output growth. They have scaled back investment plans and halted rig start-ups and completions. Bottlenecks in US oil infrastructure will also limit the amounts that US producers can bring to market. As long as Brent remains below $70/barrel, US output could disappoint.

Despite worries about global growth, fading tail risks, Chinese stimulus measures and a trade agreement should help foster oil demand. World GDP estimates for 2019 are consistent with +1.5% growth in demand.

Geopolitics have mixed implications. If the situation in Venezuela continues to deteriorate, OPEC would probably act to avoid disruption to global supply. However, prolonged uncertainty driven by a disorderly political transition would justify higher prices. Given the situation in Venezuela, the US could decide to extend the waivers granted to several countries on their Iran crude imports to avoid further market disruption. And Libya remains highly unstable, with three leading factions competing for control of the main oil basins, with about 0.7mbd of crude exports at stake.

While fundamentals have partially improved, market technicals have deteriorated suggesting the year-to-date rally is tiring. We expect prices to range between $65-70/b this year, capped by structural oversupply.

MARKET PERFORMANCE

Developed market equities		Performance – total return (in local currency)							
	Current level	1m	3m	YTD	12m	2Y	3Y	4Y	5Y
S&P500	2824	1.6%	15.1%	13.2%	6.0%	23.8%	46.5%	45.5%	67.2%
DJ Euro Stoxx 50	3372	3.6%	12.9%	12.8%	2.5%	5.1%	23.0%	4.3%	30.4%
FTSE100	7291	1.6%	9.9%	9.5%	7.8%	6.5%	32.9%	21.7%	35.3%
Topix	1614	0.1%	6.6%	8.1%	-3.9%	7.6%	28.1%	11.1%	56.3%
MSCI AC World ($)	510	1.7%	13.8%	12.5%	1.1%	18.9%	38.5%	30.7%	43.1%

Developed market bonds		Performance - total return (in local currency)							
	Yield to maturity	1m	3m	YTD	12m	2Y	3Y	4Y	5Y
ICE BAML Corp Euro IG	0.99%	0.8%	2.6%	2.6%	2.0%	4.0%	6.7%	6.8%	15.0%
ICE BAML Corp Euro HY	3.97%	1.7%	4.9%	5.0%	1.5%	6.3%	16.3%	15.6%	21.9%
ICE BAML Corp US IG	3.82%	1.2%	3.9%	3.8%	4.5%	7.2%	11.2%	11.3%	19.6%
ICE BAML Corp US HY	6.75%	1.1%	6.8%	6.9%	5.3%	10.2%	27.4%	23.2%	25.7%
ICE BAML Corp UK IG	2.76%	1.6%	4.0%	4.2%	3.9%	5.7%	17.3%	16.1%	32.3%
FTSE US Gvt Bond Index 3-7 years		0.8%	2.0%	1.2%	4.3%	3.8%	3.1%	5.7%	10.0%
FTSE German Gvt Bond Index 3-7 years		-0.1%	0.3%	0.3%	1.6%	0.7%	0.9%	2.1%	6.4%
FTSE UK Gvt Bond Index 3-7 years		0.1%	0.4%	0.5%	2.6%	0.9%	3.4%	6.2%	12.6%
FTSE Japanese Gvt Bond Index 3-7 years		-0.1%	0.1%	0.1%	0.2%	0.1%	-0.5%	1.0%	1.9%

Emerging market equities		Performance – total return (in USD)							
	Current level	1m	3m	YTD	12m	2Y	3Y	4Y	5Y
MSCI EM	1068	2.0%	11.9%	10.9%	-9.2%	16.0%	40.1%	22.9%	30.3%
MSCI EM Asia	540	2.7%	12.4%	11.4%	-9.7%	18.6%	43.4%	25.1%	44.6%
MSCI EMEA	256	-0.1%	7.3%	6.8%	-12.3%	5.0%	22.4%	8.1%	1.5%
MSCI Latam	2869	0.2%	14.8%	12.7%	-1.5%	15.7%	46.0%	31.1%	12.6%

Emerging market bonds		Performance – total return (in USD)							
	Yield to maturity	1m	3m	YTD	12m	2Y	3Y	4Y	5Y
ICE BAML EM Sovereign	5.37%	1.3%	5.5%	5.6%	2.1%	7.8%	15.6%	20.9%	26.2%
Asia	4.14%	1.0%	4.7%	4.7%	5.1%	9.1%	15.4%	20.0%	33.6%
EMEA	5.63%	1.0%	5.2%	5.2%	1.8%	8.8%	14.7%	21.5%	25.6%
Latam	5.61%	1.7%	6.3%	6.4%	1.2%	6.2%	16.9%	20.6%	23.8%
ICE BAML EM Corp	4.89%	1.2%	4.5%	4.3%	3.5%	7.2%	11.8%	15.8%	23.4%
Asia	4.45%	1.3%	4.2%	3.9%	4.3%	7.5%	14.8%	24.6%	22.1%
EMEA	4.86%	0.9%	4.3%	4.1%	2.5%	10.2%	26.1%	23.8%	22.7%
Latam	5.68%	1.2%	5.2%	5.2%	3.1%	7.6%	11.8%	13.9%	16.9%

Source: Societe Generale Private Banking, Bloomberg, Datastream (data as of 20/03/2019), YTD = year-to-date

BAML: Bank of America Merrill Lynch
Corp: Corporate
EM: Emerging Market
EMEA: Europe, Middle East, Africa
IG: Investment Grade
HY: High Yield
LatAm: Latin America
Gvt: Government

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