SEB House View

27 September 2023

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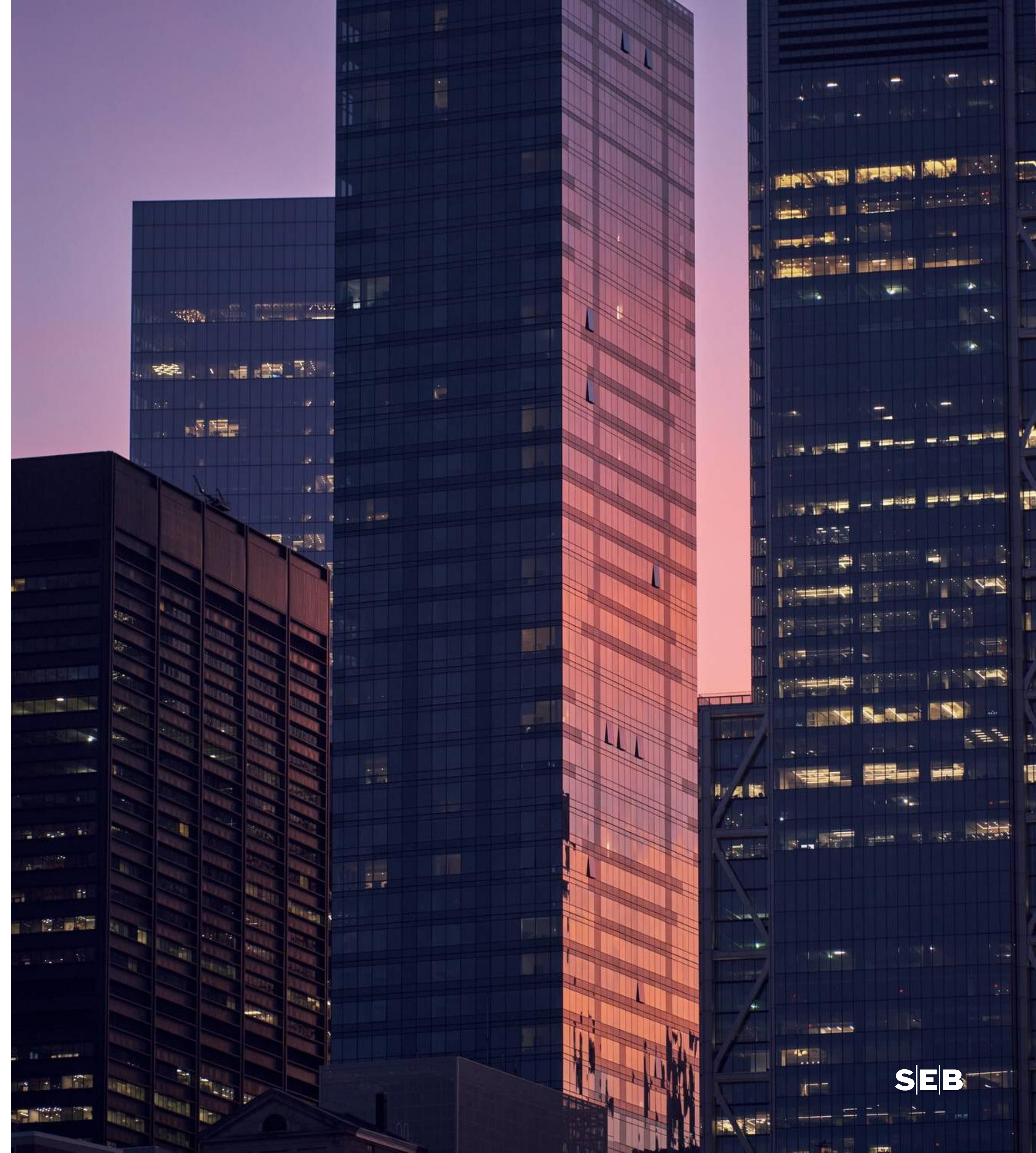


Central banks set the tone

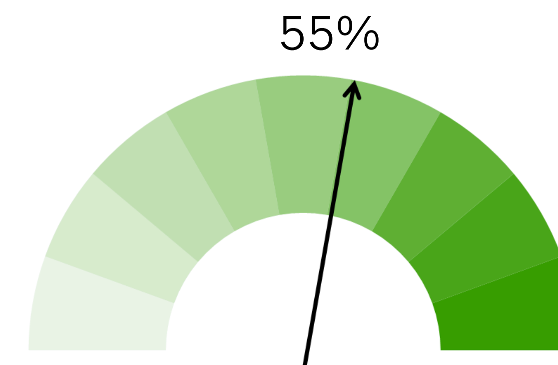
- September is often the month of concern for equity markets and we do not think this year is an exception – central banks have created a defensive climate
  - The inflation outlook is the driving factor behind central bank policies and we have seen a string of hikes or as in the latest FED's case a pause, but "aggressive" wording
  - The situation that created concerns in markets is the FED's wording, "higher for longer" risks creating a more substantial downturn in the economy in the US and the expected soft-landing transfers into an outright recession
  - A couple of remarks is important to set the risk scenario. Firstly, the economy has proved to be very resilient, as of now according to Atlanta FED the US economy grows at 5-6% per quarter. Consumption has been good as higher wages support the economy
  - Secondly, a cooling of the economy is what is needed to reduce inflation to the next level, so it is a necessary thing
  - Short term concerns sometimes dim the focus on long term facts. And if we look beyond today's concerns and look at GDP forecasts and EPS forecast point to a 2024 that will set a better climate
  - The better climate is of course linked to a gradual reversal of central bank policies. And the likelihood for that must be seen as high but timing is the tricky thing. When we look at commodity prices, how inflation forwards are priced and the gradual weakening of labor market data in combination with tight monetary policies the outlook is given
- The road to lower inflation is being paved, but for the time being we prefer to hold a less aggressive portfolio and we maintain our risk utilization at 55%
  - Today markets has a wall of worry to climb. Concerns for higher oil prices which is a real issue if it goes out of hand, some wage demands, slower growth, China and the geopolitical issues all that weight on markets are relevant issues - and the next trend need some support
  - Oil is interesting to reflect on. Interestingly, the IEA has forecasted that a peak in global oil demand is rather near. A consequence of this is the big oil producers are concerned of demand destruction if prices get too high, this can mean that we might not see so much higher oil prices
  - From the present state of things, we prefer to wait for confirmation on the disinflation trend before adding risk again. Asset allocation wise we get relevant returns from our bond portfolios.

Investment Regime

Our regime-based framework defines the major characteristics of the investment regime

Tight financial conditions	Strong "hard" data	Earnings revisions mixed
Slower growth in labour markets	A soft landing is priced in	Rising oil prices
Weakness in China		Upside risks to inflation

Speedometer



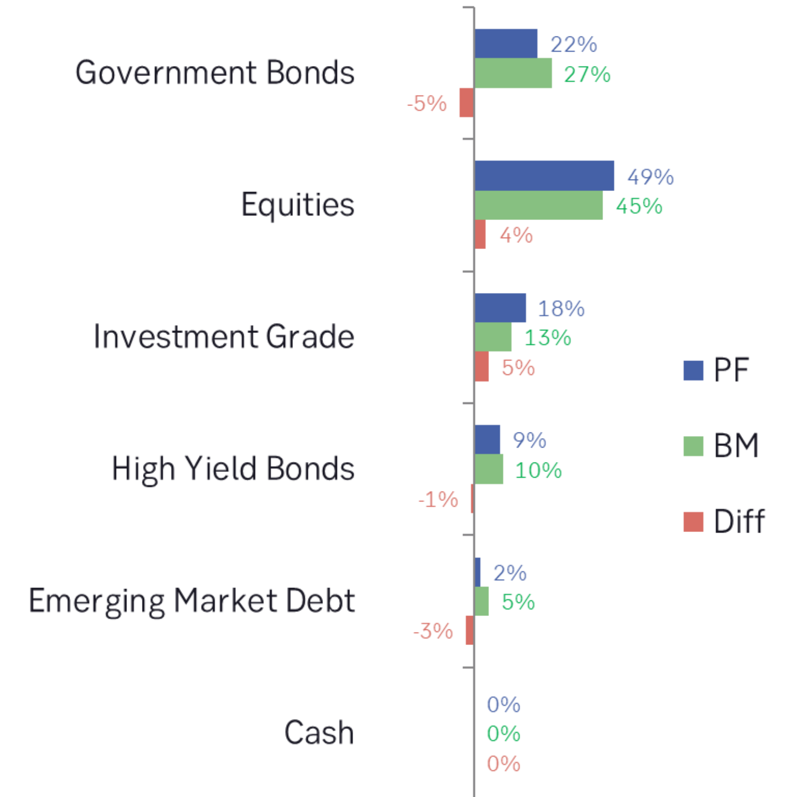
The speedometer controls to what extent the portfolios should utilize their risk budgets. It is connected to the model portfolio (page 4) which at all times utilizes its risk budget in-line with the speedometer. In a very general sense it can be interpreted as equities on/off (with 50% being neutral).

Asset Allocation

We hold a well-balanced portfolio to stabilize returns through the volatile phase

- Markets are currently in a 'wall of worry' phase, accentuated by concerns over central banks potentially overtightening, yet it is important to recognize that all investment strategies must have a longer horizon, looking beyond present worries
- While we are attuned to today’s concerns, it would be overly risky to reduce the equity allocation too much
- Bonds have become a more appealing investment as the economic climate has shifted and we are comfortable with a position in bonds and investment grade corporate bonds
- The current yield levels must be viewed in light of potential peaks in central bank policies, considering both the attractive real yield and inflation forecasts over the next 12 months
- High-yield bonds have a higher degree of cyclical risk, and in certain sectors there are reasons to be cautious as higher interest rates gradually takes a bite
- We have trimmed our position in high-yield bonds to a small underweight credit spreads have narrowed, remaining at historically tight levels despite a more cautious credit outlook
  - There is risk of widening in high-yield credit spreads over the next months, due to increasing loan delinquencies, bond defaults and tightening bank lending standards
- We choose to maintain a slight overweight to equities as we anticipate continued disinflation, however, we earlier reduced our equity overweight due to growing upside risks to our inflation outlook and less likelihood of positive data surprises ahead (see our indicators)
  - A significant factor in our decision is our belief that inflation will come down within a normal investment horizon, however, we are cautious not to take too much risk based on our ability to perfectly time a policy pivot
  - We believe a reset of expectations is essential before market trends can shift
- An important consideration in our strategy is the Fed’s indication of its willingness to gradual policy adjustments if data trends go in the right direction, even before inflation reaches the 2% target
  - The implication of this is that the likelihood of overkilling the economy must bee seen as lower
- In such a scenario, EPS can be at a relevant level while the transition to lower inflation is gradual
  - Everything is a balance, earnings, growth and how earnings are priced in relation to interest rates. If these conditions play out as we have outlined, equity markets can fare well
- And to add some perspective, the turnaround factors for a sustainable positive trend are aligning: PMIs are close to bottoming, order/inventory ratios have ticked up, the next step is easier monetary policy

Model Portfolio



Long only portfolio. Yearly VaR(95%) ex. mean between 7% and 21%.No restrictions on the individual asset classes. The weights are set manually by the House View committee; i.e. they are not based upon an optimization model.

Regional equity allocation

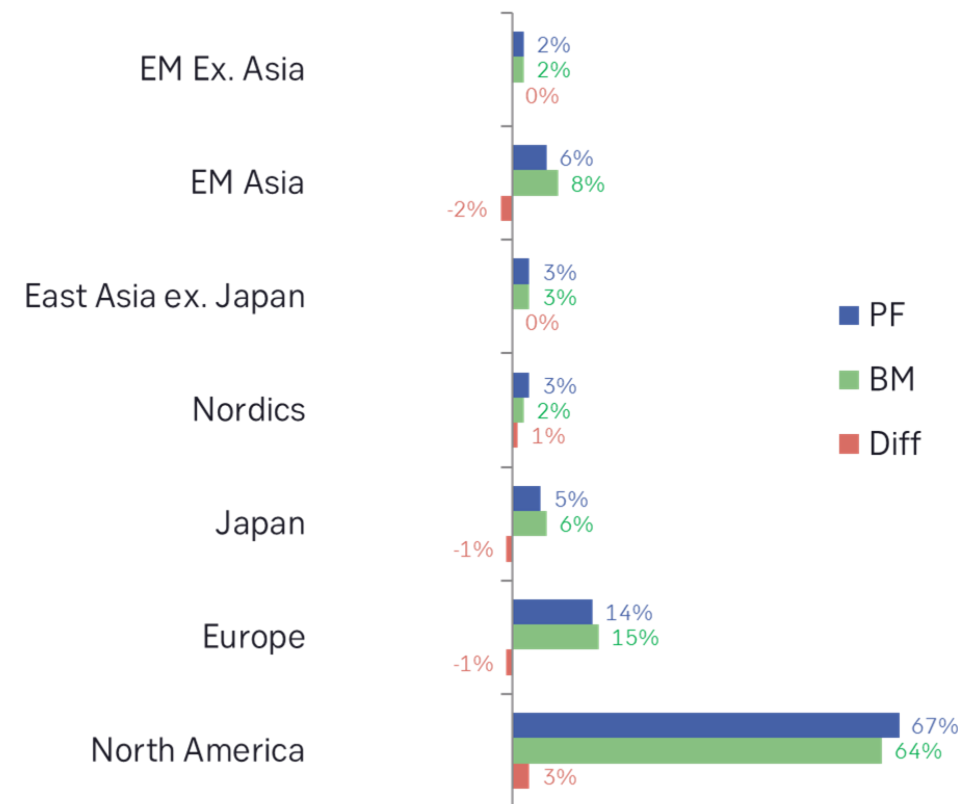
This volatile phase motivates a position in North America and cautious stance on more cyclical regions

- Given today's uncertain climate, there is a shift towards assets with limited cyclicality and more focus on innovation and growth
- In recent months, this has coincided with a strong focus on AI-related assets. The seven large US tech companies have been the main drivers of benchmark equity returns over the last months
- The other reason for shifting our regional allocation is the ongoing developments in China and Europe
  - Weaker growth in China and Germany is currently setting the tone
  - Interestingly enough, EPS in Europe have been robust and its performance gap with the US is now at one of its widest spreads in a long while...
- This will not turn around by itself. With the current monetary tightening, the earnings advantage of the big seven US tech companies is impressive, and given the prevailing growth concerns, they are likely to remain preferred for now
- This scenario also results in an overly expensive USD – another extreme trend these days
- Furthermore, given the disinflation progress in the US, the Fed is probably closer to a pivot than other central banks which should benefit US equity valuations
- We have previously lifted EM Ex. Asia to neutral, which could serve as an inflation hedge given that the region probably stands most to gain from a surge in commodity prices
- Additionally, several countries in EM Ex. Asia have started to or are close to lowering interest rates

The portfolios are more US focused as we have reduced both EM Asia and Europe to underweight

- We have reduced Europe to a small underweight, due to a lack of potential positive triggers in the near-term, however, we remain vigilant as a shift in monetary policy is nearing
- China's slowing recovery poses a bigger headwind for Europe than for the US, given Europe's larger dependence on cyclical industries
- EM Asia has been downgraded to underweight due to its ongoing weakness and several growth challenges
  - Macro momentum has been negative in China, due to tepid domestic demand, its property market slump and emerging deflationary pressures, which add uncertainty to its economic outlook
  - And Beijing's measures aimed at boosting Chinese demand and the equity market has been ineffective so far
- We have also reduced our underweight to Japanese equities due to Japan's positive macro momentum and upward revisions in GDP growth forecasts for 2023

Regional equity positioning



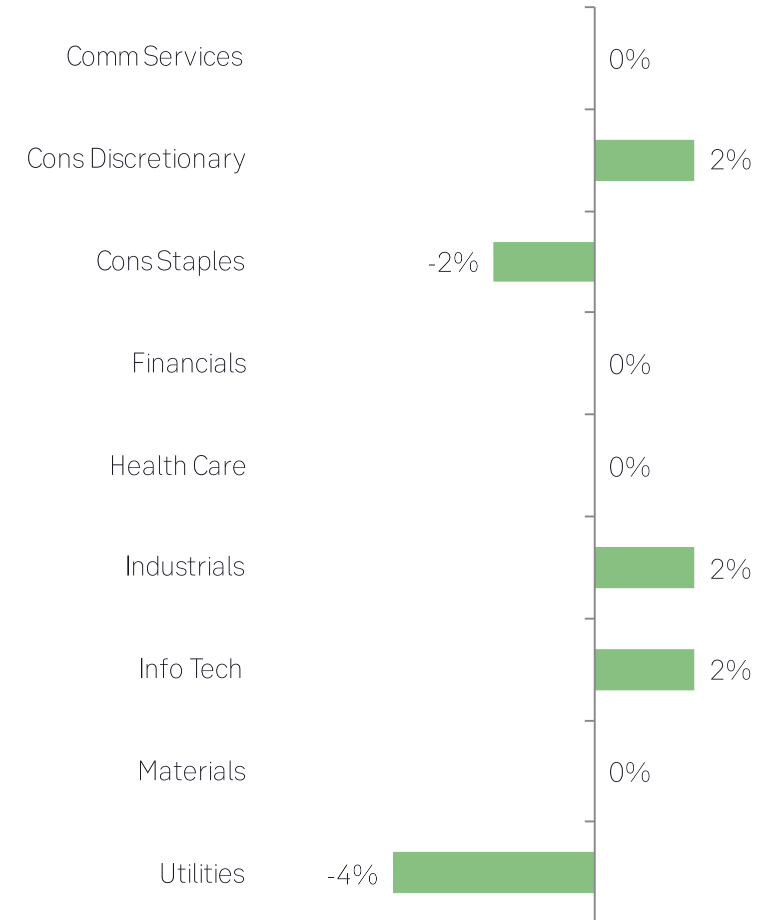
Benchmark is MSCI All Country. Benchmark weights updated by September 2023. Portfolio weights have been adjusted accordingly to keep our active weights unchanged.

Sector allocation

We have a less cyclical, but still growth and quality positive position

- In the upcoming quarters, the investment environment will likely continue to be characterized by tightening policy
- Given these factors, we think it is natural to shift focus towards low-cyclicality and growth stocks
  - The growth factor should outperform, being supported by recent AI trends and innovation in the IT sector
- Our portfolio changes character by reducing cyclicality, the turning point in FED policy moves further ahead, but the tightening phase will still be the driving regime
- We stay neutral to Materials, as this sector is generally the most cyclical asset class
  - Additionally, as Chinese support for growth diminishes, this sector falls out of favor
  - This decision is also influenced by the fact that commodity prices remain relatively low
- We maintain our overweight in Info Tech
  - EPS revisions in this sector reflect the ongoing optimism, both sales growth and EPS revisions are robust
  - Info Tech is a major beneficiary of lower bond yields compared to other sectors, due to its long-duration stocks
- We maintain our overweight to Consumer Discretionary which is exposed to consumer stability and still benefits from the excess savings accumulated during the Covid period
  - Consumer Discretionary has also demonstrated strong sales growth compared to other sectors
  - In addition, some companies within this sector are considered long-duration stocks and should further benefit from the lower bond yield forecast
- We keep our overweight position in Industrials as the sector has exhibited solid sales growth and positive EPS forecasts
  - In the likely scenario of a soft landing, Industrials are expected to perform well due to their limited cyclicality and positive margin history, in essence, they have more control over their own destiny

Sector positioning



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Risks to the investment regime

Sticky inflation and central banks remain hawkish

Inflation data has largely met expectations, but with rising oil prices and stronger-than-expected growth, there are growing concerns about stickier inflation, particularly in the US. Sticky inflation raises the risk of central banks maintaining a restrictive monetary policy for a prolonged period. Higher for longer rates for an extended period will force things to eventually break in the economy. Following the Fed's hawkish stance last week, markets have reduced their expectations for rate cuts next year.

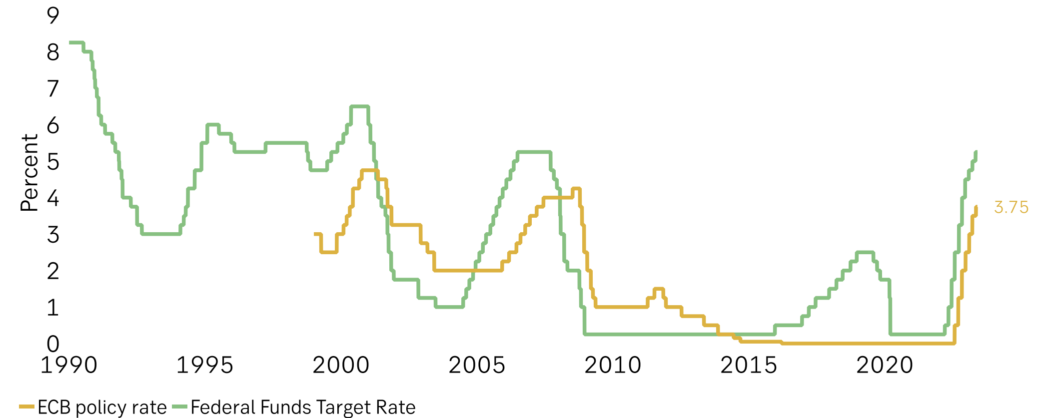
Deep global recession or a severe credit crunch

The tightening of lending standards is expected to have a negative impact on consumer and business spending, potentially slowing down the economy. However, the exact extent of these effects remains uncertain. Despite solid hard macro data and recent improvements in GDP forecasts, growth is projected to remain below trend and will likely be vulnerable. Several factors, including tightening credit conditions, excessive tightening by central banks, escalation of geopolitical conflicts, and a credit event, could potentially lead to a severe downturn. A significant decline in economic activity and corporate earnings would weigh on equity markets.

Geopolitics worsen

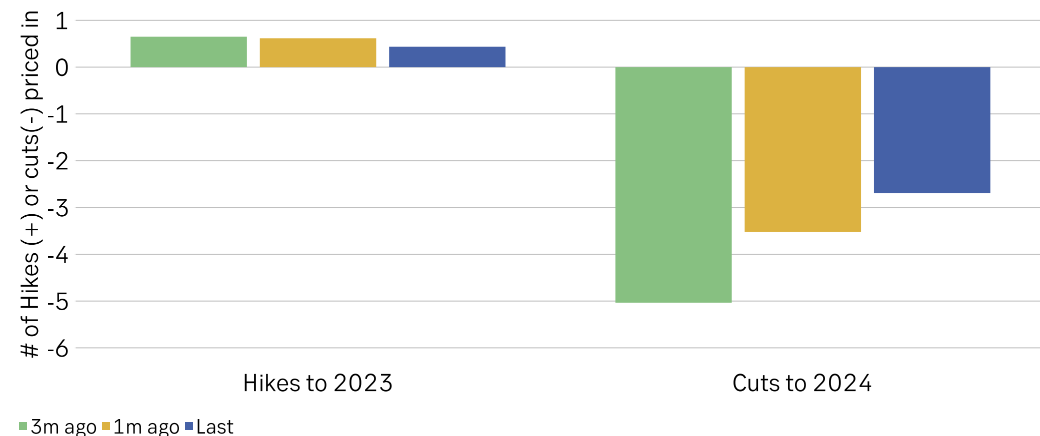
Geopolitical uncertainty has the potential to reduce global risk appetite, which would negatively impact risk assets. The ongoing conflict between Russia and Ukraine has weighted on risk sentiment over the past year, although this has somewhat faded in the background. However, the growing tensions between China and Taiwan/US remains a concern. If this situation escalates further with additional export controls or bans between China and the US, it is likely to have a detrimental effect on global trade and risk assets. Additionally, the upcoming election in Taiwan next year could also lead to heightened uncertainty in markets.

Figure 1: Sticky inflation and higher-for-longer interest rates raises the risk of overtightening and a hard landing for the economy



Source: Macrobond, SEB

Figure 2: Markets have priced out the number of Fed rate cuts next year as the Fed has maintained its hawkish bias



Source: Macrobond, SEB

Return Estimates

Figure 1: 12 month forward looking return expectations

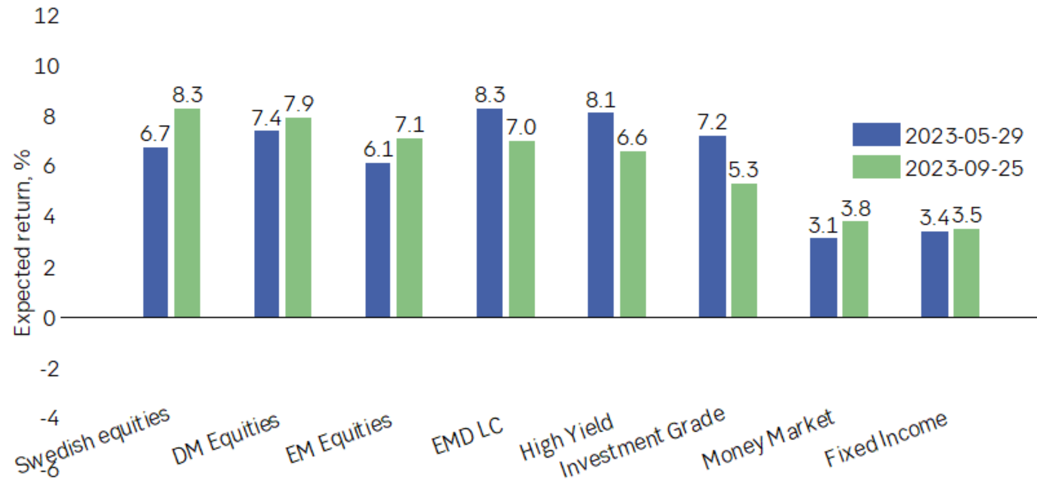


Figure 2: 12 month forward looking return expectations for equities and bonds

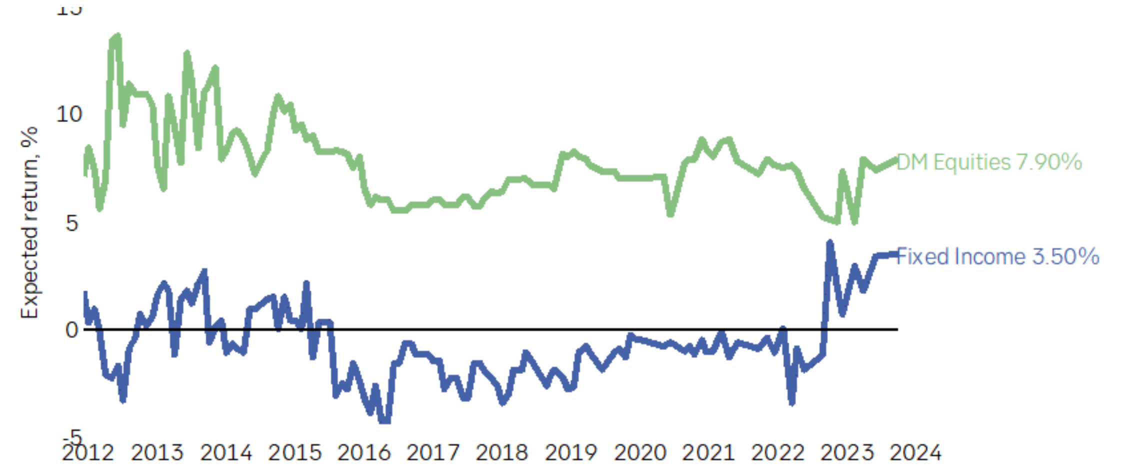


Figure 3: Absolute expected returns

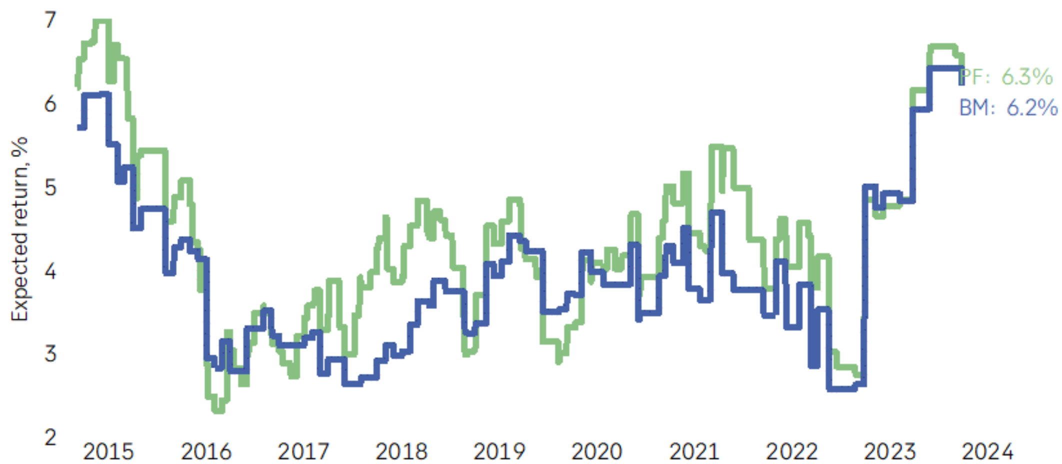
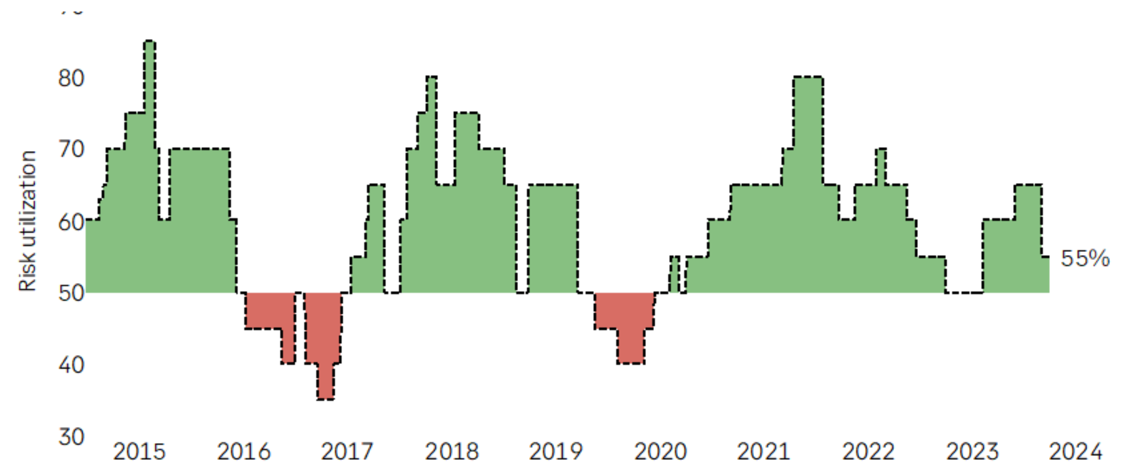


Figure 4: Risk utilization since inception



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Historical House View Allocation

Figure 1: Equities

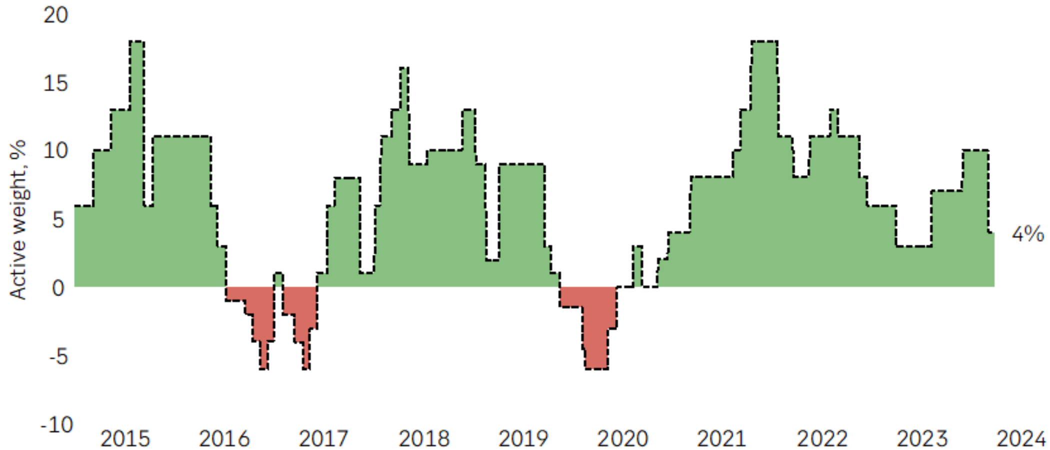


Figure 2: High Yield

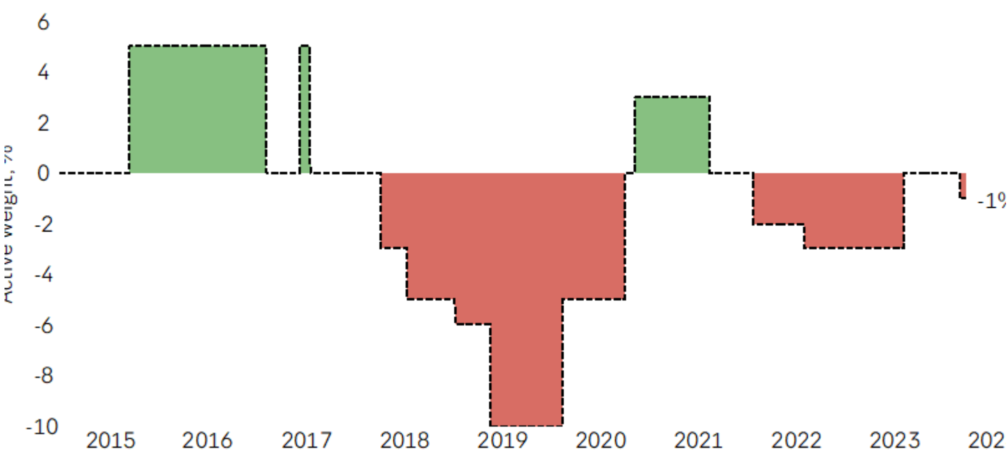


Figure 3: Emerging Market Debt

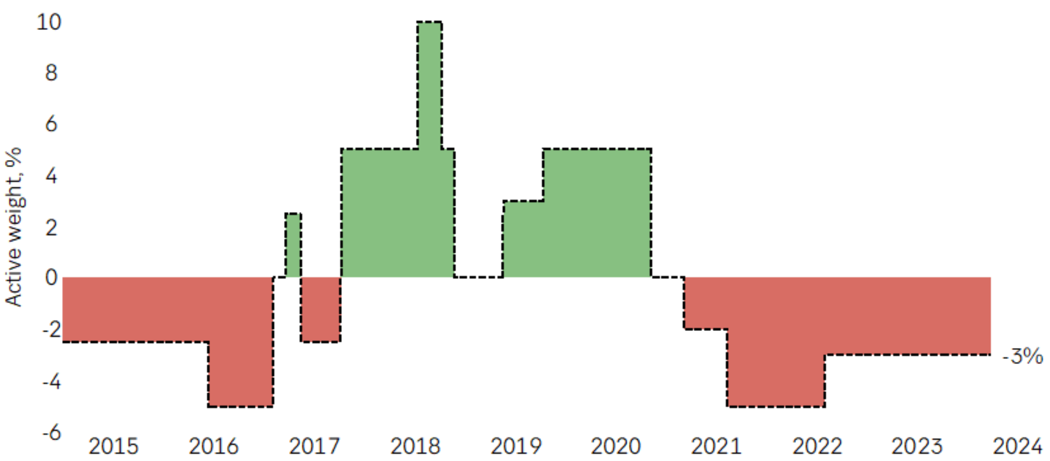
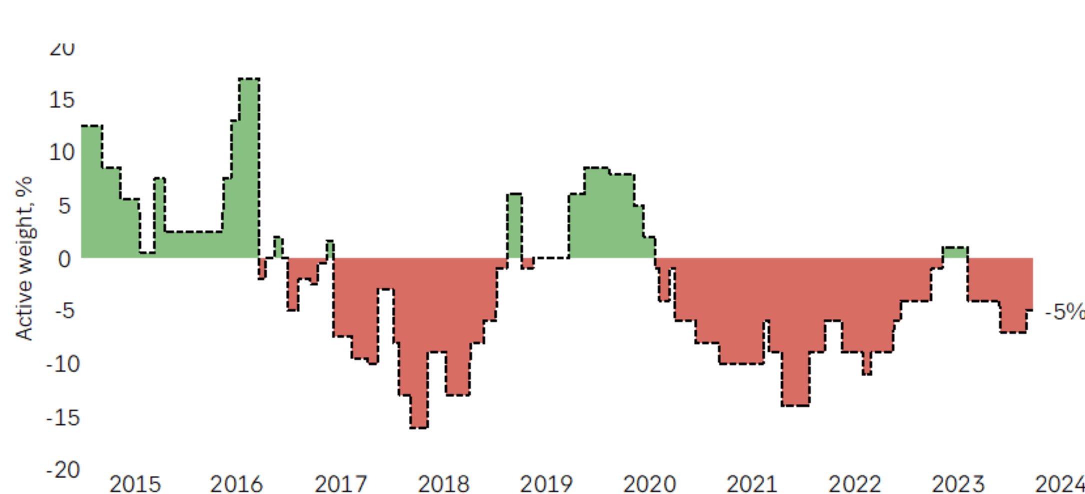


Figure 4: Fixed Income*



* The 2014-2015 combined overweight to equities and fixed income was financed by an underweight to Investment Grade, Commodities, and EMD.

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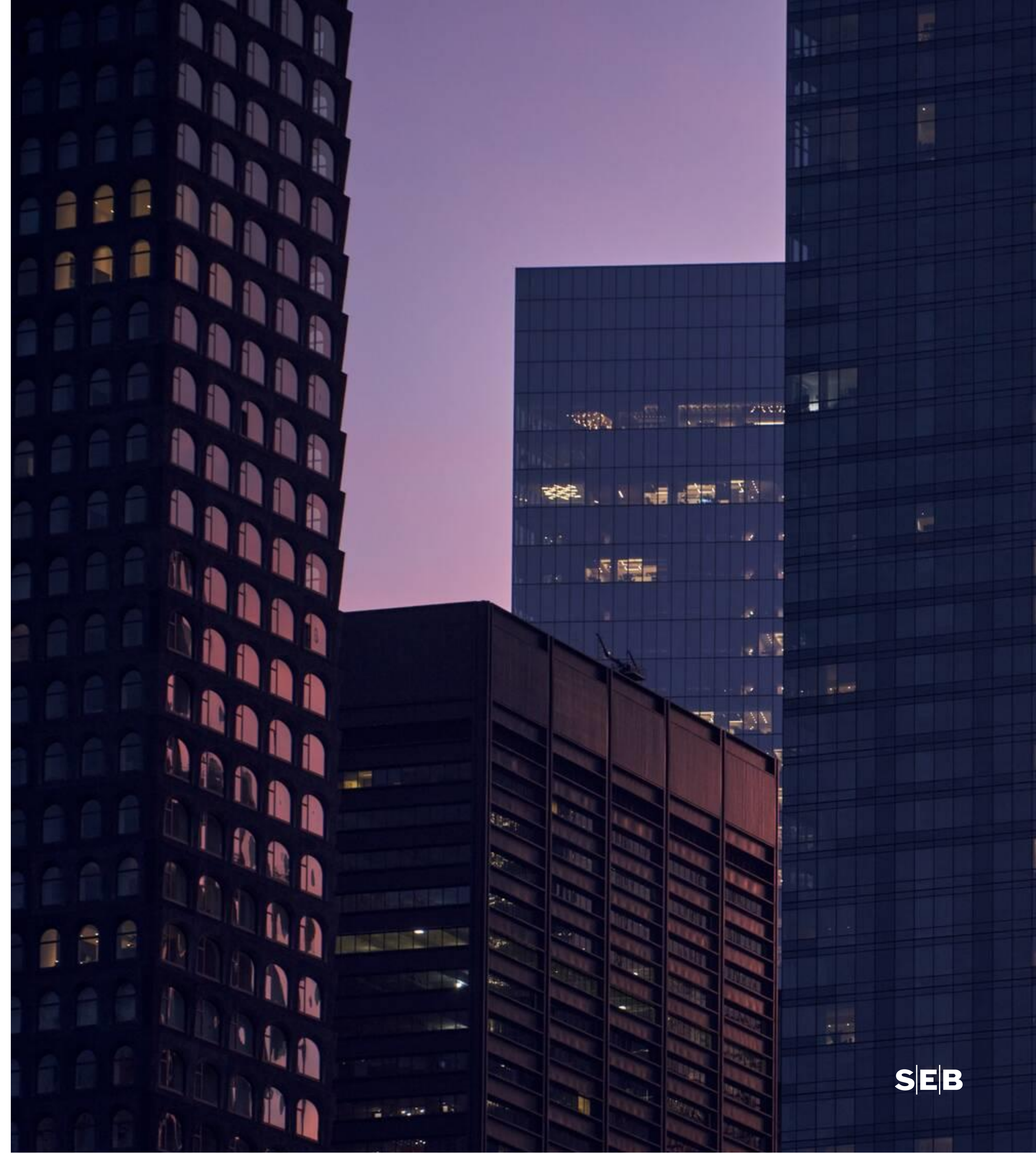


House View decision variables

Central banks is the most important variable in our tactical risk taking at the moment and they have, in our view, turned slightly more negative as a factor for equities

- Investor focus shifted to central banks in recent weeks as interest rate decisions loomed globally
- Notably, last week, the Fed's hawkish forecast for prolonged higher rates surprised markets
- The Fed's higher rates outlook reduced expectations for rate cuts which weighted on sentiment

Earnings have taken a backseat, but will regain importance as companies begin to report Q3 results over the comings weeks

- Company earnings reports will not only be crucial for equity markets, but may also provide broader insights into the health of the consumer
- Markets will examine these reports to gauge how consumer spending withstands higher interest rates and inflation, and to assess the sustainability of companies' pricing power

Macro remains important and has become slightly more negative as a factor overall

- US economic data has exceeded expectations, reinforcing the soft-landing scenario
- Meanwhile, Europe and China are experiencing slowdowns
- While China shows some early signs of a recovery, its sustainability is uncertain
- Europe, particularly Germany, faces its own challenges
- Robust US data has been seen as positive so far this year, however, persistently strong growth is now starting to raise concerns, as fears shift from recession to higher for longer rates

On a 3-6M horizon, House View prefers to have 55% in risk utilization

- We prefer to hold a less aggressive portfolio as there is a lack of positive triggers in the near-term, in our view, and instead wait for more confirmation for a sustained disinflation trend before adding more risk

Figure 1: Central banks is the single most important factor for equities right now, in our view, followed by macro and valuations.

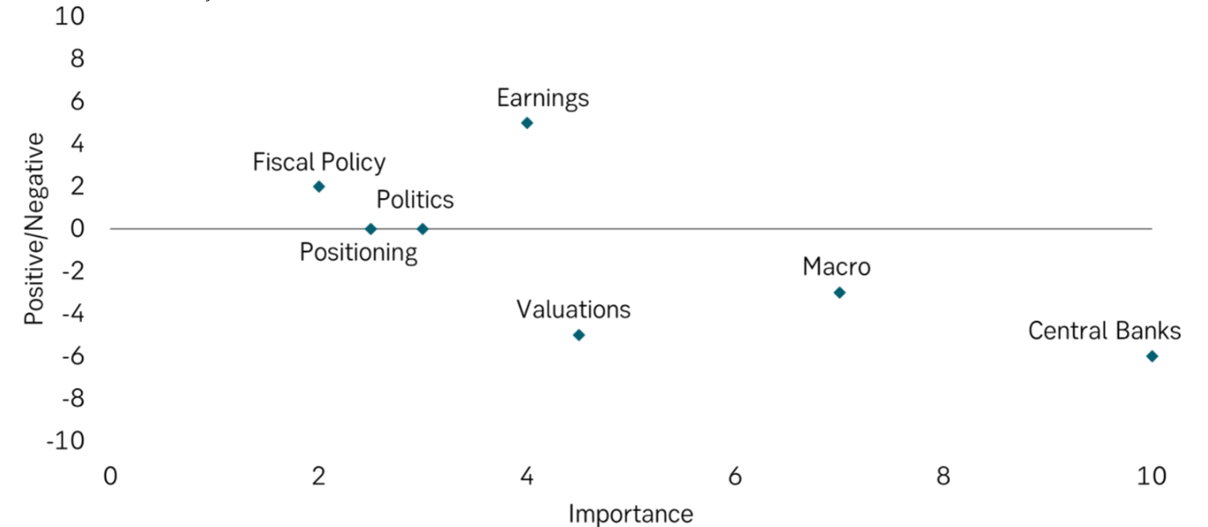
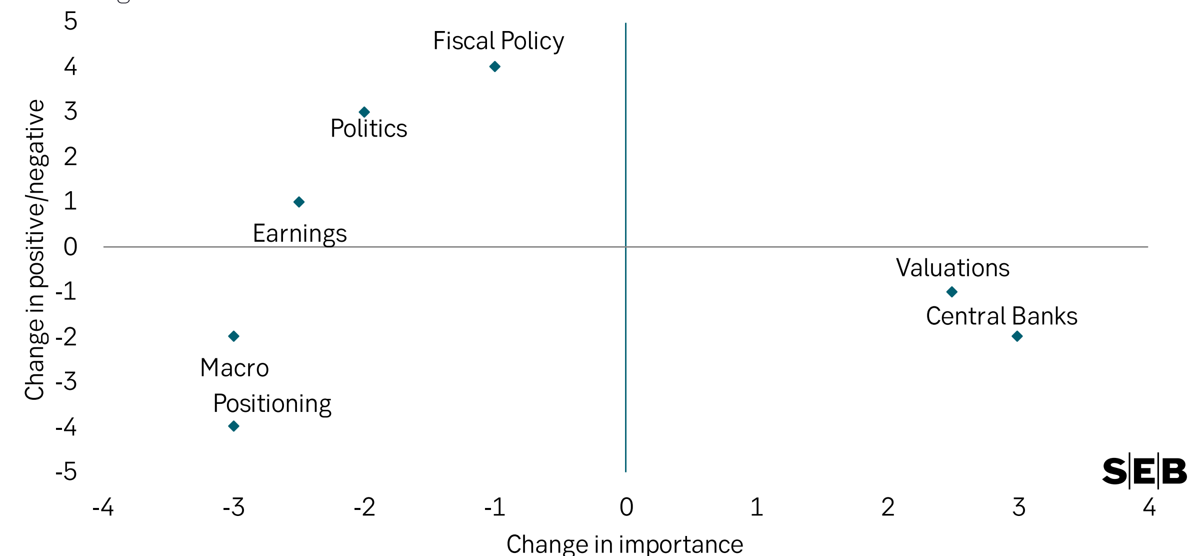


Figure 2: Earnings will likely become more important as the Q3 earnings season begin over the coming weeks



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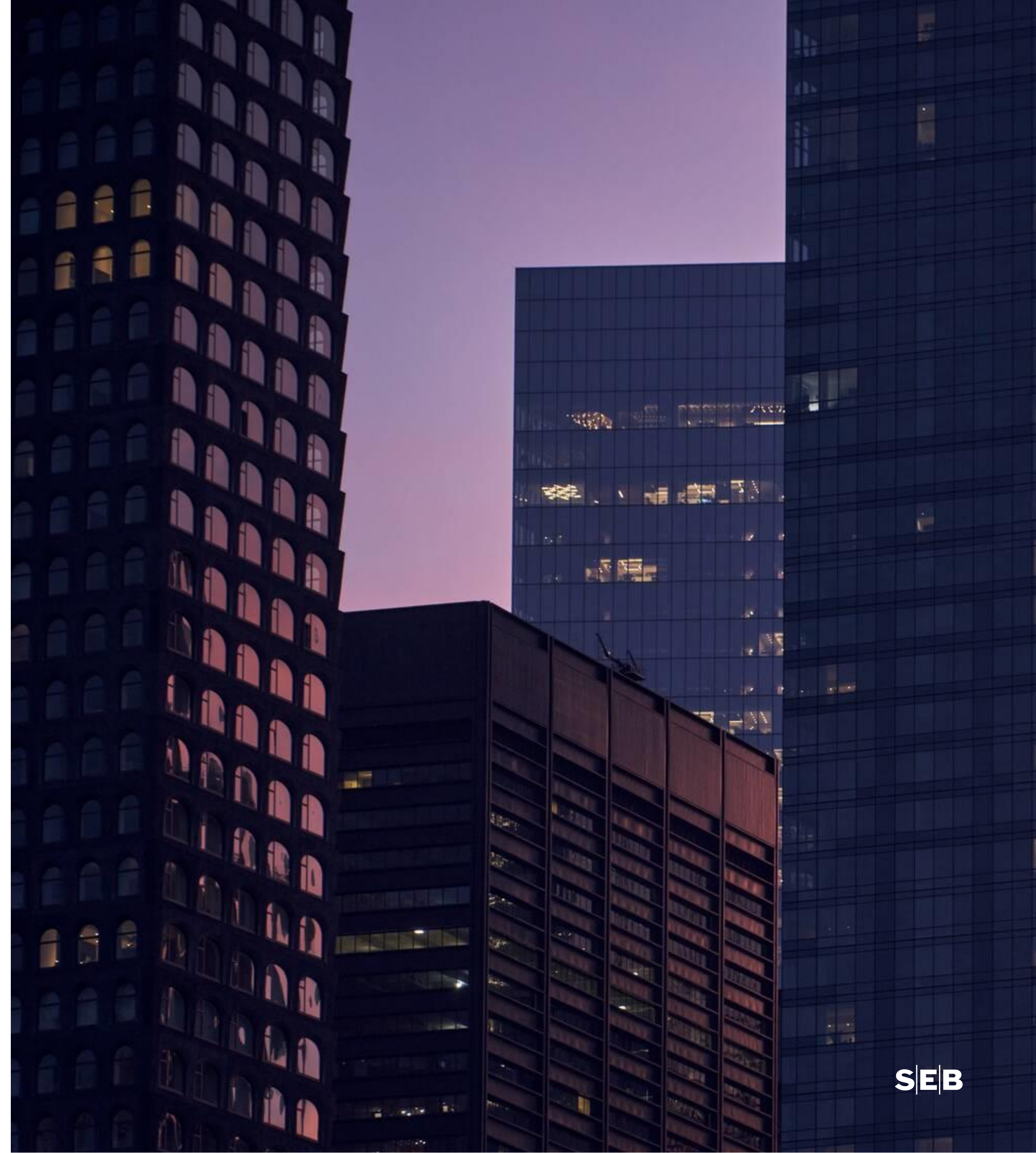
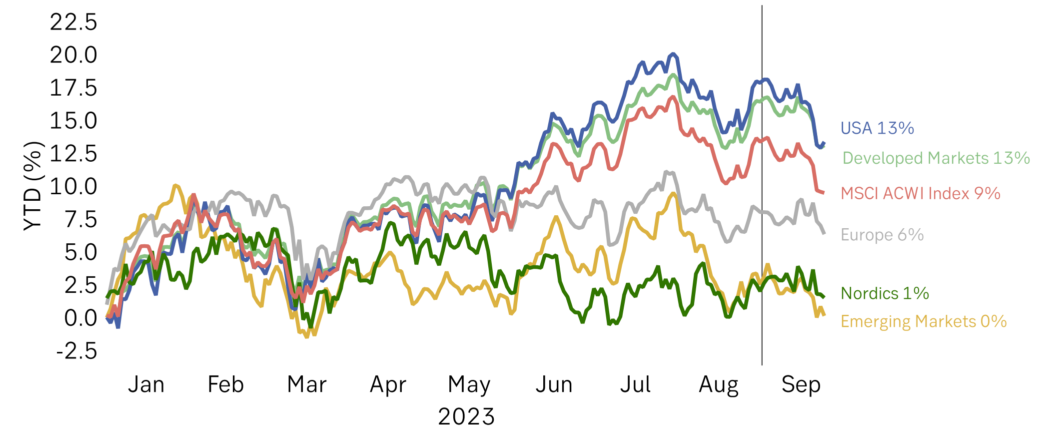


Developments in the Markets

Global stocks drop and bond yields climb as central banks signal 'higher-for-longer' rates

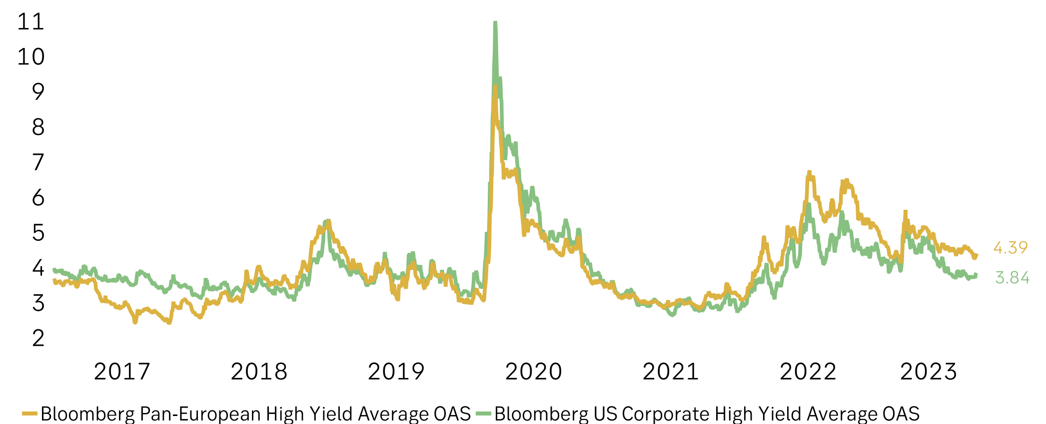
- Over the past month, US equities declined, largely due to rising treasury yields and weaker risk sentiment amid fears for higher-for-longer interest rates
- This uptick in treasury yields was driven by resilient economic data coupled with hawkish forecasts from the Federal Reserve's meeting last week, which pushed yields higher and sentiment lower
- Last week's decline marked the third straight week of declines for the S&P 500 index, signaling a concerning pattern and potential shift in the upward trend
- U.S. bond and equity volatility has remained near year-to-date lows, but rose after the Fed's hawkish surprise forecast last week
- In Europe, stocks also fell over the last month due to an increase in 10-year bund yields, central banks hinting at prolonged high interest rates and series of weak economic data
- Value stocks outperformed growth stocks due to rising interest rates and oil prices which might explain the outperformance of European stocks over US equities in the last month
- Chinese stocks fell over the month due to weak economic indicators, but recently pared some of their losses as data for August showed signs of economic stabilization
- Still, concerns over China's weak property market persist, as fixed-asset investments missed expectations
- US and European bond yields rose after the ECB hiked rates and the Fed delivered a hawkish pause
- Corporate credit spreads were stable, remaining at historically tight levels

Figure 1: Equities have declined so far in September...



Source: Macrobond, SEB

Figure 2: ...while HY corporate bonds returns have been more stable



Source: Macrobond, SEB

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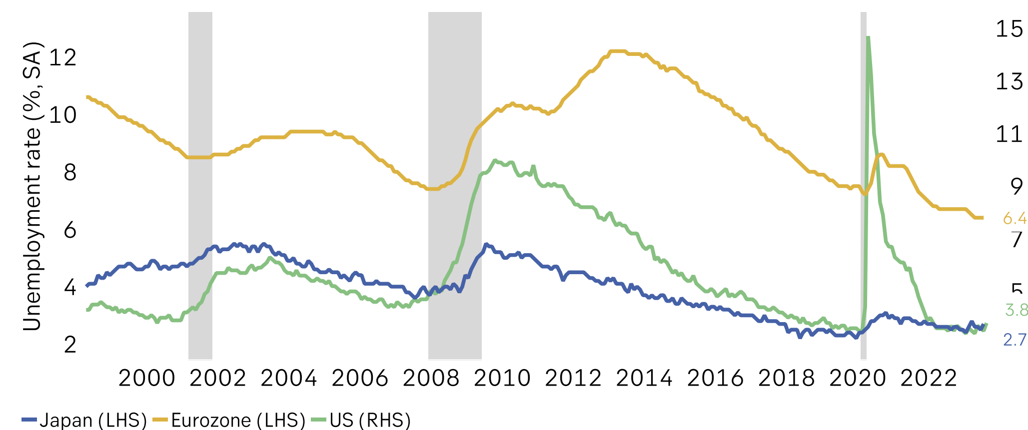
Economy – Developed Markets

The Fed and ECB are nearing the end of their hiking cycles

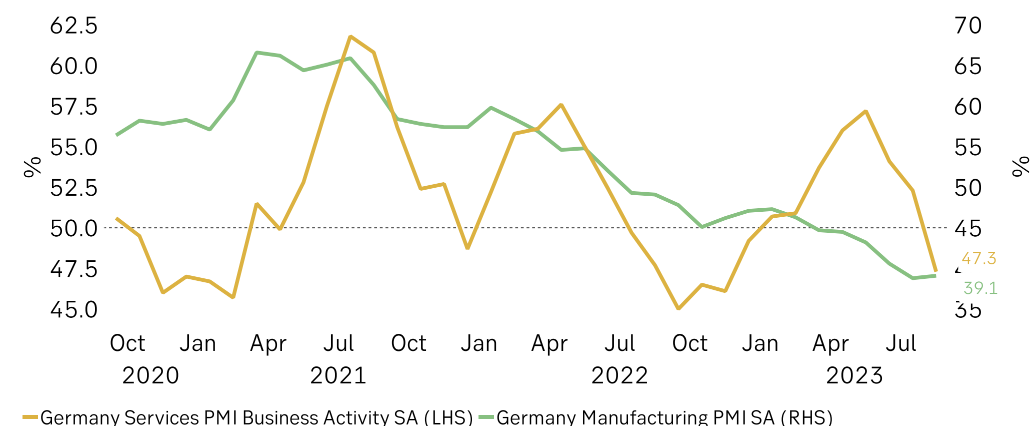
- The Fed held rates steady in September, but signaled it could hike rates one more time this year
  - Powell hinted the Fed is close to being done raising rates, but their new rate projections also show that Fed officials see less easing next year amid still tight labor markets and economic strength
- US headline CPI inflation ticked up in August in line with expectations, due to rising energy prices
  - Core CPI prices, excluding food and energy items, rose slightly more than expected last month, but more importantly at a lower pace than in previous months, indicating that the trend is falling
  - Core services excluding shelter, accelerated in August from July, due to a larger contribution from transportation services which was in turn driven by rising airfares and jet fuel costs
  - That said, monthly readings for transportation services have been volatile in the past, and we think August was an extreme month and that transportation will come down in the coming months
- The US unemployment rate unexpectedly jumped to 3.8% as the participation rate increased
  - That said, the jobless rate remains low, underscoring the tightness of the US labor market, but the unemployment rate should increase gradually as the labor market comes into better balance
  - Headline payrolls growth exceeded expectations in August, but the pace of job gains is clearly still on a downward trend while wage inflation has continued to ease
- The ISM Services PMI index also saw a modest rise in August, driven by increases in new orders and delivery times, matching a similar upward move by the ISM manufacturing index
  - The ISM index still points towards an expanding services activity, although the underlying trend has been falling, indicating that that the service sector might see slower growth ahead
- The ECB lifted rates by 0.25% at its September meeting due to the risk of higher for longer inflation, in contrast with consensus expectations of no change in the policy rate
  - That said, this was a dovish hike as the ECB signaled it may be done raising rates and lowered its GDP growth projections for this year and the next
  - Slowing growth should ease euro area inflation, removing pressure for the ECB to hike rates further
- Eurozone headline inflation remained at 5.3% in August, while core inflation fell as expected
  - ECB president Lagarde mentioned rising commodity prices, including oil, as an upside risk to inflation, but some research shows even limited impact to headline
  - The impact of higher oil prices is relatively limited to headline inflation according to some research, but is negative for consumer spending due to inelastic energy demand

Figure 1: Labor markets in developed economies remains tight as unemployment rates are still at the lowest level in decades despite higher interest rates



Source: Macrobond, SEB

Figure 2: Is Germany the "sick man of Europe"?



Source: Macrobond, SEB

Economy – Emerging Markets

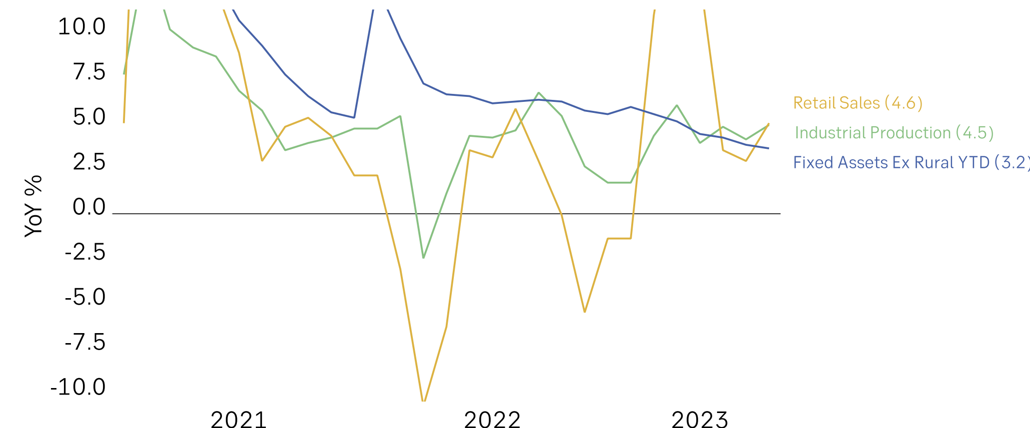
The Chinese central bank kept rates steady amid recent signs of stabilization

- Retail sales in China grew more than forecasts in August, driven by robust spending on clothing, footwear, and textiles
- China's industrial output accelerated in August, also surpassing growth projections
- Meanwhile, the unemployment rate in China declined in August from the previous month
- However, fixed asset investments in China lagged in August, falling short of expectations due to a slump in real estate investments
- Chinese inflation metrics improved: CPI turned positive after a July dip, and the decline in producer prices moderated
- Upbeat figures in retail sales, industrial production, and inflation suggest that China's economy could be stabilizing
  - That said, the effectiveness of Beijing's recent stimulus initiatives aimed at boosting demand remains uncertain
- In September, the PBoC maintained its benchmark lending rates, in line with expectations due to indications of economic stabilization and a weaker yuan, reducing the immediate need for aggressive rate cuts
  - In contrast, the PBoC unexpectedly cut interest rates in August and further reduced most banks' reserve requirement ratios, injecting liquidity into the system to support China's ailing economy
- China's accommodative monetary policy has also resulted in a continued rise in M2 money supply
- Saudi Arabia and Russia announced that they would extend their oil output cuts into year-end, putting further upward pressure on oil prices
  - Tighter oil supply has increased concerns for that rising oil prices could further fuel inflation

Taiwanese and South Korean exports data improved last month despite China's economic woes

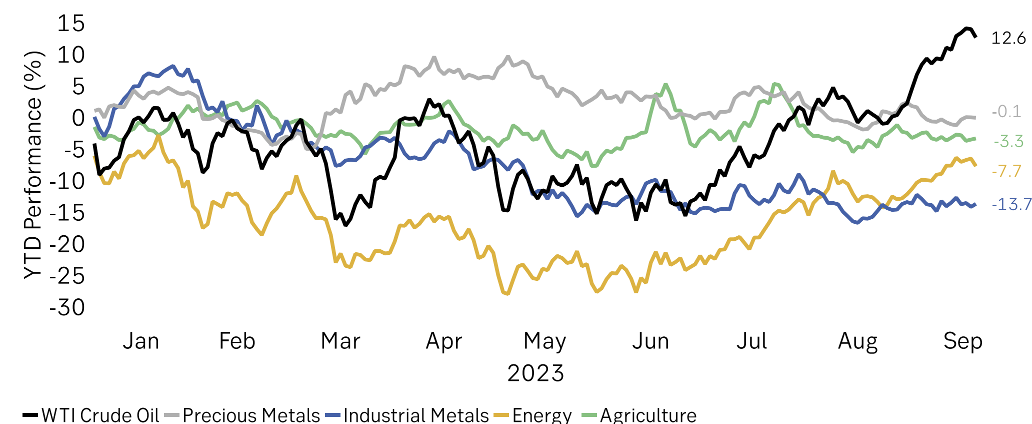
- The slump in export orders from Taiwan and South Korea softened in August, helped by a rise in AI-related products and moderation of a drop in overseas demand
- The stronger-than-expected export data from Taiwan and South Korea, often viewed as bellwethers for global trade, bolstered optimism for a rebound in worldwide trade
  - Having said that, China's weak economic conditions continue to cast uncertainty on the outlook for global trade

Figure 1: China's monthly activity indicators show signs of improvements, expect fixed investments due to weak demand for property investments



Source: Macrobond, SEB

Figure 2: Oil has surged recently following unilateral output cuts from Saudi Arabia and Russia, decoupling from other commodity prices



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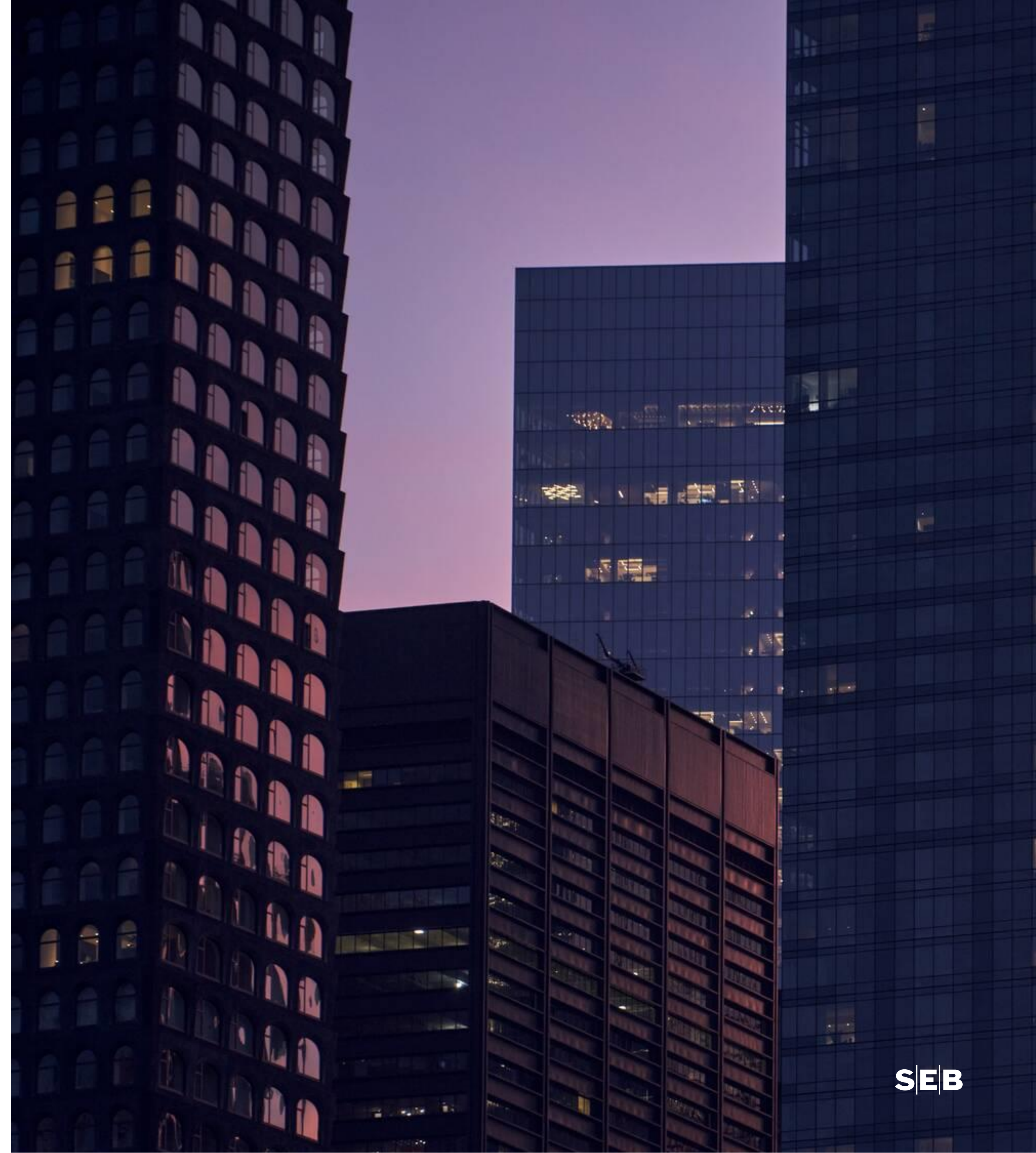
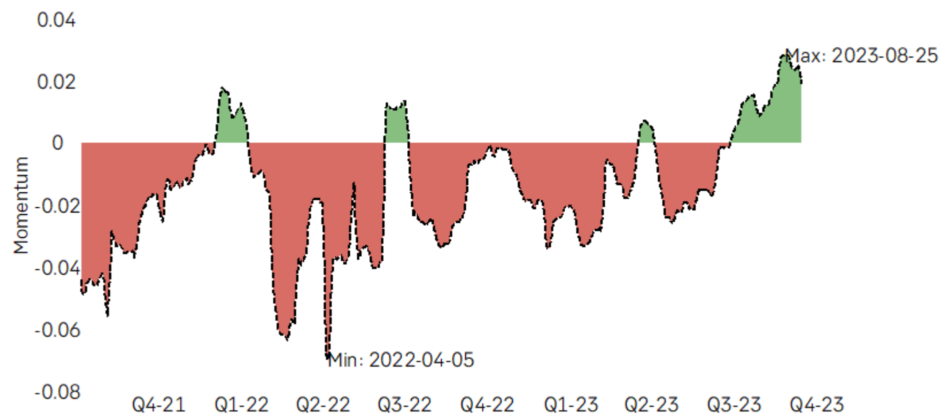


SEB House View – US Macro Status

US macro data continues to indicate robust growth, but momentum appears to be moderating

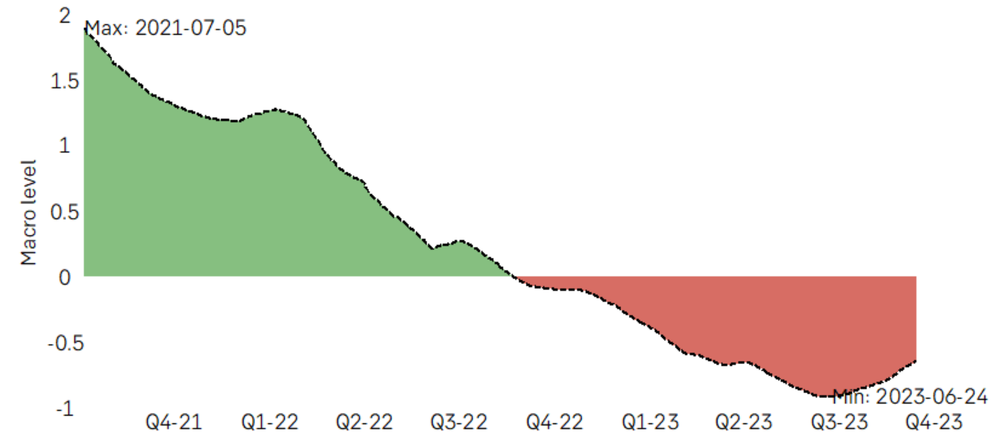
- The ISM Manufacturing index climbed in August, buoyed by improvements in the employment and prices paid indexes
  - Nonetheless, the headline index continued to signal a contraction in US manufacturing due to an accelerating decline in new orders
- In contrast, Philly Fed Manufacturing index turned positive for the first time in nearly a year, driven by gains in new orders, prices and shipments
  - However, a recent downturn in the Empire State Manufacturing index and weak capital spending intentions urge caution against announcing a sector-wide recovery for manufacturing just yet
- Our macro surprise indicator received a lift from an unexpected uptick in the Philly Fed Manufacturing index for August and better-than-expected US factory goods orders in July
- Despite this, we expect that US macro news may turn less optimistic in the coming months due to lagged effects of rate hikes and slowing growth
  - Considering that growth expectations have substantially risen compared to six months ago, the likelihood of additional positive economic surprises appears to be diminishing

Figure 2: US macro momentum remained positive in August, buoyed by improvements in the ISM PMI surveys. That said, the macro momentum appears to have peaked....



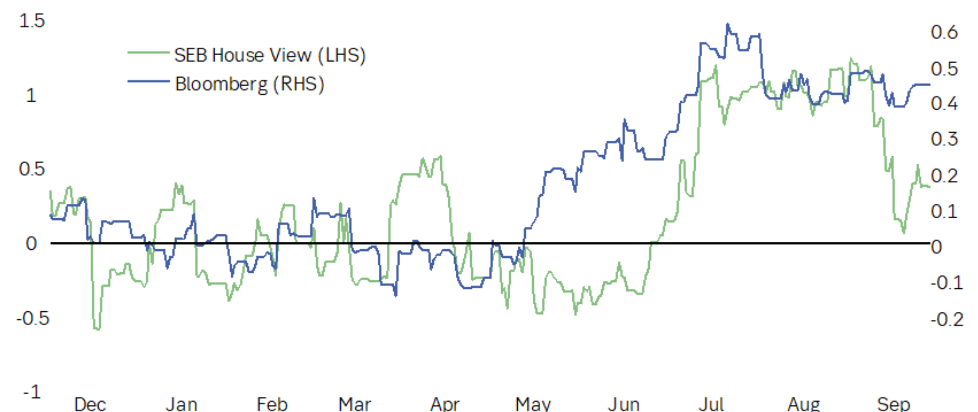
Source: SEB House View

Figure 1: The US macro level remains below-trend due to softer business confidence



Source: SEB House View

Figure 3: Our indicators shows that US macro data continued to surprise positively in August – though to a lesser extent – due to improvements in manufacturing data



Source: SEB House View

SEB

SEB House View – EU Macro Status

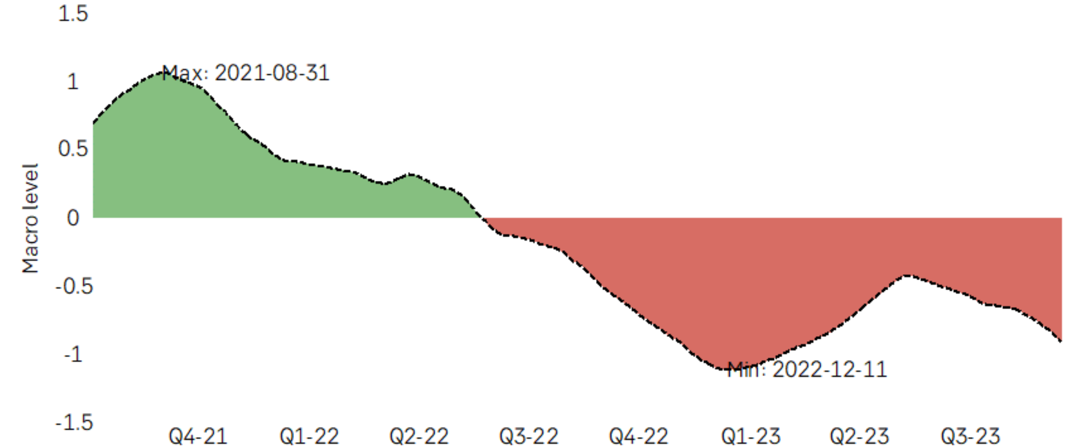
European macro data continue to indicate ongoing economic weakness, especially in Germany

- German factory orders plummeted in July, marking a reversal after three months of gains and the biggest drop in manufacturing orders since the onset of the pandemic
  - The downturn was primarily driven by a weaker demand for large-scale orders, especially in the aerospace sector, as factory orders excluding major orders would have marginally increased
- Germany's Services PMI fell below the critical 50 mark in August, signifying the sector's first contraction since the last November
  - A downturn in the services sector would further weight Germany's economy, which has historically been Europe's economic growth engine

European macro data continue to surprise on the downside

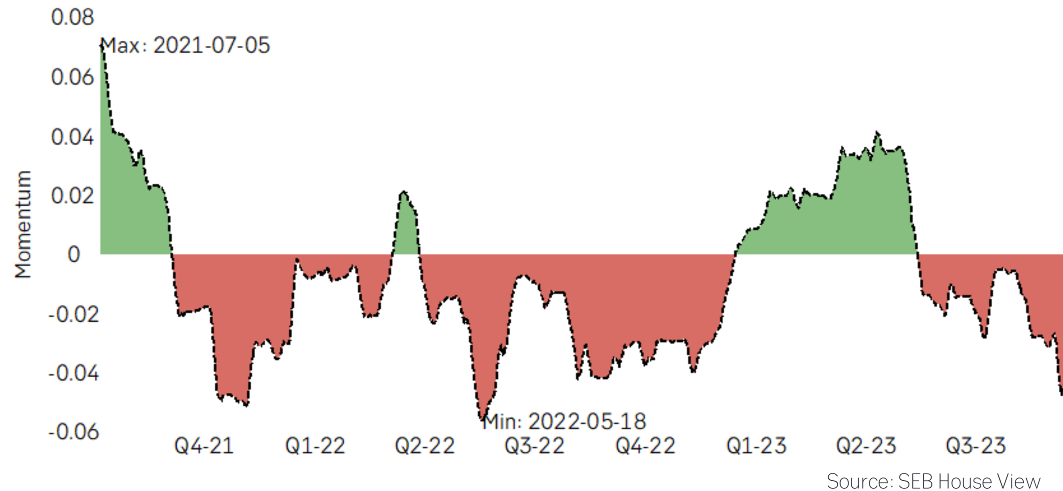
- Spain's Manufacturing PMI unexpectedly fell in August, pointing to an accelerated decline in manufacturing activity due to weakened foreign and domestic demand
- The Ifo current conditions index in Germany fell short of expectations last month as businesses across sectors reported growing dissatisfaction with the present situation, due to higher interest rates and softening global demand

Figure 1: The EU macro level is ticking lower, approaching last year's trough



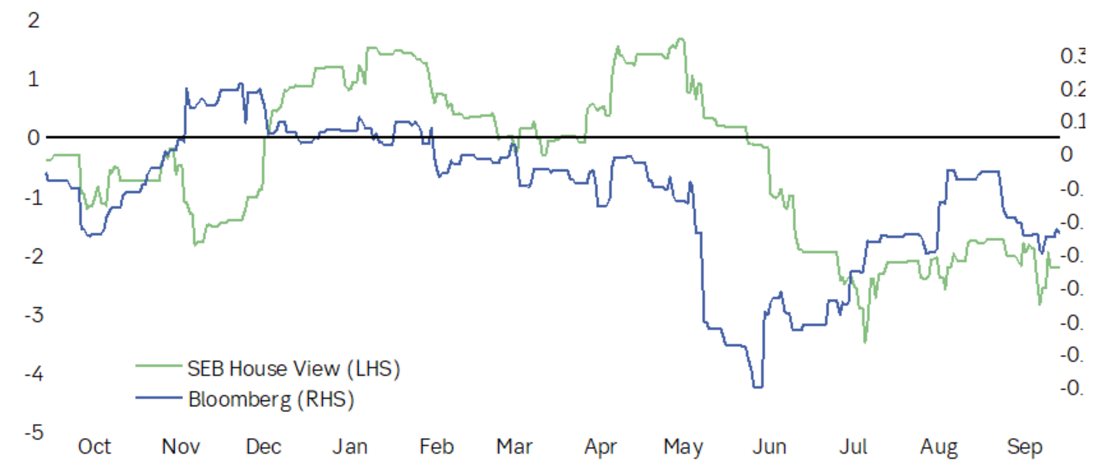
Source: SEB House View

Figure 2: Momentum has dropped amid ongoing weakness in Germany's economy



Source: SEB House View

Figure 3: EU macro data has disappointed due to more pessimistic business confidence



Source: SEB House View

SEB

SEB House View – EM Macro Status

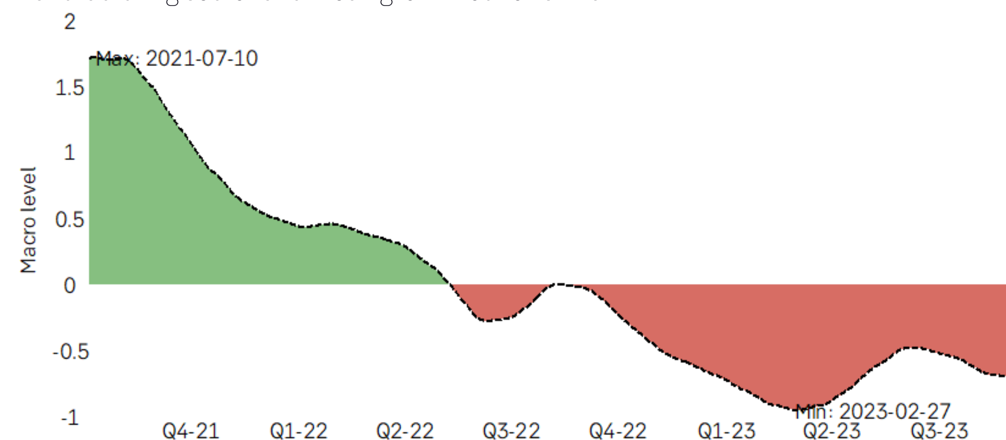
EM macro momentum improved in August, seemingly recovering from negative territory

- Taiwan's exports declined year-over-year in August, but this was the smallest decline over the past year, showing signs of improvement as global demand for AI-related products surged
- Brazil's Manufacturing PMI moved into expansionary territory in August, fueled by a slight rise in new orders and increased production

Economic surprises in EM have turned positive, but China remains a concern

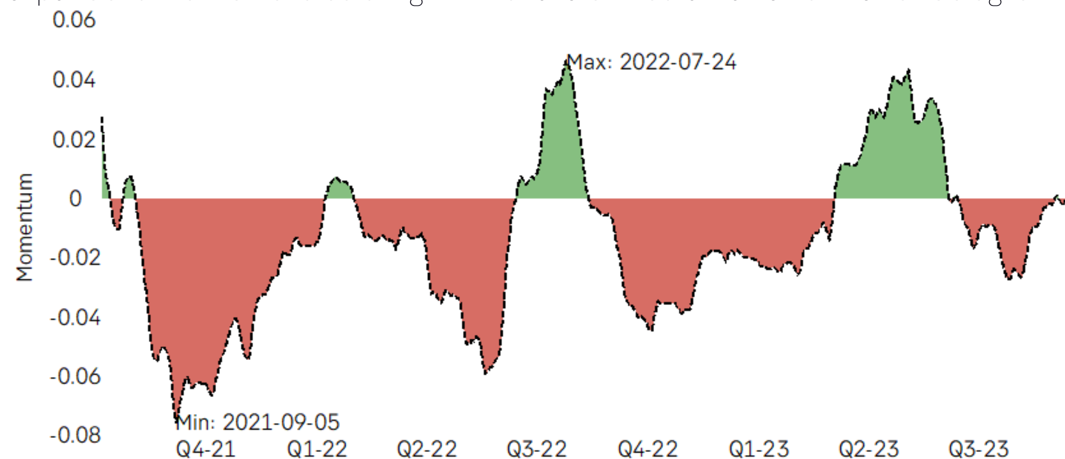
- South Korean exports also showed signs of a rebound in August, declining less than expected due to a moderation in the drop of overseas orders
  - While South Korea's exports to the US and EU rose, its exports to China continued to decrease, highlighting that China's sluggish growth remains a wild card for the global trade outlook
- The Caixin China Manufacturing PMI surprised to the upside as it returned to expansion in August
  - The subindexes for new orders and output rose, while new overseas orders continued to decline
  - New stimulus measures might stabilize Chinese growth momentum, but could end up insufficient in helping to drive upside surprises against consensus expectations

Figure 1: The EM macro level remains below trend due to soft global demand, a struggling manufacturing sector and weak growth out of China



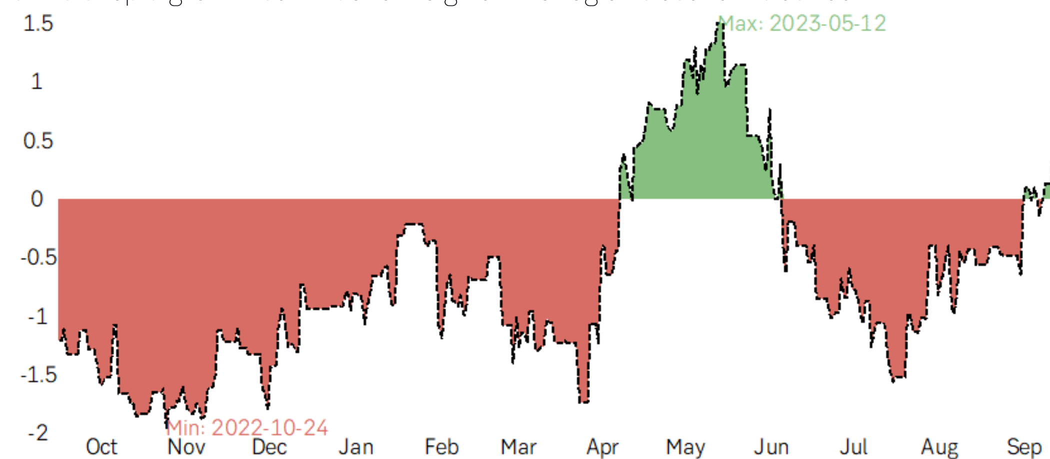
Source: SEB House View

Figure 2: Negative macro momentum in EM has subsided, due to improvements in Taiwan's exports and Brazil's manufacturing PMI. But overall macro momentum remains stagnant.



Source: SEB House View

Figure 3: Macro data in EM has surprised to the upside, but weakness in overseas demand and China's tepid growth continue to weigh on the region's economic outlook



Source: SEB House View

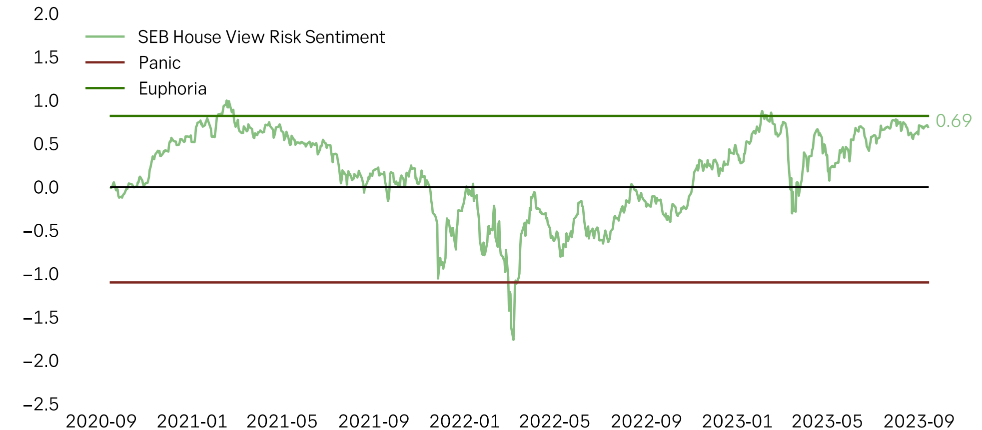
SEB

SEB House View – Risk Indicator

Our risk appetite indicator remains elevated after a temporary summer decline

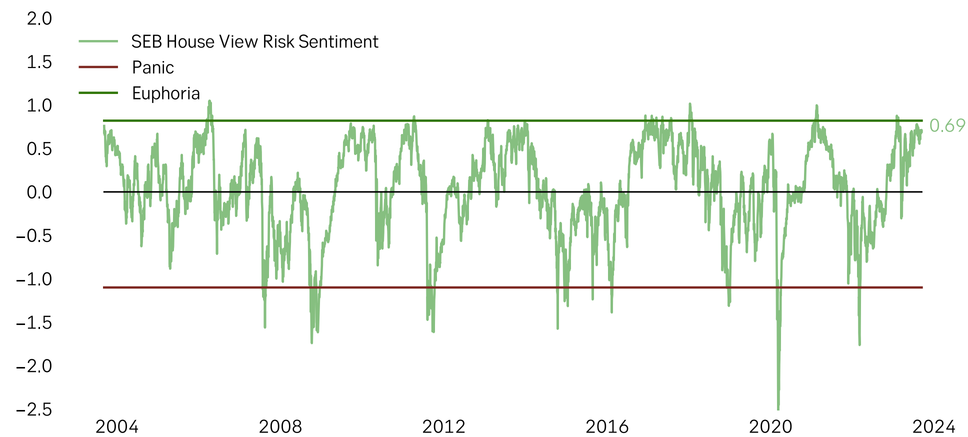
- Before the summer, risk appetite was driven higher by investor optimism around a soft landing and AI enthusiasm
- But then risk appetite declined temporarily in August amid a rise in long-term bond yields
- However, our risk appetite has been largely unchanged over the summer and remains at elevated positive levels
- High positive levels of our risk appetite indicator is not necessarily bearish, although extremely negative levels has often been a better contrarian indicator for bullish turning points
- Looking forward, the equity/bond correlation will likely remain positive and further increases in bond yields should weigh on risk assets and sentiment
- Further increases in oil prices can also weigh on sentiment as they can stoke inflation concerns, while more negative macro news, especially in China or Europe, can lower sentiment
- Risk appetite probably has more downside than upside, but this does not necessarily mean a full risk off event, as the decline could be gradual over the next months…

Figure 2: SEB House View Risk Indicator – Short Time Horizon



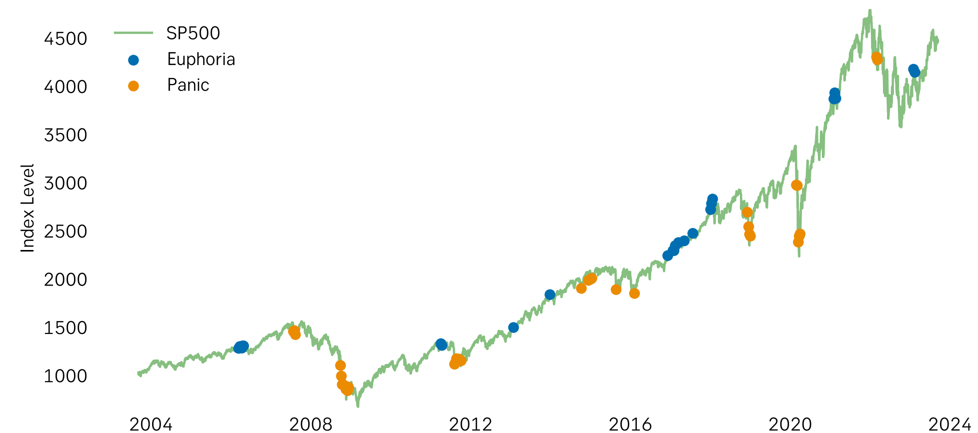
Source: SEB House View

Figure 1: SEB House View Risk Indicator



Source: SEB House View

Figure 3: Extreme states plotted on SP500

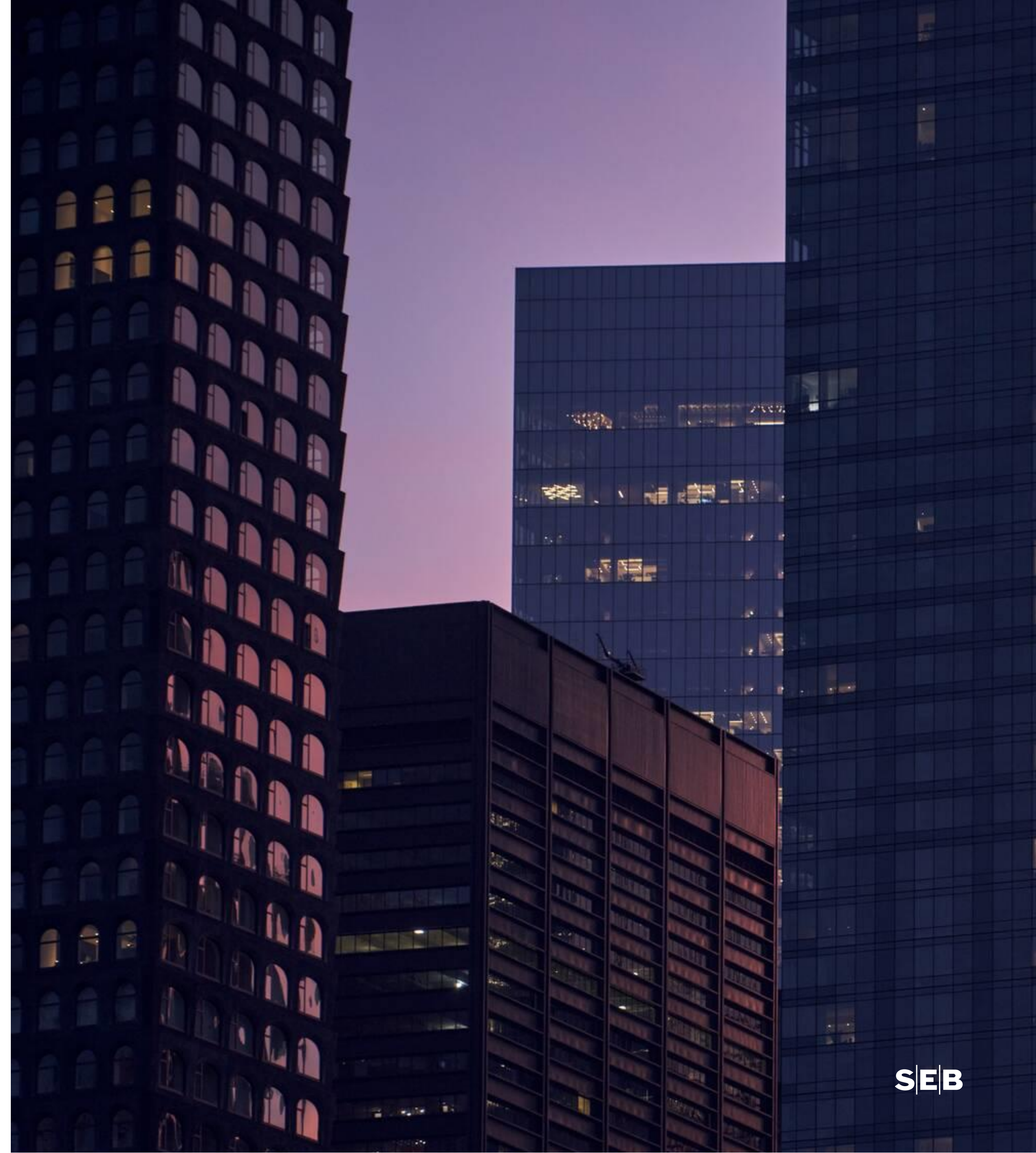


Source: SEB House View

SEB

Agenda

03	Overview
11	House View factors
13	Macro and Markets
17	Markets and Fair Value Indicators
22	**In Focus**
24	Asset Class and Sector Views



In Focus: a sustainable trend in equities?

A dovish pivot by the Fed is the missing piece of the puzzle

- The key precondition for a sustainable rally for equities is any signs of a Fed capitulation
- The S&P 500 has, on average, risen in the subsequent 12 months following the first Fed rate cut
  - Having said that, the equity performance after the first interest rate cut is also conditional on the growth backdrop, which can be seen in figure 1
  - Our analysis shows that stocks tends to decline amid economic downturns despite a rate cut, while stocks rise after the first rate cut if a recession is averted
- There are also other factors that point to a turning point for equities, such as a rising US manufacturing PMI and easing financial conditions, but a dovish shift by the Fed is likely the missing piece of the puzzle…

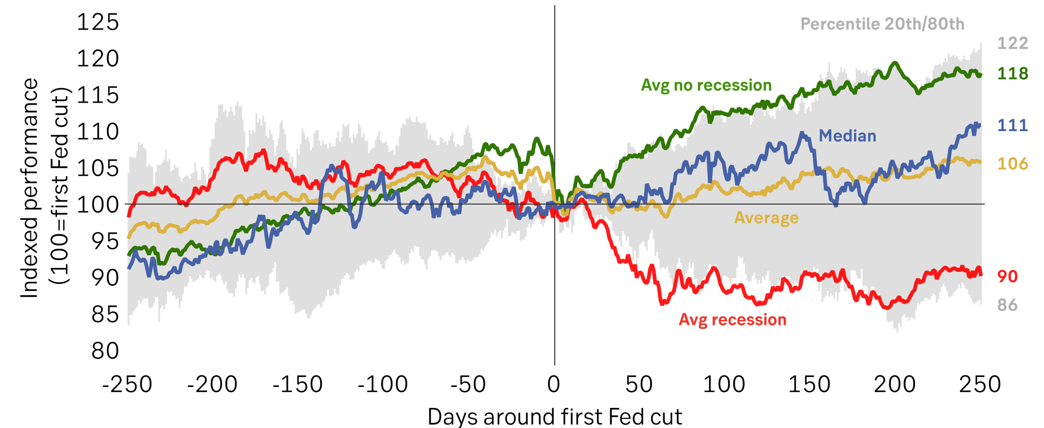
What does it take for the Fed to signal a capitulation?

- We will likely only get these signals of a rate cut from the Fed if inflation falls rapidly or unexpectedly, and growth slows meaningfully
- Growth and inflation should slow as lag effects from previous tightening begins to have an impact on the economy and consumer spending, which is what the Fed wants to see
- However, the lag effects of tightening monetary policy also complicates the Fed's job in bringing inflation down through its restrictive policy without causing a recession
- The Fed will have to thread carefully or otherwise faces the risk of a sharp downturn in the economy, which would force the Fed to lower rates sooner to stabilize a falling economy
  - A 'hard landing' scenario with a contraction in economic activity would not be a good environment for stocks despite hefty rate cuts, as our analysis shows

A soft landing scenario is more likely

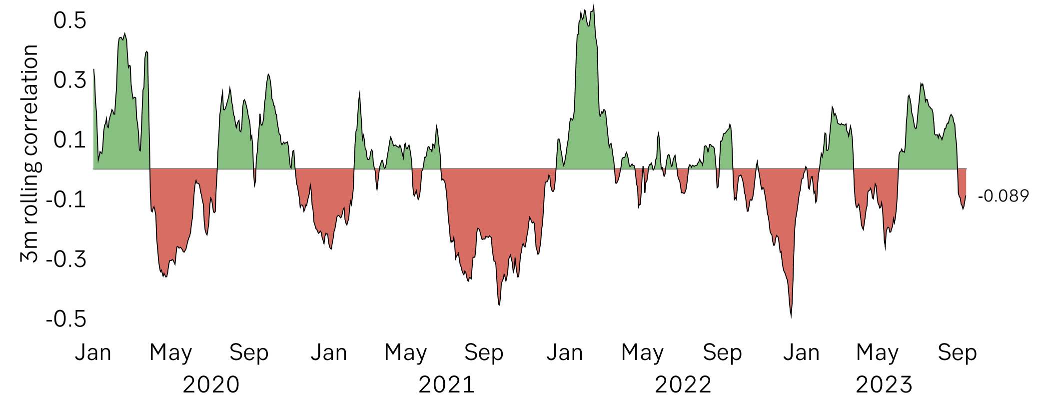
- Markets have priced in a 'soft landing' scenario –a scenario in which inflation recedes to more normal levels while growth slows, but remains positive – which has historically benefitted stocks
- Having said that, markets have also shifted to a regime where good news for the economy is bad news for markets (see figure 2) and we expect this relationship to hold in the near term
  - The implication for markets is that both growth and inflation will most likely need to come down for there to be downward pressures on bond yields and a sustained upward trend in equities

Figure 1; The S&P 500 has rallied 11% in the subsequent 12 months following the first Fed rate cut. If history is any guide, stocks should benefit from a capitulation by the Fed, but the timing is uncertain



Source: Macrobond, SEB

Figure 2: Good news for the economy have become bad news for equity markets. S&P 500 3-month rolling correlation with US economic surprises has turned negative…



Source: Macrobond, SEB

Agenda

03 Overview

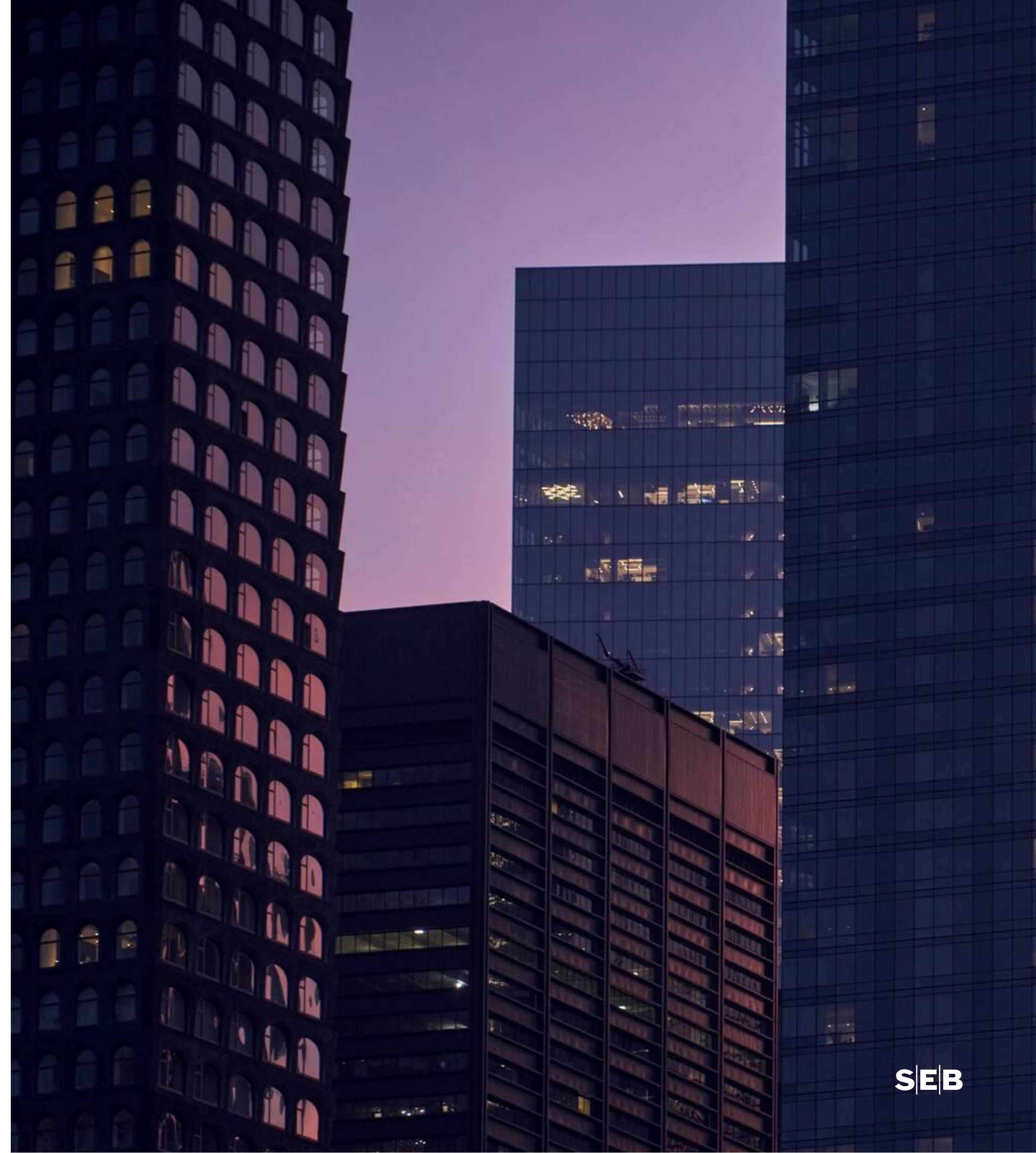
11 House View factors

13 Macro and Markets

17 Markets and Fair Value Indicators

22 In Focus

24 **Asset Class and Sector Views**



Developed Market Equities – 12M Outlook

Our 12-month outlook for developed market equities is cautiously optimistic, supported by expected central bank rate cuts

Developed market central banks are likely nearing the end of their tightening cycles. Central banks have signaled higher for longer rates as inflation remains too high, but we anticipate a moderation in inflationary pressures, which will pave the way for central bank rate cuts later next year. As a result, DM bond yields should fall, buoying DM equity valuations. In the past, equities have performed well between the last Fed rate hike and first Fed rate cut, with additional upside after the first rate cut, supporting our 12-month outlook for equities.

A 'soft landing' remains our base case, although downside growth risks increase with a higher for longer rates regime

Our base case anticipates a 'soft landing,' where inflation normalizes without inducing a recession. Labor markets in the US and Europe have remained strong despite rising interest rates. That said, the lagged effects from tight monetary policy should lead to tightening credit conditions, exerting downward pressure on growth. We expect the economy to bottom next year, following a rebound in manufacturing PMIs in the US and Europe. Chinese stimulus measures, if proven effective, could also bolster risk sentiment further. That said, a mild recession remains a risk to our outlook as factors supportive of growth, such as excess savings and fiscal stimulus from governments start to wane.

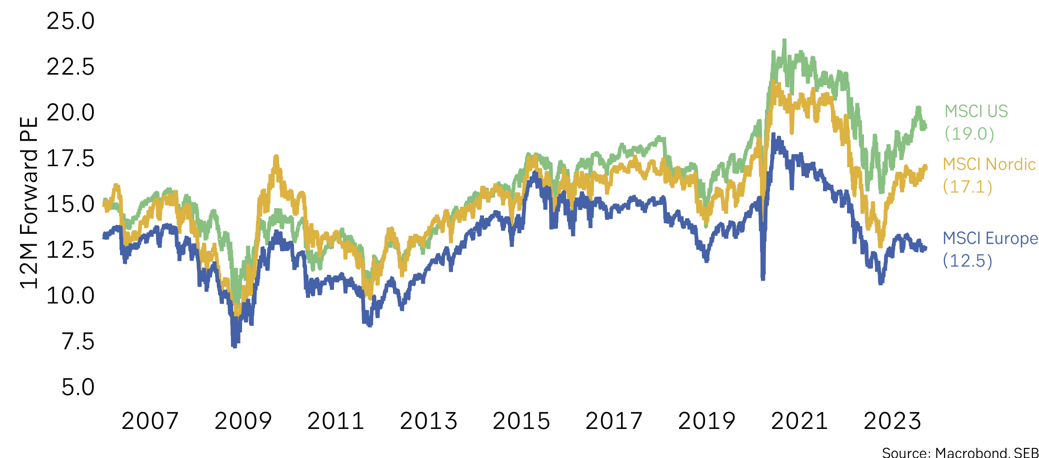
European stock valuations appear more appealing relative to their US counterparts

European equities trade at a historically wide discount compared to US equities, which has rallied significantly this year, mainly driven by a multiple expansion in mega-cap technology stocks. European equities have de-rated relative to US equities despite European earnings performing better than in the US. We expect growth in the euro area to bottom next year and the region to avoid a sharp downturn due to resilient hard data and a strong labor market.

Small-caps have lagged large caps, but may have upside potential going forward

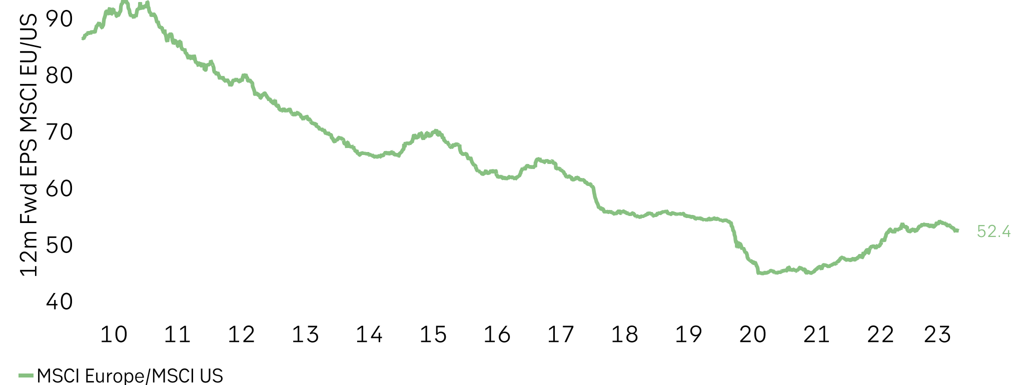
Small-cap stocks which has underperformed large-cap stocks this year and appear attractive due to their inexpensive valuations and poised outperformance when central banks initiate rate cuts. These stocks generally benefit in rate-cutting cycles.

Figure 1: The FED's tightening cycle is probably close to ending. We expect Developed Market Equities to re-rate once interest rates peak. European valuations look attractive.



Source: Macrobond, SEB

Figure 2: European earnings have been better than in the US after the pandemic



Source: Macrobond, SEB

Emerging Market Equities – 12M Outlook

Over a 12-month horizon we a have a more constructive view on EM equities ex-China and neutral stance on Chinese equities

Easier monetary policy should boost EM growth

Inflation is decreasing in Emerging Markets (EM), which is leading central banks in the region to cut interest rates. Lower interest rates should boost demand and drive growth higher over the next 6-12 months. The EM region is projected to grow more rapidly than DM countries. Improvements in Asian exports also suggest better EM macro momentum ahead. Exports from South Korea and Taiwan, bellwethers for global trade, troughed earlier this year and have gradually improved since then, showing signs of a potential rebound in external demand.

China faces economic and demographic challenges reminiscent of Japan's 'Lost decade', but further downside is probably limited

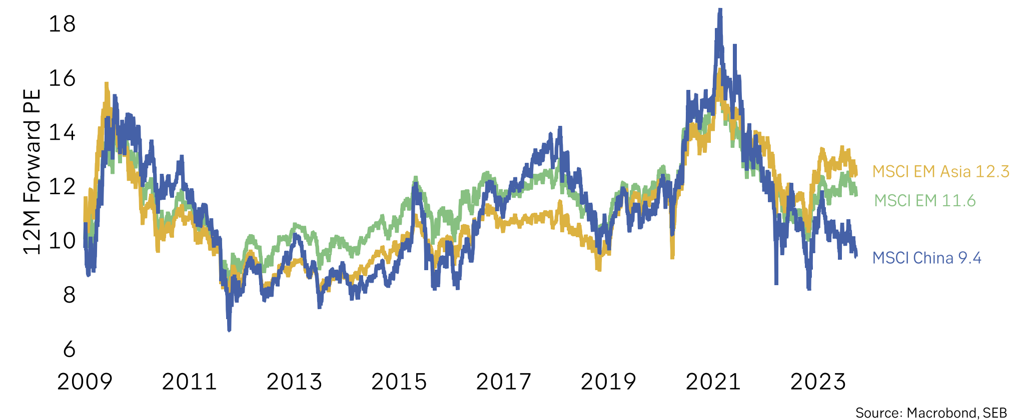
Investors have turned bearish on China due to economic disappointments, a declining property market, and geopolitical challenges, leading to a de-rating of Chinese equities. China's economic and demographic challenges draw comparisons to Japan's so called 'Lost decade', characterized by low growth, deflation, high debt, and a shrinking population. To address this, the PBoC will likely be forced to further cut interest rates, even if it weakens the yuan. While China has rolled out targeted stimulus measures in recent months, their effectiveness remains uncertain, and aggressive fiscal stimulus may be limited due to China's high public debt.

On the upside, Chinese equities have already priced in the negative news via a de-rating and could be close to a turnaround. Furthermore, the low equity valuations can limit further downside risks and provide a cushion against external negative shocks in our view. Moreover, China's growth prospects still surpass developed markets, despite the downturn in the Chinese property sector, one of its key growth drivers.

The strong USD trend will likely begin to fade, supporting EM equities

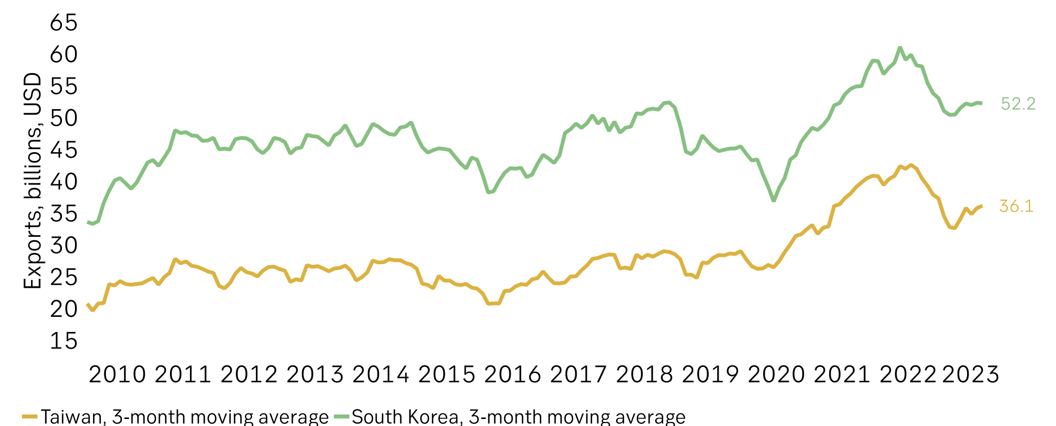
The USD has seen upward moves and appreciated amid heightened recession fears at the beginning of the year and tightening US monetary policy. However, we think the USD should weaken as recession fears fade due to resilient US hard data. Moreover, the Fed is nearing the end of its tightening cycle and will eventually begin to shift towards lowering interest rates, putting downward pressure on the USD. A weaker US dollar should support EM equities.

Figure 1: Easing monetary policy should support EM growth and equities



Source: Macrobond, SEB

Figure 2: South Korean and Taiwan exports troughed earlier this year, signaling a potential rebound in external demand



Source: Macrobond, SEB

SEB

Corporate Bonds – 12M Outlook

Over a 12-month horizon we prefer corporate bonds over government bonds

Our base case scenario for the next 12 months is a 'goldilocks' or 'soft landing' scenario with moderate growth and cooling inflation –avoiding any sharp downturn or recession. In this scenario, we anticipate central banks to cut interest rates gradually, starting next year as inflation approaches target levels.

Corporate bonds should outperform government bonds in a goldilocks economy

In a soft landing/goldilocks scenario, declining interest rates amid gradual monetary easing should benefit both corporate and government bonds. Nevertheless, corporate bonds should outperform government bonds as government bond yields drop modestly, while credit spreads tighten.

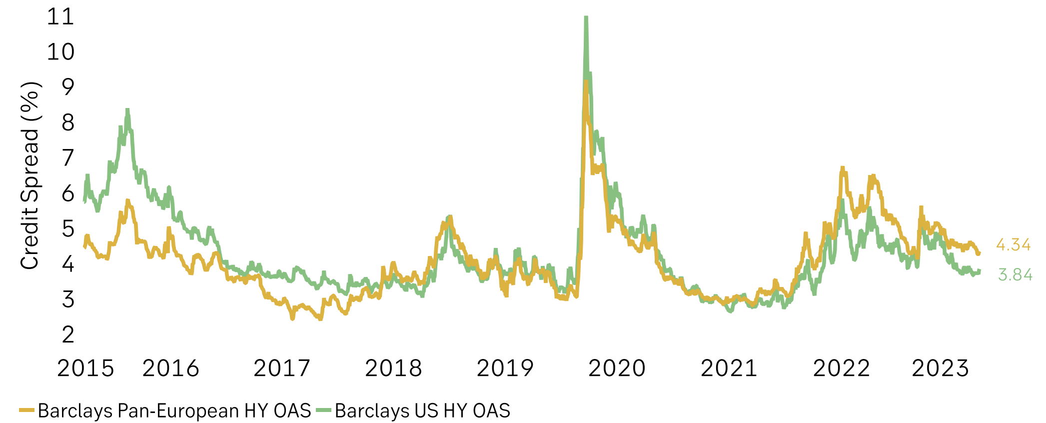
High-yield corporate bonds should outperform investment-grade bonds in a soft landing scenario

In a soft-landing scenario characterized by stable growth and increased risk appetite, high-yield corporate bonds are poised to outperform their investment-grade bonds. Given their higher yields compared to investment-grade bonds, high-yield bonds should become more appealing, especially as concerns about a potential recession diminish. As expectations for corporate earnings improve and default rates remain relatively low, we can expect the HY credit spreads to tighten.

Downside risks to our 12-month outlook

Having said that, the uncertainty for the next 12 months is high, given the various macroeconomic scenarios that could play out. There are downside risks to our base case scenario and outlook. One such risk is that inflation proves to be more persistent than anticipated, prompting central banks to maintain higher for longer rates until something breaks in the economy. Additionally, there is a possibility that economic growth unexpectedly turns sharply lower, causing a deeper downturn and prompts aggressive rate cuts from central banks. In both scenarios, IG credit spreads are anticipated to broaden modestly, while HY spreads widen significantly due to rising default rates, resulting in that corporate bonds underperforms safer government bonds.

Figure 1: HY credit spreads should tighten in a 'soft-landing'/'goldilocks' scenario...



Source: Macrobond, SEB

Figure 2: ... outperforming IG bonds as risk appetite improves and recession fears diminish.

Source: Macrobond, SEB

Government Bonds – 12M Outlook

We prefer equities and credit over government bonds

Government bond yields should decline with cooling inflation

Labor markets are coming into better balance, which should slow wage growth and inflation. Both the ECB and Fed are probably nearing the end of their hiking campaigns. As inflation eases, we expect central banks to lower rates next year. This should lead to a decrease in government bond yields over the next 12 months.

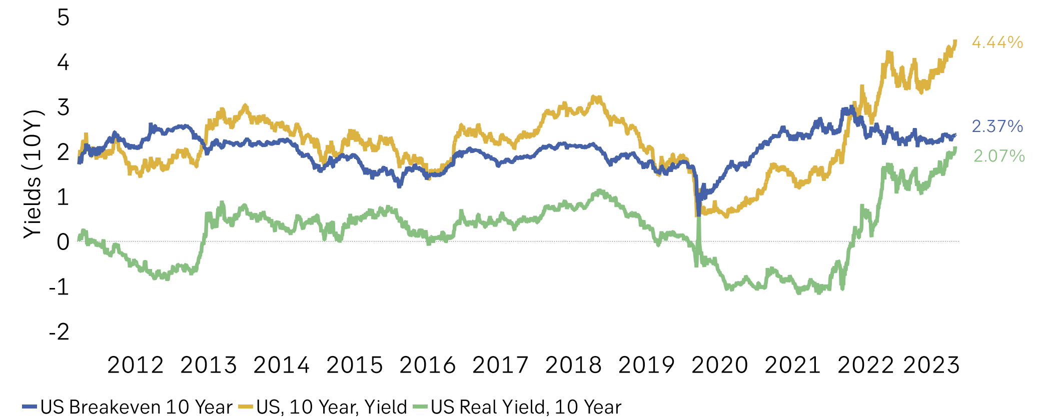
Stocks should outperform bonds in a goldilocks regime

Easing monetary policy should boost both bond and stock prices. However, with reasonable growth and subdued inflation, equities might benefit more than government bonds. As interest rates decline, we expect EPS expectations to climb due to improved economic conditions and rising PMIs. Falling government bond yields also renders equities comparatively more appealing compared to bonds.

Sticky inflation and oil supply shocks could cause bond yields to rise further

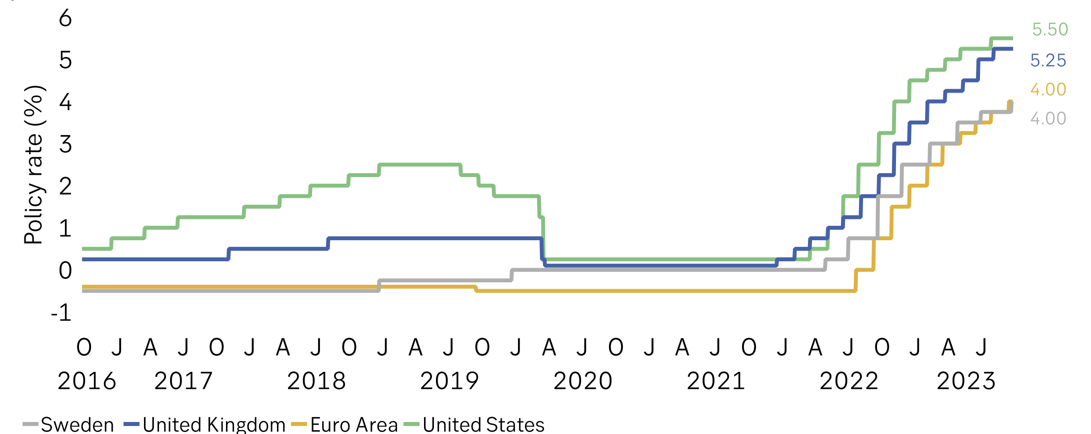
However, there are many scenarios and factors that could prevent or postpone a bond rally. Persistent strength in US consumer spending and labor markets could sustain core inflation, which might compel the Fed to tighten further, driving bond yields upwards. Actions like OPEC further tightening the oil supply could be a catalyst. A surge in global commodity prices would pose an upside risk for inflation and thus bond yields. Rising inflation would likely deter central banks from cutting rates, pushing forward rate cuts expectations. Additionally, China's recovery could gain pace due to numerous new stimulus measures introduced, increasing demand for commodities and exerting upward pressure on commodity prices.

Figure 1: Real bond yields are in positive territory, but we expect real and nominal yields to decline as central banks cut interest rates



Source: Macrobond, SEB

Figure 2: Central banks are probably done raising rates and could start lowering rates next year, which would benefit bonds and stocks



Source: Macrobond, SEB

SEB

Region Overview

Regional equity positioning

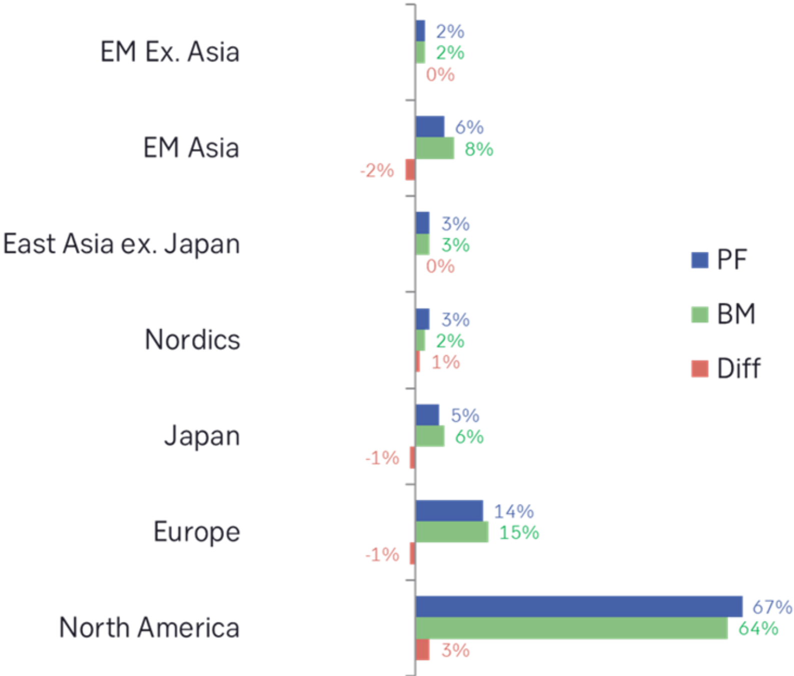
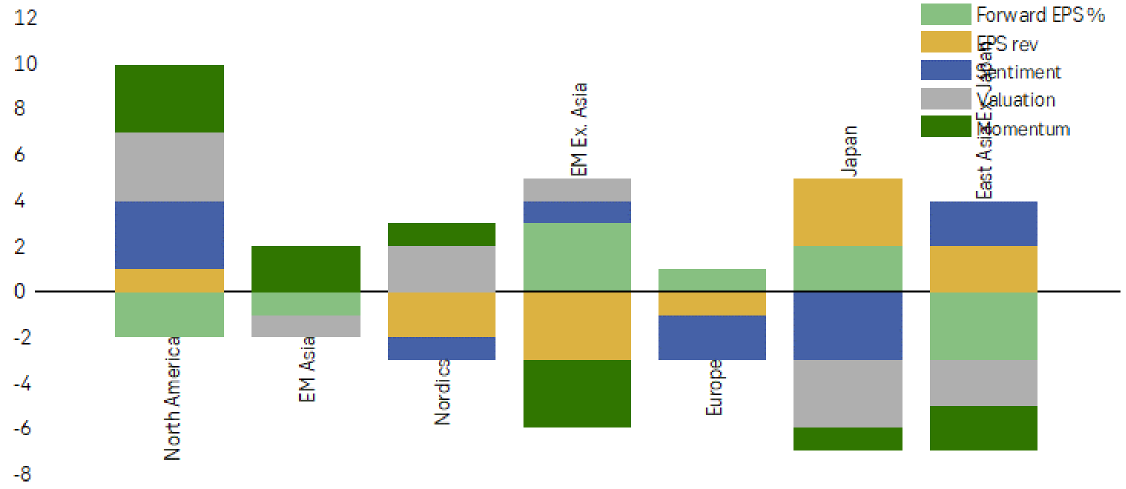


Figure 1: SEB House View region score*



* Ranked by total score with highest score starting from left

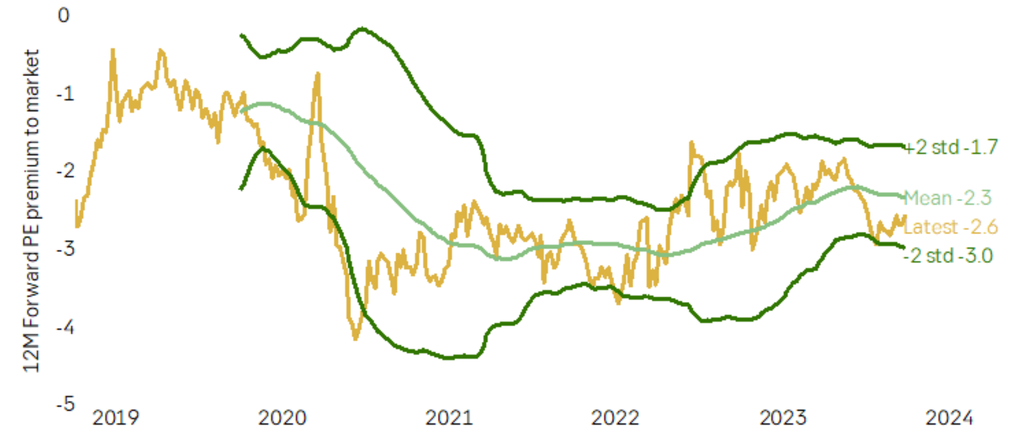
SEB

EM Asia – Underweight

We remain cautious on China, despite recent signs of improvements in macro data, and therefore choose to stay underweight in EM Asia

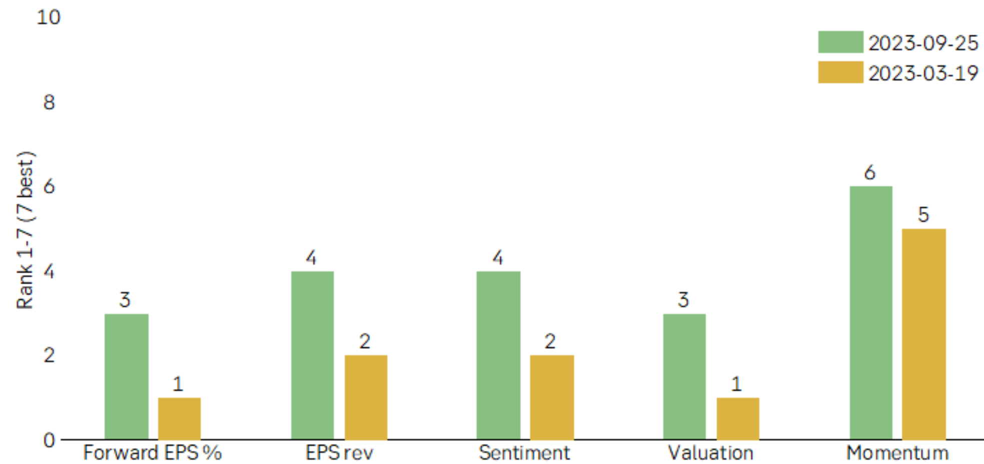
- Macro news from China improved last month, with more positive readings in retail sales, industrial production and new credit data, while CPI returned to positive territory
  - However, a decline in property investments signaled continued weakness in real estate demand
- Policymakers have become more active, and China has introduced many new stimulus measures to boost growth, however, the measures' actual effects are yet to be seen…
- Despite the better data and announced policy measures, the Chinese stock market responses have been tepid, hinting that the bottoming process might be gradual and require patience…
- On the upside, China will likely continue its policy easing, but the upcoming Taiwan election could lead to heightened geopolitical uncertainty in the region
- Overall, given China's very uncertain outlook, we chose to remain underweight in EM Asia

Figure 1: Standardized relative valuation – Current constituents



Source: SEB House View

Figure 2: Contribution to House View Region Score



Source: SEB House View

Figure 3: Absolute valuations – Current constituents

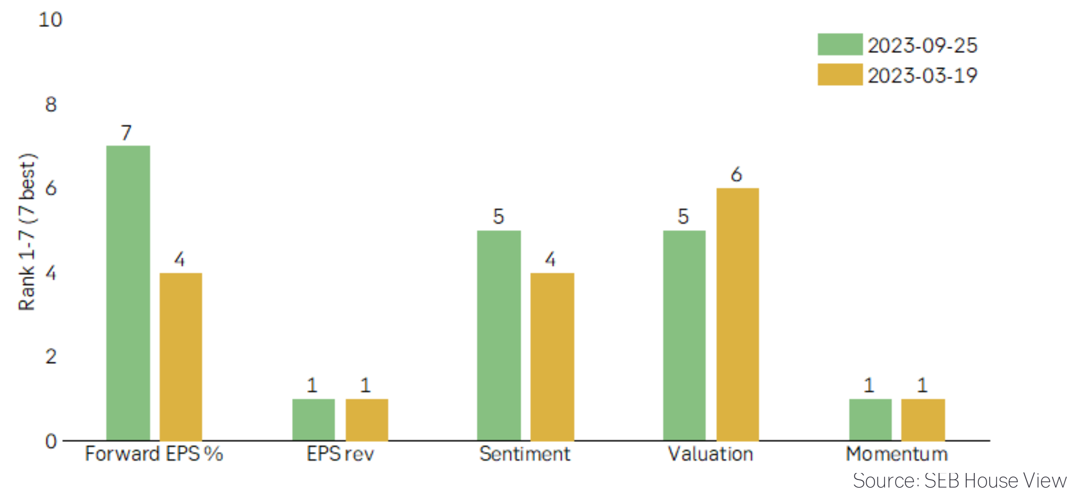
Source: SEB House View

EM Ex Asia – Neutral

Monetary easing should boost growth in the coming months, but currently high interest rates and a stronger USD may pose short-term challenges

- The policy outlook looks favorable with more rate cuts likely in the coming months which should support demand and growth in the region
  - Brazil's central bank anticipates further rate cuts as inflation slows, but concerns arise from the recent pick up in headline inflation, casting doubt on whether the BCB will continue its aggressive rate cuts
- That said, real policy rates in Brazil and Mexico remains extremely elevated and nominal interest rates are above 10%, resulting in high debt servicing costs for both public and private sectors
- The USD has shown some strength recently, and the Fed has signaled another potential rate hike this year, buoying a stronger USD which is not a good backdrop for EM equities overall
- Rising oil prices usually benefits the region, but the duration of the current oil rally which has surged 30% in the last 3 months, remains uncertain. History shows that the price momentum in oil typically fades after such steep rises
- Manufacturing PMIs have been mixed in the region

Figure 2: Contribution to House View Region Score



Source: SEB House View

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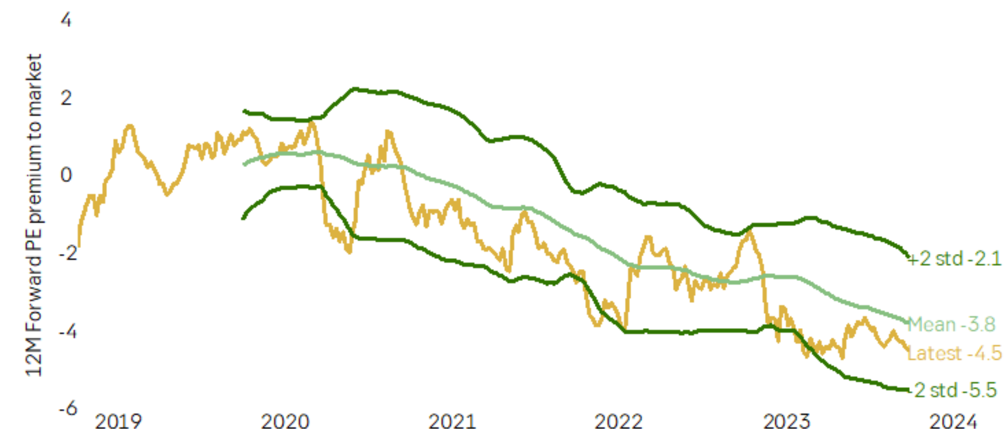

Source: SEB House View

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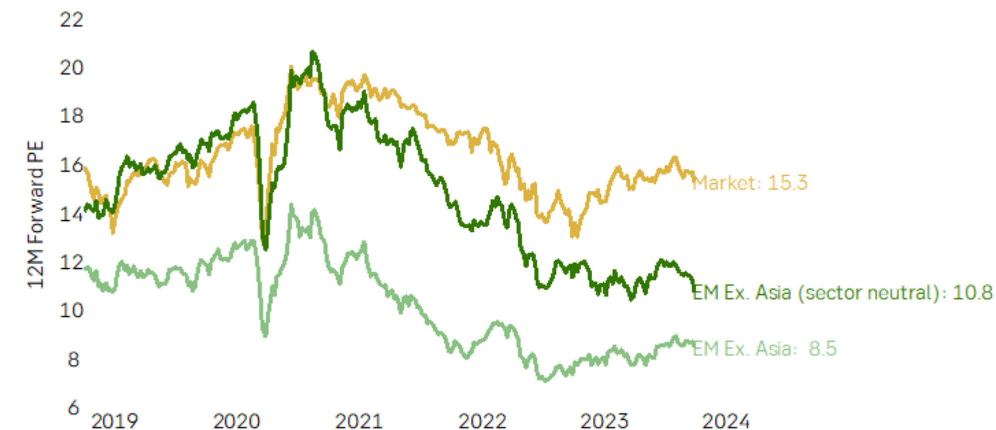


Source: SEB House View

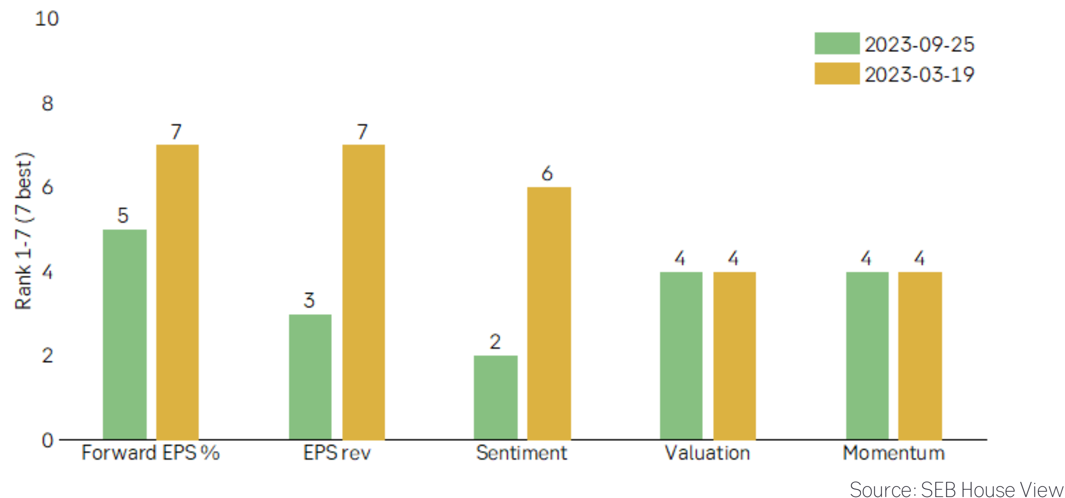
SEB

Europe – Underweight

We keep our underweight to Europe, the growth outlook has become more uncertain as risks loom large in Germany

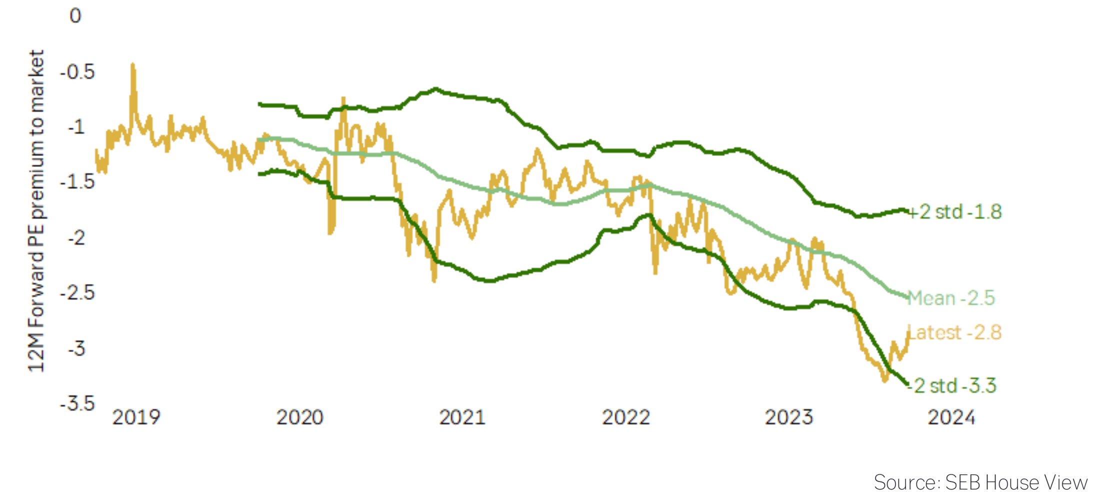
- We earlier shifted our stance on Europe from neutral to underweight, due to the lack of potential positive triggers in the near-term
- Germany, Europe's leading economy, currently acts as a major drag on regional growth
- Soft PMI data also contributes to a gloomier picture with both services and manufacturing PMIs in the eurozone having dropped below 50, signaling a contraction in these sectors
- While Europe might evade a recession as hard data and labor markets have overall been better than soft data indicates, risks are particularly pronounced in Germany
- That said, we are monitoring potential shifts in ECB policy that could revive the region's weakening growth momentum and boost European equity valuations which remain low
- The ECB, after raising rates to a historic high in September, hinted that they might soon conclude their tightening campaign
- Despite economic headwinds in the region due to rising interest rates and stubborn inflation, and a weaker China, forward earnings for European equities have been surprisingly resilient

Figure 2: Contribution to House View Region Score



Source: SEB House View

Figure 1: Standardized relative valuation – Current constituents



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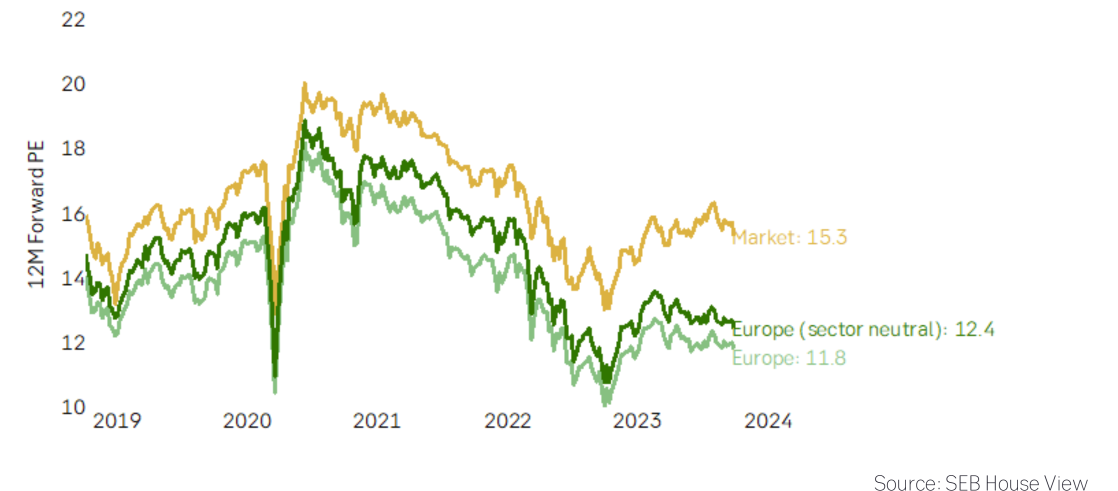


Source: SEB House View

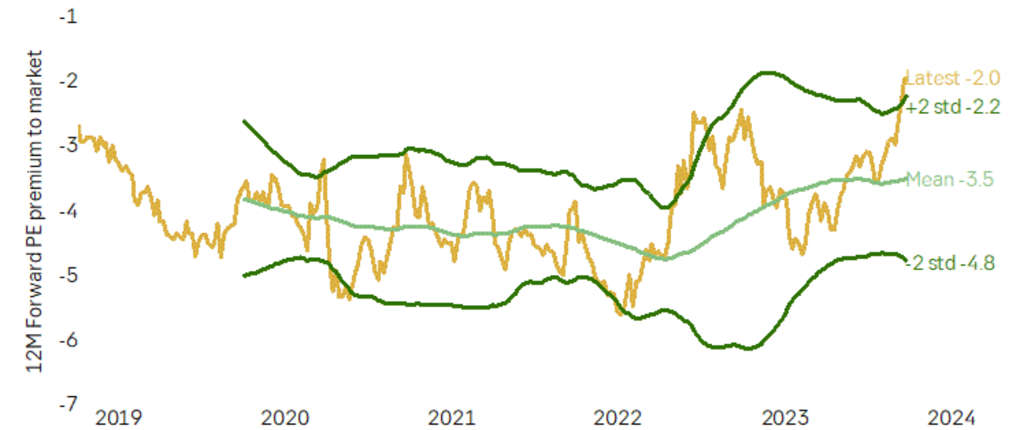
SEB

Japan – Underweight

We remain underweight to Japanese equities due to moderating inflows, negative earnings revisions and risk of rising interest rates

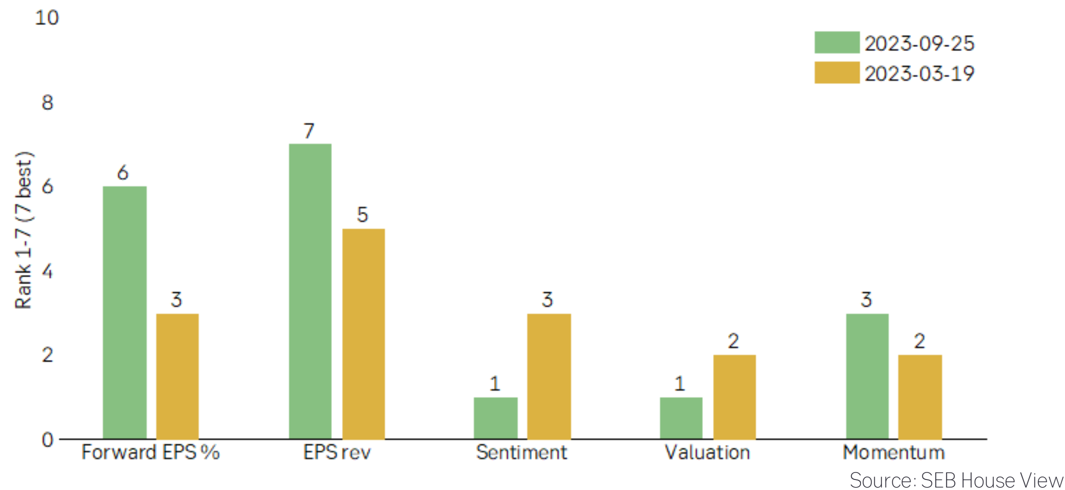
- Economic data in Japan has continued to surprise on the upside despite rising growth expectations, suggesting that macro momentum has so far remained strong
- Having said that, Japan's manufacturing PMI has slid back into contraction after a short-lived uptick, indicating a faster decline of factory activity in September and potentially slowing growth ahead
- On the negative side, earnings revisions for Japanese equities recently turned negative, meaning that the number of downward revisions to earnings surpassed the number of upward revisions
- Despite strong momentum for Japanese stocks over the past months, inflows seem to be fading, which might limit further market gains
- The Bank of Japan has persisted with monetary easing, even as inflation surpasses its target
- Potential tightening from the BoJ and slowly rising rates may limit further gains in Japanese equities

Figure 1: Standardized relative valuation – Current constituents



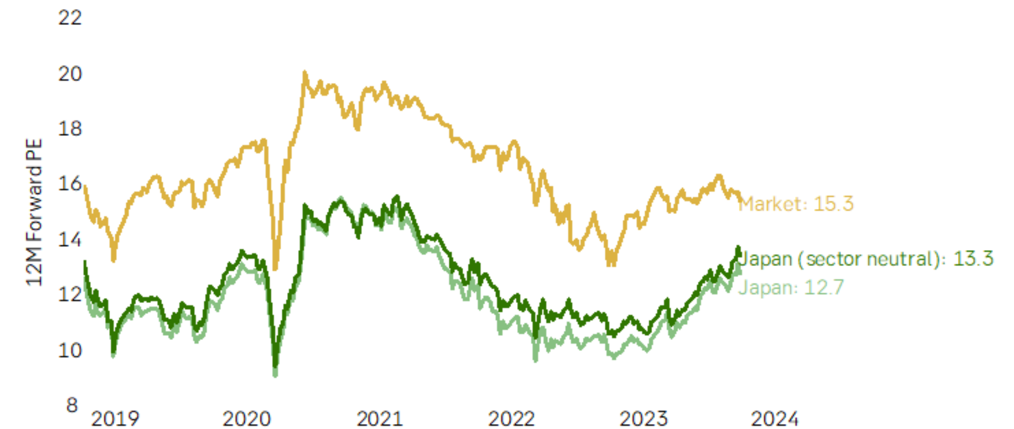
Source: SEB House View

Figure 2: Contribution to House View Region Score



Source: SEB House View

Figure 3: Absolute valuations – Current constituents



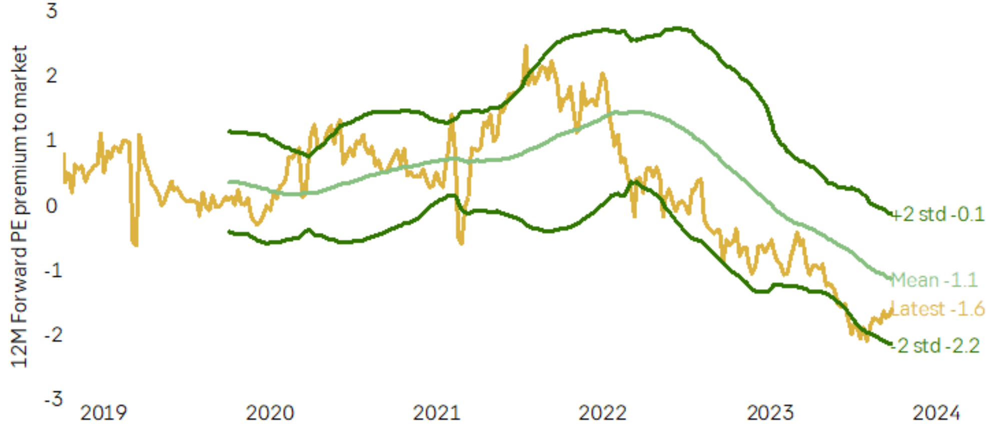
Source: SEB House View

Nordics – Overweight

We remain overweight in the Nordics

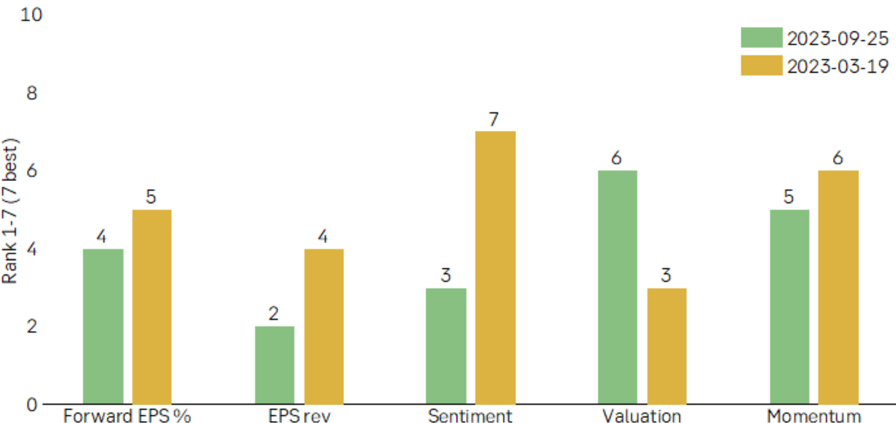
- Value stocks has underperformed growth amid this year's tech rally and could see more inflow as investors look for cheaper value stocks with strong balance sheets and stable cash flows
  - The Nordics has underperformed other regions and is more value-tilted with a relatively high concentration of industrials and banks versus other regions
- We expect a weak Swedish krona to benefit the export-heavy Nordics
  - The Swedish krona has weakened against other major currencies, making Swedish exports still relatively cheap to other countries
- Sweden's Riksbank hiked rates by 25 bps, as expected, in September
- The Riksbank has likely neared the end of its hiking cycle, but it also indicated in its statement that interest rates could rise further if necessary to cool inflation
  - Having said that, Swedish equities, which largely consist of industrial companies and banks, usually outperform other sectors amid rising interest rates and inflation

Figure 1: Standardized relative valuation – Current constituents



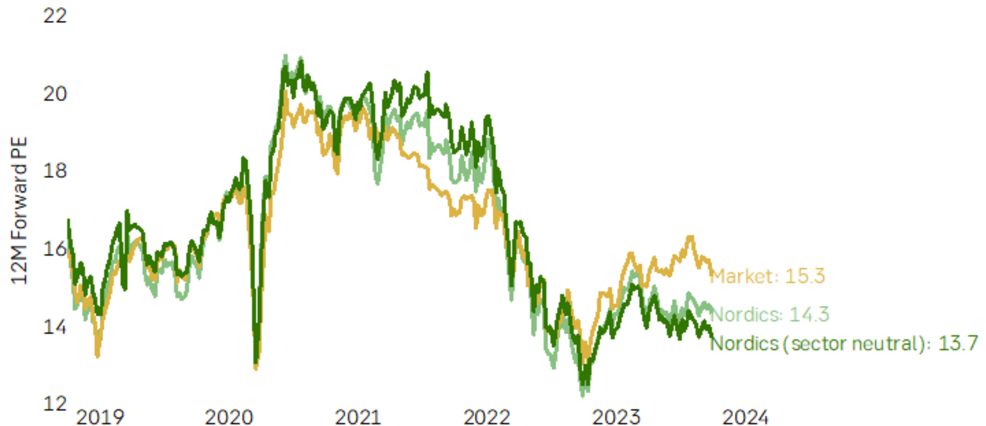
Source: SEB House View

Figure 2: Contribution to House View Region Score



Source: SEB House View

Figure 3: Absolute valuations – Current constituents



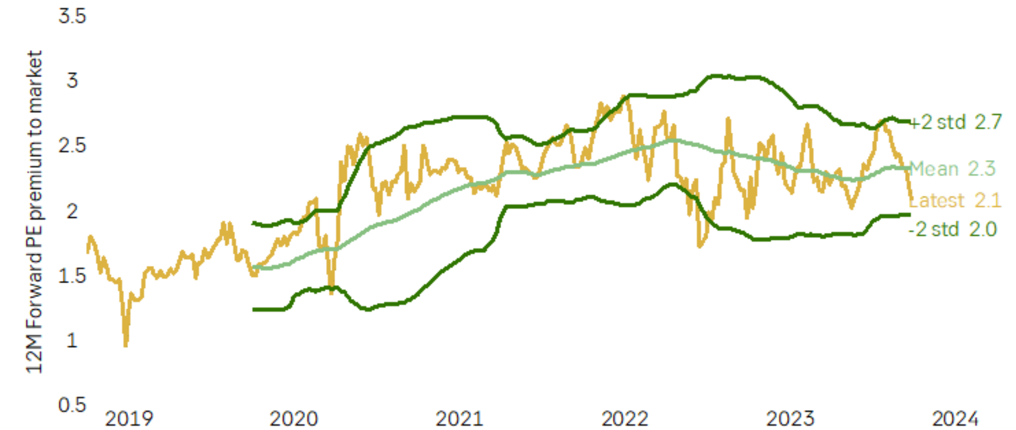
Source: SEB House View

North America – Overweight

We stay overweight to North America as US equities could benefit from the US economy which remains stronger than expected, while Europe is weaker, and China remains uncertain

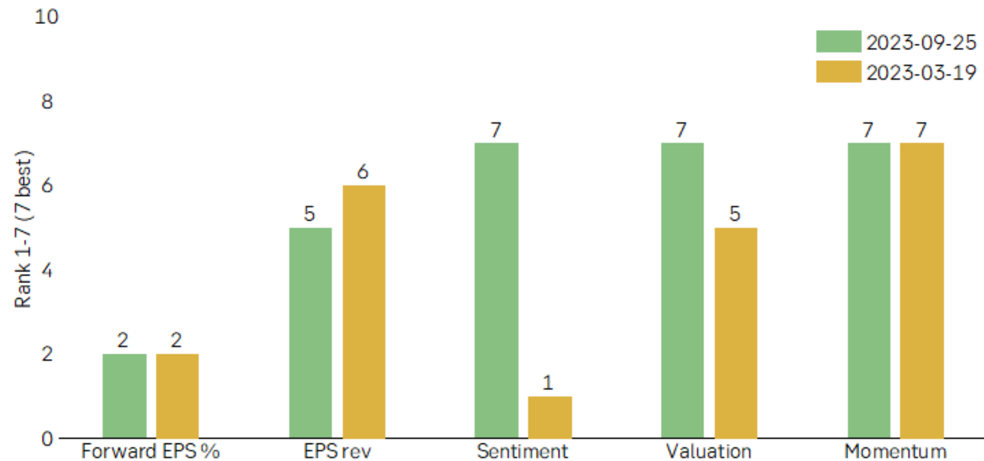
- The Fed kept rates stable in September, as expected, but signaled prolonged higher rates
- The Fed's latest projections also hinted at one more rate hike this year, but we think the Fed is close to conclude its hiking cycle, if inflation data continues to moderate
- Historically, US equities rise between the Fed's last hike and first cut, suggesting a potential market boost if no recession occurs
  - We believe the risk of a US recession is low, as positive economic data surprises and momentum continue, driven by solid consumer spending and a strong labor market
- On the downside, US equity valuations are relatively high, earnings revisions have turned negative, and a looming US government shutdown could add to heightened uncertainty
  - That said, the robust US economy could still produce solid corporate earnings and leading to positive EPS surprises, while the uncertain climate in Europe and China might drive more inflows to the US, especially as US assets are seen as defensive

Figure 1: Standardized relative valuation – Current constituents



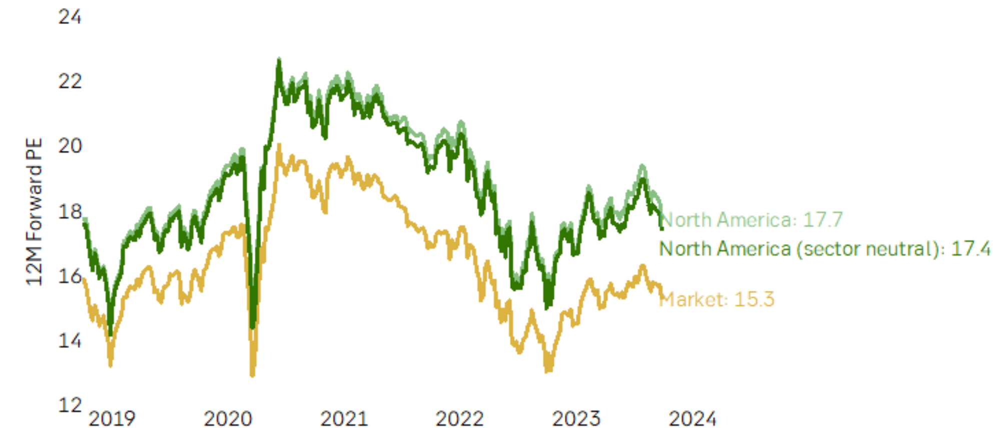
Source: SEB House View

Figure 2: Contribution to House View Region Score



Source: SEB House View

Figure 3: Absolute valuations – Current constituents



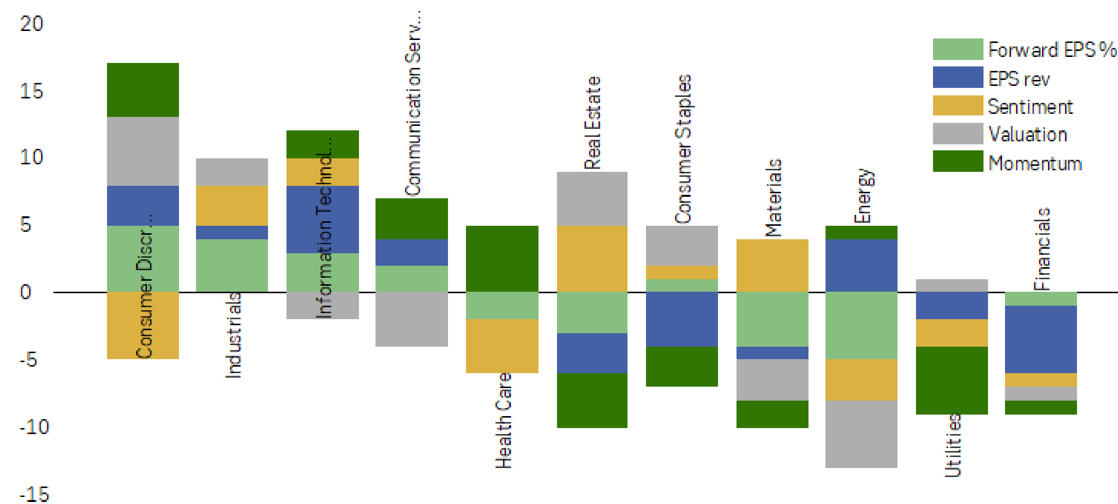
Source: SEB House View

Sector Overview

Sector	UW	N	OW
Communication Services		N	
Consumer Discretionary		(N)	OW
Consumer Staples	UW		
Financials		N	
Health Care		N	(OW)
Industrials			OW
Information Technology		(N)	OW
Materials		N	(OW)
Utilities	UW		

* We do not take views on Energy or Real Estate. The former is too much of an oil call and the latter is too small a sector. (X) Indicates last months positioning.

Figure 1: SEB House View sector score



Source: SEB House View

Overweight – Consumer Discretionary, IT and Industrials

We remain overweight in consumer discretionary

- Earnings estimates have been revised upward and the EPS outlook for the sector has improved
- The low risk of a US recession, resilient US durable goods demand and elevated inflation will likely support corporate earnings, which should lead to higher returns for consumer discretionary

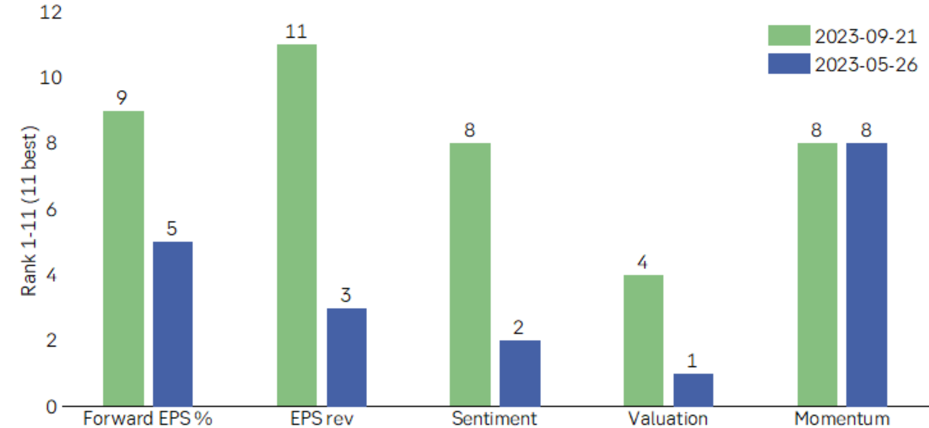
We keep our overweight in Info Tech as we expect the recent AI trend to continue

- We believe the AI trend will continue, driven by strong business and consumer demand
- Tech earnings have surpassed expectations, providing investors with consistent growth, and tech stocks will likely remain a preferred choice for investors given the current growth concerns
- The sector provides downside protection during downturns as it is less cyclical, but tech stocks which are interest-rate sensitive, should also re-rate when the Fed cuts rates

We maintain an overweight in Industrials

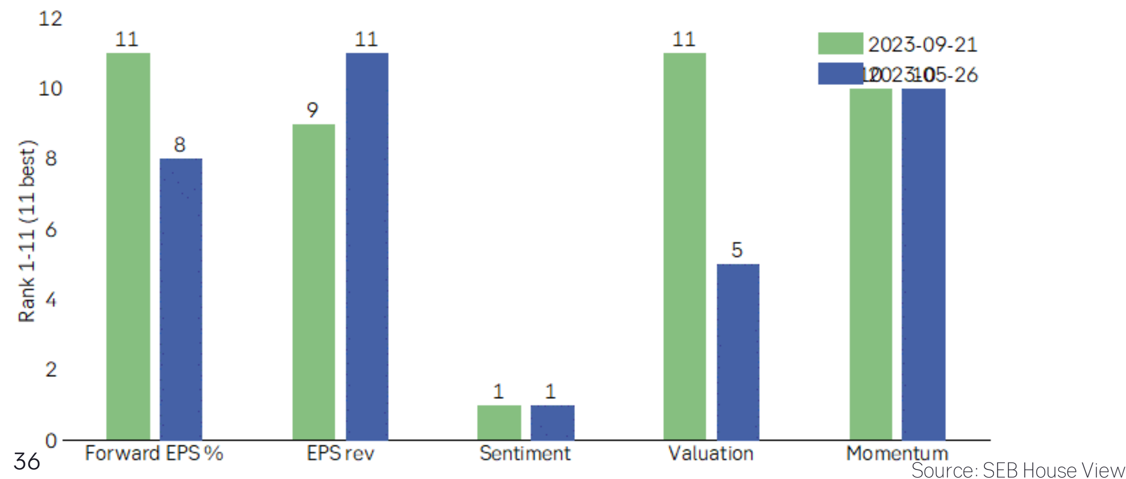
- The sector has a strong EPS outlook and momentum in our House View model
- Furthermore, industrials should benefit from investments in renewable energy and a rise in global capex due to China's economic recovery, although China has disappointed lately

Figure 1: EPS estimates for Info Tech have seen significant upward revisions



Source: SEB House View

Figure 2: The earnings growth outlook for Consumer Discretionary has improved



Source: SEB House View

Figure 3: The EPS outlook for Industrials remains solid

Source: SEB House View

Underweight – Consumer Staples and Utilities

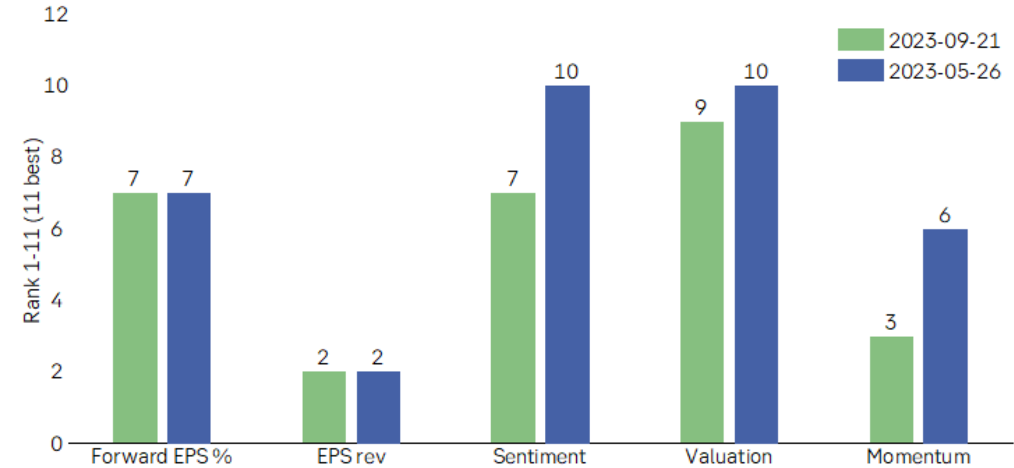
We remain underweight in consumer staples

- We expect this year's underperformance in defensive sectors, such as staples, to continue
- The risk of a US recession is overstated, in our view, as economic data has been solid
- We also think that the risk of a banking crisis is low as banks are in good shape and deposit outflows have stabilized
- In other words, we see a US soft landing as more likely than a deep recession and think that consumer staples will price this in and continue to underperform over the next months

We prefer to stay underweight in Utilities

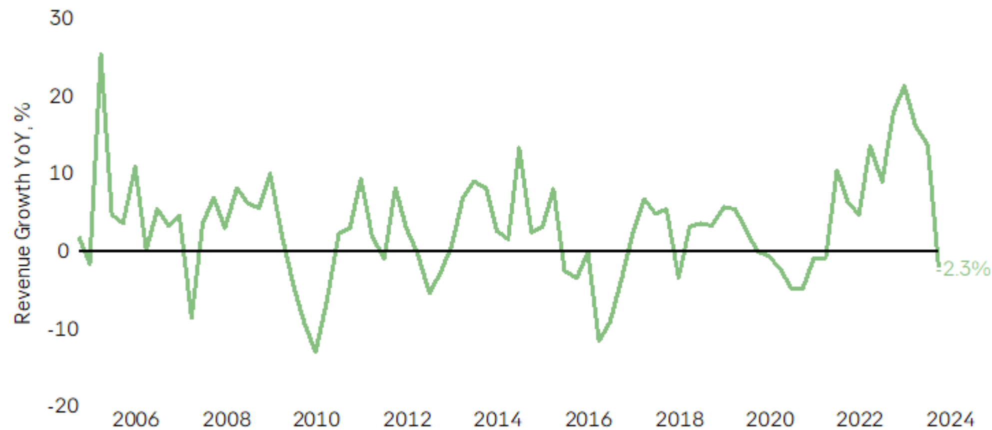
- Utilities are less attractive as stock volatility is low, interest rates are high, and a severe downturn is less likely in our view
- We expect to see more outflows from utilities as investors rotate out of defensive sectors to unloved/cheap cyclical sectors, following this year's tech rally

Figure 1: Our sector model ranks Consumer Staples low compared to other sectors



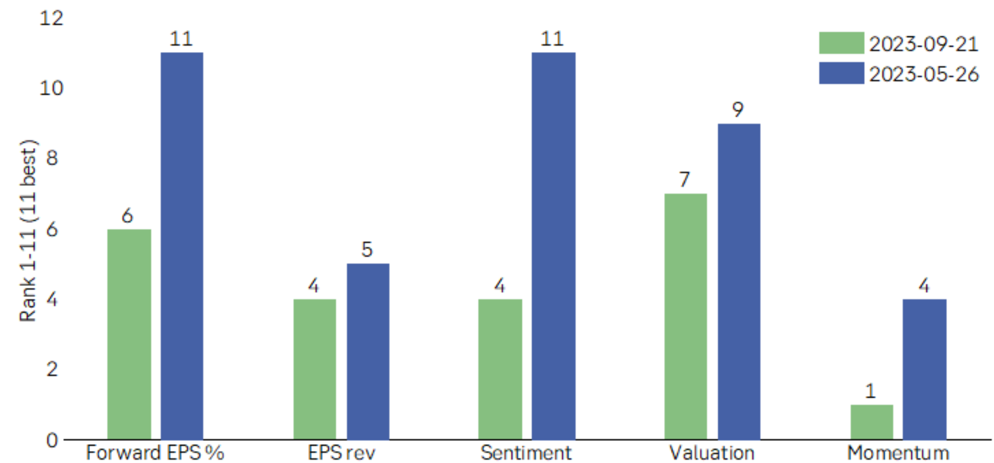
Source: SEB House View

Figure 2: Top-line growth for Utilities has continued to decline



Source: SEB House View

Figure 3: Utilities achieves the second lowest score in our sector model



Source: SEB House View

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Appendix – Inflation Heatmap

US Inflation Indicators

Heatmap based on rolling 10-year Z-scores. Actual data releases are shown below.

	9/2023	8/2023	7/2023	6/2023	5/2023	4/2023	3/2023	2/2023	1/2023	12/2022	11/2022	10/2022	9/2022	8/2022	7/2022	6/2022	5/2022	4/2022	3/2022	2/2022	1/2022	12/2021	11/2021	10/2021	9/2021
Economic Measures																									
Cleveland Fed Trimmed-Mean CPI Y/Y %		4,5	4,8	5,0	5,5	6,05	6,2	6,5	6,6	6,6	6,7	6,9	7,3	7,2	7,0	6,9	6,6	6,2	6,1	5,8	5,5	4,9	4,6	4,1	3,4
Core CPI Y/Y %		4,3	4,7	4,8	5,3	5,5	5,6	5,5	5,6	5,7	6,0	6,3	6,6	6,3	5,9	5,9	6,0	6,2	6,5	6,4	6,0	5,5	4,9	4,6	4,0
Core PCE Y/Y %			4,2	4,1	4,5	4,6	4,6	4,7	4,7	4,6	4,8	5,1	5,2	4,9	4,7	5,0	4,9	5,0	5,4	5,4	5,2	5,0	4,8	4,3	3,9
CPI Y/Y %		3,7	3,2	3,0	4,0	4,9	5,0	6,0	6,4	6,5	7,1	7,7	8,2	8,3	8,5	9,1	8,6	8,3	8,5	7,9	7,5	7,0	6,8	6,2	5,4
PPI Y/Y %		2,2	-1,0	-3,1	-0,9	2,6	3,0	6,3	8,8	8,9	10,5	11,2	11,6	12,8	15,3	18,3	16,8	15,7	15,3	13,7	12,7	12,3	13,3	12,7	11,8
Sentiment																									
Michigan Expected Inflation 12M	4,8	5,6	5,0	5,2	6,3	6,6	5,5	5,9	5,8	6,6	7,3	7,3	6,4	6,5	8,2	8,2	7,4	8,2	8,0	6,0	6,2	6,2	6,8	6,3	6,0
Conf Board Expected Inflation 12M		5,8	5,7	5,8	6,1	6,2	6,3	6,2	6,7	6,6	7,1	6,9	6,8	7,0	7,4	7,9	7,5	7,5	7,9	7,1	6,8	6,9	7,3	7,1	6,5
ISM Services Prices Paid		58,9	56,8	54,1	56,2	59,6	59,5	65,6	67,8	68,1	70,1	70,9	69,8	72,3	73,2	79,1	80,9	83,2	82,9	83,2	82,9	84,5	83,0	83,2	80,6
ISM Manufacturing Prices Paid		48,4	42,6	41,8	44,2	53,2	49,2	51,3	44,5	39,4	43,0	46,6	51,7	52,5	60,0	78,5	82,2	84,6	87,1	75,6	76,1	68,2	82,4	85,7	81,2
ISM Manufacturing Supplier Deliveries		48,6	46,1	45,7	43,5	44,6	44,8	45,2	45,6	45,1	47,2	46,8	52,4	55,1	55,2	57,3	65,7	67,2	65,4	66,1	64,6	65,0	72,3	75,6	73,4
NFIB Higher Prices		27,0	25,0	29,0	32,0	33,0	37,0	38,0	42,0	43,0	51,0	50,0	51,0	53,0	56,0	63,0	65,0	63,0	66,0	64,0	58,0	57,0	59,0	53,0	46,0
Commodities																									
CRB Raw Industrials Y/Y %	-2,4	-8,8	-6,6	-11,1	-16,6	-17,7	-17,7	-12,9	-9,3	-11,9	-13,4	-13,6	-6,8	-1,1	-3,4	4,2	12,6	19,1	18,6	16,4	21,4	26,6	34,8	37,0	35,1
Lumber Y/Y %						-60,3	-59,1	-70,7	-62,3	-63,7	-44,9	-19,3	-28,0	0,2	-7,7	-30,8	-54,1	-27,0	17,9	22,5	43,7	17,6	24,9	29,6	3,2
Metals Y/Y %	-3,0	-10,7	-4,0	-10,0	-22,9	-25,1	-27,8	-11,8	-4,0	-4,6	-5,8	-15,2	-8,4	0,4	-5,9	7,9	20,4	39,3	40,6	26,8	34,9	27,0	30,9	41,0	43,1
Agriculture Y/Y %	-4,9	-4,6	13,6	3,0	-16,0	-11,2	-13,1	0,1	6,8	9,4	7,8	18,2	24,4	18,7	7,6	31,8	35,1	35,1	45,6	30,9	30,3	33,7	39,4	35,6	43,8
Energy Y/Y %	-18,0	-37,0	-35,3	-38,6	-44,0	-32,3	-33,9	-13,6	14,3	33,9	40,6	22,4	45,4	99,8	76,0	85,7	114,7	98,2	101,4	54,4	62,0	50,0	70,0	80,2	56,8
Wages																									
Weekly Wages Y/Y %		4,2	5,5	4,1	2,5	5,8	4,1	4,7	5,4	4,2	4,9	6,8	6,0	3,9	5,7	6,1	5,8	5,6	6,1	7,4	6,7	6,0	5,0	6,5	6,3
Hourly Wages Y/Y %		4,3	4,4	4,4	4,3	4,4	4,3	4,7	4,4	4,8	5,0	4,9	5,1	5,4	5,4	5,4	5,5	5,8	5,9	5,3	5,7	5,0	5,4	5,4	4,9
Atlanta Fed High Skill Wages Y/Y %		6,3	6,4	6,4	6,5	6,4	6,4	6,2	6,1	6,0	6,0	5,7	5,6	5,3	5,1	5,0	4,7	4,6	4,4	4,2	3,9	3,8	3,6	3,5	3,5
Atlanta Fed Low Skill Wages Y/Y%		5,9	6,0	6,1	6,4	6,3	6,5	6,6	6,6	6,8	6,7	6,7	6,4	6,3	6,0	6,0	5,6	5,0	4,7	4,4	4,2	3,9	3,8	3,7	3,7
NFIB Small Business Wages		36,0	38,0	36,0	41,0	40,0	42,0	46,0	46,0	44,0	40,0	44,0	45,0	46,0	48,0	48,0	49,0	46,0	49,0	45,0	50,0	48,0	44,0	44,0	42,0
Inflation components																									
Shelter CPI Y/Y %		7,3	7,7	7,8	8,1	8,1	8,1	8,0	7,8	7,5	7,1	6,9	6,7	6,3	5,8	5,5	5,1	4,8	4,5	4,3	4,1	3,8	3,5	3,1	2,9
Electricity CPI Y/Y %		2,1	3,0	5,4	5,9	8,4	10,2	12,9	11,9	14,4	13,9	14,1	15,4	15,6	15,2	13,7	12,0	11,1	11,1	9,1	10,5	6,5	6,5	6,4	5,2
Education CPI Y/Y %		1,6	2,0	2,0	2,3	2,3	2,3	2,3	2,3	2,3	2,0	2,1	2,1	2,8	2,3	2,2	2,1	2,1	2,1	1,9	1,9	1,8	1,9	1,8	1,7
Car Rental CPI Y/Y %		-6,8	-7,2	-12,4	-12,4	-11,2	-8,9	-0,8	1,8	-4,2	-5,7	-3,3	-1,2	-5,9	-12,1	-8,7	-1,6	9,7	23,4	25,3	30,9	37,3	37,1	38,9	43,1
Recreation CPI Y/Y %		6,1	6,2	5,9	5,8	6,4	6,0	6,3	5,7	5,7	5,4	3,9	4,1	4,2	4,5	4,7	4,8	4,4	4,8	5,1	5,1	3,3	2,8	3,8	3,5
Drugs CPI Y/Y %		4,2	3,8	3,8	4,0	3,6	3,2	2,9	3,2	2,8	2,8	2,9	3,5	4,0	3,5	3,1	2,3	2,1	2,7	2,5	1,3	0,2	0,0	-0,4	-1,6
Market indicators																									
US 5Y Breakeven	2,3	2,3	2,2	2,2	2,2	2,3	2,4	2,6	2,3	2,3	2,4	2,7	2,5	2,8	2,6	2,8	2,9	3,4	3,6	3,0	2,8	2,8	3,0	2,9	2,4
US 5Y/5Y Breakeven	2,4	2,4	2,4	2,2	2,3	2,2	2,2	2,2	2,2	2,1	2,2	2,4	2,3	2,3	2,2	2,3	2,2	2,6	2,4	2,1	2,1	2,2	2,2	2,4	2,1
10Y - 2Y Yield Spread	-68,0	-72,6	-101,5	-99,8	-60,7	-61,4	-50,7	-78,2	-69,6	-59,5	-76,3	-26,4	-41,1	-29,9	-22,4	9,4	19,4	22,5	21,2	38,4	75,0	78,5	103,3	117,5	106,2
Germany 10Y Breakeven	2,4	2,4	2,3	2,3	2,3	2,4	2,3	2,4	2,0	2,2	2,2	2,3	2,4	2,5	2,0	2,2	2,4	2,9	2,5	1,9	1,7	1,8	1,7	1,9	1,6
Japan 10Y Breakeven	1,2	1,1	1,1	1,0	0,9	0,7	0,6	0,7	0,6	0,9	0,9	0,9	0,9	0,8	0,9	1,0	0,9	0,9	0,8	0,6	0,6	0,4	0,4	0,4	0,3

■ Standard deviations above mean shaded in darker red ■ Close to mean ■ Standard deviations below mean shaded in darker blue

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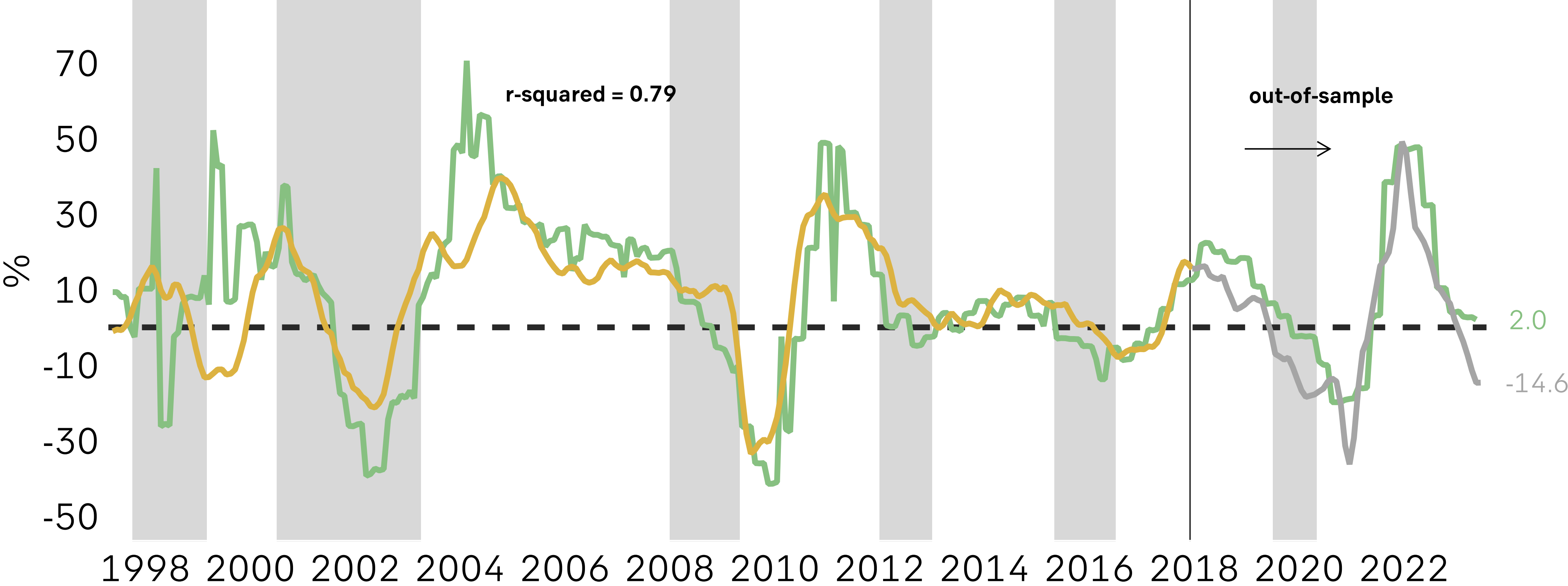
Appendix – Global EPS Growth



Source: Macrobond, SEB

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