SEB House View

20 December 2023

SEB

Agenda

03 **Overview**

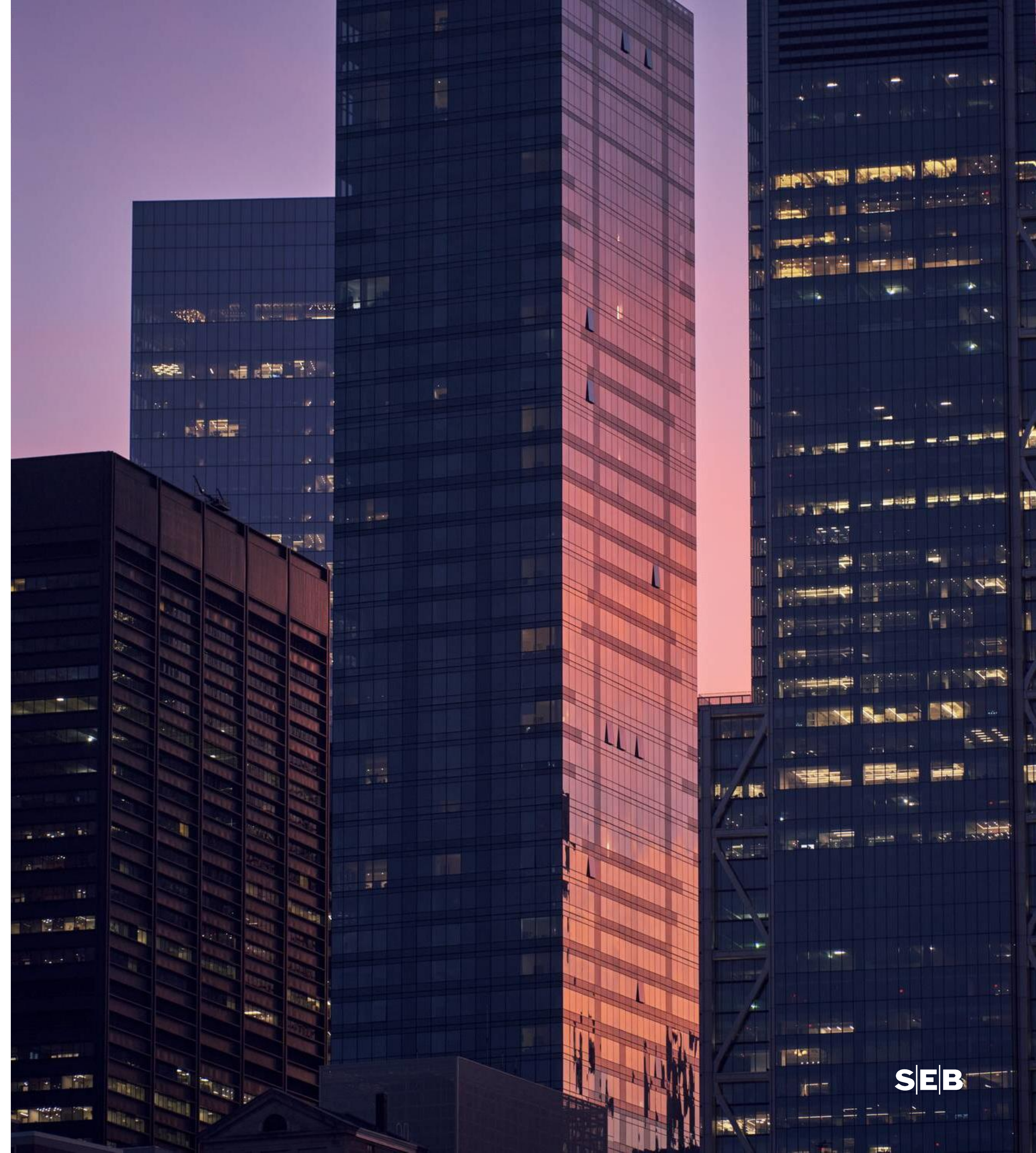
11 House View factors

13 Macro and Markets

17 Markets and Fair Value Indicators

22 In Focus

26 Asset Class and Sector Views



Lower inflation boosts risk appetite

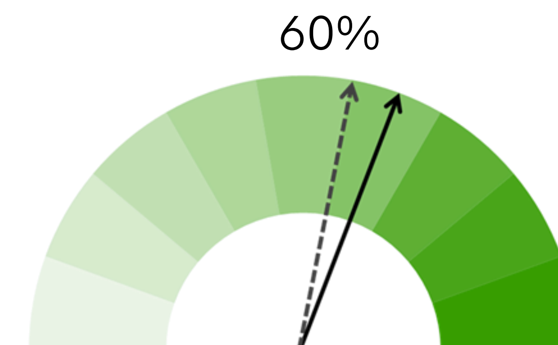
- Positive inflation data and confirmation of a soft-landing scenario drive markets. The Fed adds to the positive tone by signaling rate cuts in H2 2024
  - In the past two months, inflation data has surprised globally showing a faster pace of disinflation than expected by most economists and central banks
  - Looking at the US core PCE rate of inflation, the 3-month annualized pace has fallen to close to 2% which is the target of the US Federal Reserve
  - Markets have quickly moved to price substantial rate cuts from the Fed and ECB – both equities and bonds have reacted in a very positive way
  - Economic data has confirmed that growth is about to slow and the soft-landing scenario still looks to be the most likely outcome, which is supportive of a continued positive stance on risk utilization
  - In many countries the private sector is in a good shape financially, not least banks. This fact supports the soft-landing scenario
  - Current dovish pricing on central bank expectations and near-term inflation data are near-term risks, but we are, however, convinced that central banks will ease policy next year
  - Our research (enclosed in the presentation) looks at the current positioning in US equities
    - Even though we have already seen a substantial rally, we do not think that investors are yet substantially overweight in equities
- We raise our light pro-risk position to a risk utilization of 60%
  - Markets have rallied substantially in the past six weeks, however, we think the macro environment will continue to be positive for equities as growth and inflation cools
  - We also anticipate a broadening of the market rally, remaining overweight in US and Nordic equities, with a preference for small cap stocks in particular
  - One of the most important arguments for raising risk utilization is that investors are not yet fully invested, in our view. US money market funds holds almost 6 trillion USD and whilst they earn good returns at the moment, interest rates will move lower next year, which will most likely trigger inflows into equities
  - Equity valuations are not excessive yet, although parts of the market are trading at high levels i.e. US Tech. We think earnings estimates look reasonable for 2024; higher in the US where we will see decent economic growth and lower elsewhere where expectations are also lower
  - The obvious risk to our tactical call is the recent market rally and whilst the risk for a correction is real, we think it will be rather shallow, driven by Fed cautioning current expectations for substantial rate cuts. A stronger-than-expected CPI print could also trigger a correction.

Investment Regime

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

Inflation moderating more quickly	Strong balance sheets generally	Earnings should improve in 2024
Robust US growth but weakening	Soft landing is our main scenario	Weakness in China, but with tentative signs of support
Global central banks expected to cut rates in 2024		Short term risk of upside CPI surprises & bullish consensus

Speedometer



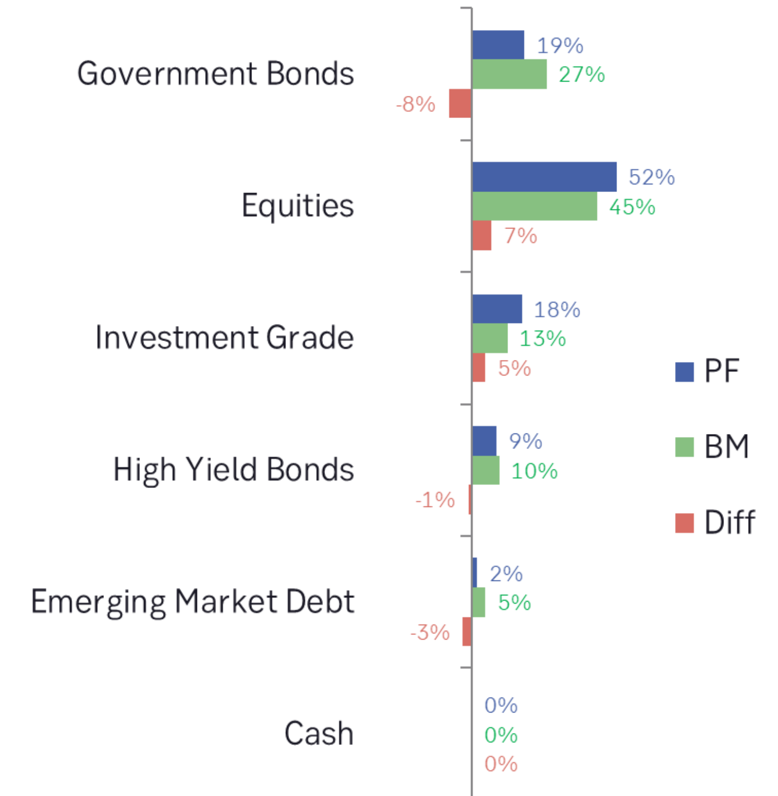
The speedometer controls to what extent the portfolios should utilize their risk budgets. It is connected to the model portfolio (page 4) which at all times utilizes its risk budget in-line with the speedometer. In a very general sense it can be interpreted as equities on/off (with 50% being neutral).

Asset Allocation

Lower inflation data and rising expectations of a soft landing have boosted portfolio returns from all asset classes

- We continue to run a strategy to benefit from a soft landing scenario, with lower inflation and central bank rate cuts in 2024
- Bonds continue to offer good returns indicating the importance of balancing portfolios
  - In the context of expected lower inflation we think portfolio returns will be increasingly diversified as correlations between equities and bonds will slowly turn more negative
  - A hard landing would surely see bond returns provide a cushion against falling equity prices
  - In the near-term we see better returns from equities versus bonds
  - There is likely better value in the front-end versus the longer end of yield curves
- We increase our overweight in Equities
- Market developments have been broader lately which we also anticipate for next year in contrast to this year, where the magnificent seven stood for most of the moves
  - Importantly, we do not expect a hard landing that will hurt earnings and balance sheets badly
  - The earnings growth look solid and the participation of investors is broadening to larger segments of the market, this is important to have a more sustainable cycle in our view
  - We estimate that investors are not fully invested in the US equity market making the case for more upside in 2024 (see slide 22-24)
- We also increase our underweight in Government Bonds and instead direct our portfolios to the high-quality segment of the corporate bond market
  - The soft-landing scenario fits well with investment grade bonds and we get an alight yield pickup
- Our slight underweight in High Yield bonds is a small risk-reward statement
  - Spreads are tight and risk-reward is not great adding to HY
- We keep our underweight to Emerging Market Debt as we see little near-term pick-up
  - A weaker USD in 2024 will make the case for moving in a more positive direction, which we will monitor closely

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.

SEB

Regional equity allocation

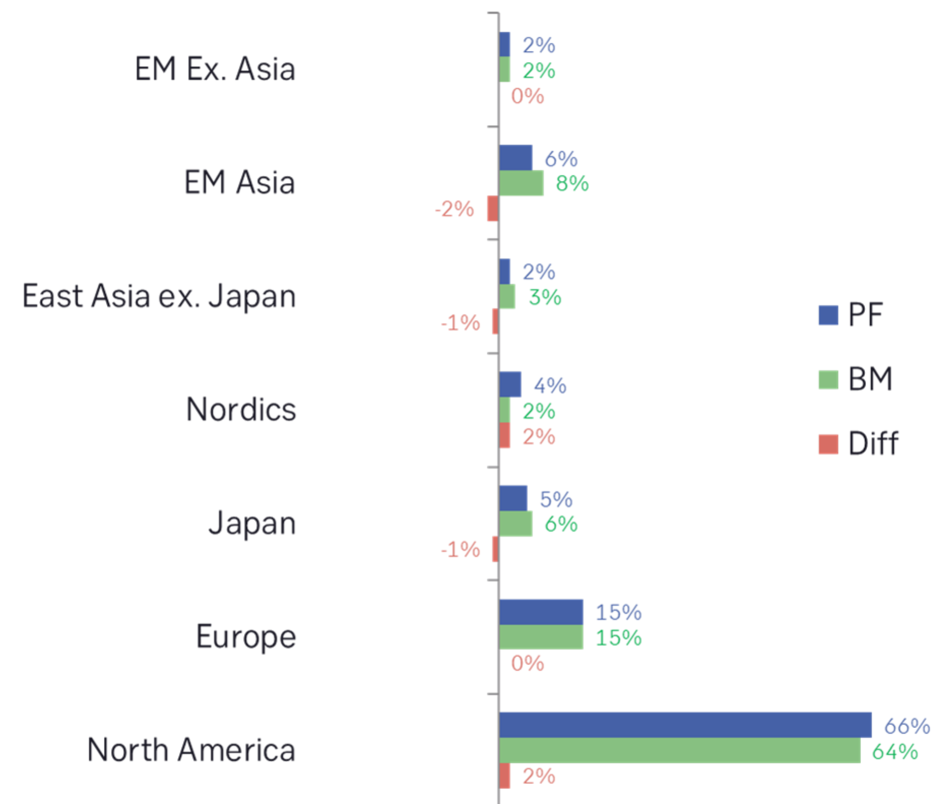
US continues to dominate, but Europe has potential to catch-up in 2024 as parts of the market has been underowned

- Markets have already had a very strong development since our last House View meeting in November and we want to continue to participate in that momentum as the case for a soft-landing has strengthened
- US equities continues to dominate our benchmark and our portfolio remains OW US equities
  - We continue to focus on assets with limited cyclicality and focus more on innovation and growth
  - The valuations gap to Europe and Asia remains, but although US equities trade at a much higher multiple, there is also a gap in EPS growth which continues to supports our preference for the US
  - Although we are seeing tentative signs of stabilization in China and some cyclical Asian exports markets showing rising prospects, the outlook is not sufficiently strong yet to change our stance

Given the outlook for monetary easing and relatively low valuations versus the US, we raise our European allocation to neutral from underweight

  - European growth remains weak and ECB is hawkish (we expect them to cut rates in March 2024) – nevertheless, valuation is looking more promising
  - Investors are very cautiously positioned in the region as well and expectations are muted, likely a weaker USD 2024 will also increase appetite for European assets.
- We raise our overweight in the Nordics further as we believe that sentiment and positioning is still very negative and prospects for stronger SEK (Sweden) speaks for more upside potential
- We think that EM Asia will require a stronger cyclical backdrop before upgrading
  - Although our regional score is signaling attractive level to raise allocation.
  - Growth continues to be weak in China which will also be a limitation for regions that depend on strong export markets including Europe
- We are also lowered the allocation to East Asia ex Japan slightly, as the earnings outlook for the region is weak and we prefer to invest in other regions which have greater potential
- We expect a weaker USD in 2024 vs most currencies
  - The dominance of US markets and their performance has pushed the dollar to historically strong and overvalued levels. The economic weakness of Europe and China validates patience chasing the USD lower but as we approach Fed rate cuts in Q2 2024 we expect a weaker Greenback.
  - Some Nordic assets look very interesting in the combination of a devalued currency and low P/E

Regional equity positioning



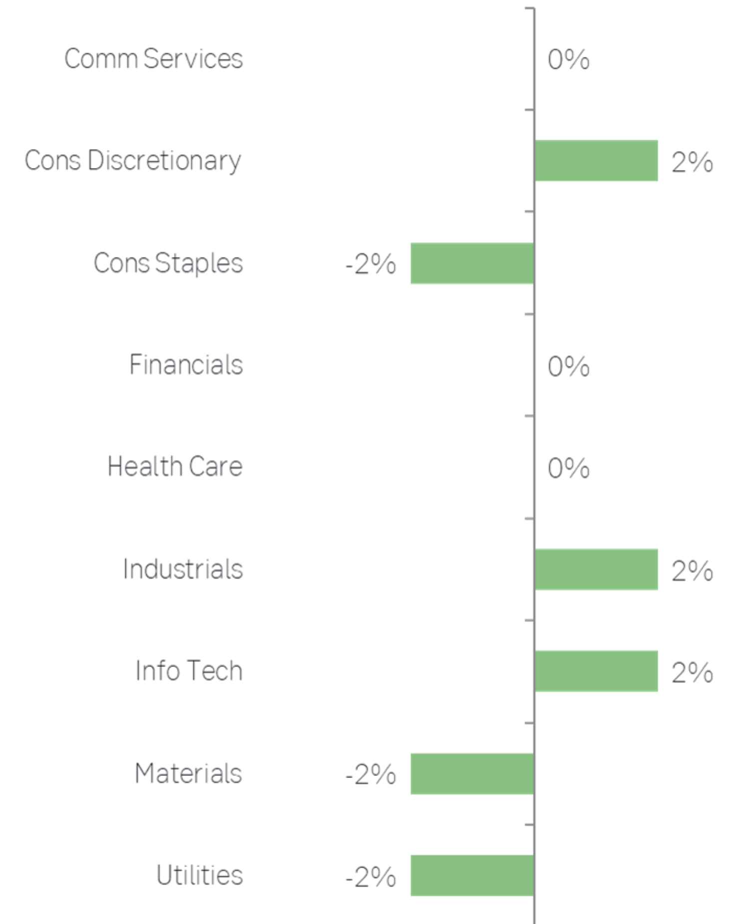
Benchmark is MSCI All Country. Benchmark weights updated by September 2023. Portfolio weights have been adjusted accordingly to keep our active weights unchanged.

Sector allocation

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

- Overall, our sector allocation has worked well this year and we have made only very small changes
  - For the US we continue to believe in the growth factor and the trend in AI-related companies and innovation in the IT sector
- We remain overweight in Consumer Discretionary, anticipating a favorable soft landing
  - In our view, the tight yet cooling labor market, alongside positive wage growth and low unemployment, should support consumer spending even with decreasing household savings
- We keep our overweight in Info Tech as we expect rate cuts and the AI trend to be supportive
  - With anticipated rate cuts by central banks next year, tech stocks are likely to outperform, while being further aided by the ongoing positive AI trend
- We maintain an overweight in Industrials as indicators point to stronger manufacturing growth
  - Positive Korean export growth, a key indicator of the global trade cycle, suggests an upswing in manufacturing activity which should benefit the industrial sector
- We keep an underweight in the low-cyclicality sectors of the portfolio such as Staples and Utilities
  - However, we have raised our allocation in Utilities slightly, whilst still holding an underweight position, seeing as interest rates will likely fall which should benefit the sector.
- We have lowered Materials from neutral to underweight as we believe this sector will be at disadvantage from sluggish growth in housing and construction sectors. It is also one of the most cyclical asset classes
  - Chinese growth continues to be weak, although the government has announced some fiscal support recently
  - Commodity prices remain relatively low despite geopolitical risks, oil prices expected to trade higher 2024

Sector positioning



SEB

Risks to the investment regime

Financial conditions boost activity with inflation rising again

The fast turnaround by markets with higher equity prices and lower bond yields have boosted financial conditions. In the US they are now back a levels last seen in 2022. As markets anticipates a substantial monetary policy easing in 2024, one clear risk is that demand responds, and activity increases more than expected. Without any notable weakness in the labour market and with stronger GDP, the risk is that inflation turns higher again.

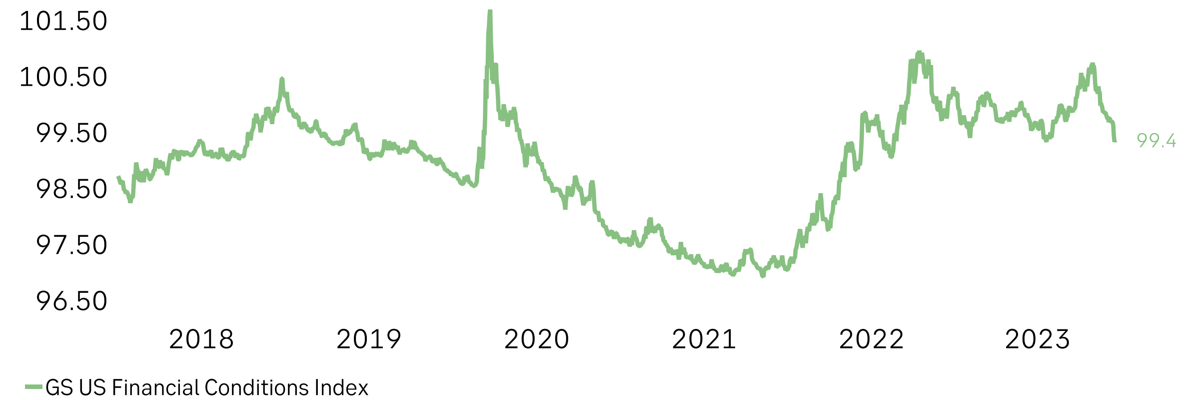
Deep global recession or a severe credit crunch

In accordance with rising bond yields, lending standards have tightened, and this will contribute negatively to weaker consumer and business spending, potentially slowing down the economy hard. However, the exact extent of these effects remains uncertain. US mortgage rates have also risen to historically elevated levels which is a risk for both consumption and the US housing market. Despite solid hard macro data and recent improvements in GDP forecasts, growth is projected to remain below trend. 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. The lags of monetary policy is also unclear and the effects could be more restrictive in 2024 as more businesses and consumers are hit by higher interest rates.

Geopolitical tensions and higher oil prices

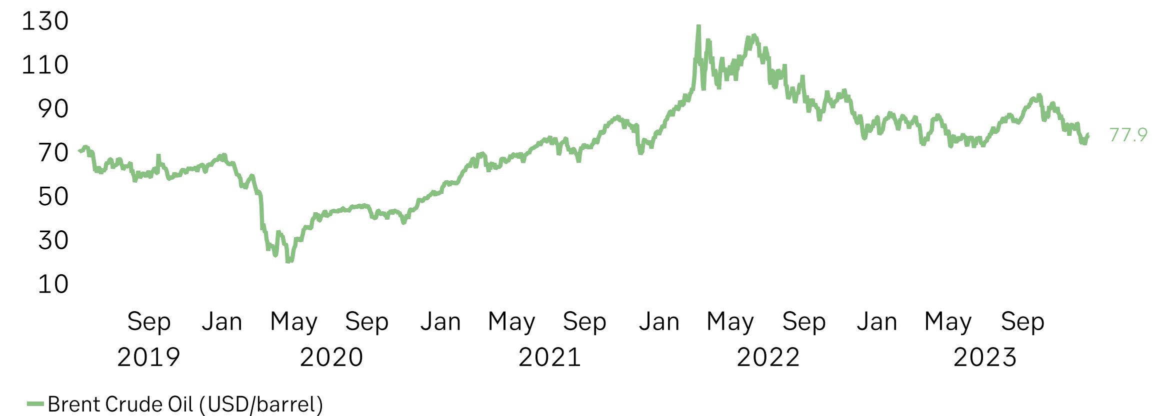
Geopolitical uncertainty has the potential to reduce global risk appetite, which would negatively impact risk assets. The recent events in the Middle East with the conflict between Israel and Hamas has increased geopolitical risk premia. We are yet to see higher oil prices, on the contrary they have fallen substantially since the violence started in Israel and Gaza. The ongoing conflict between Russia and Ukraine remains troublesome for the European outlook and China and the Taiwan/US relation 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 risky assets. Additionally, the upcoming election in Taiwan next year could also lead to heightened uncertainty in markets.

Figure 1: US Financial conditions looser again



Source: Macrobond, SEB

Figure 2: Oil prices remain muted despite elevated geopolitical risks. Upside risk 2024



Source: Macrobond, SEB

Return Estimates

Figure 1: 12 month forward looking return expectations

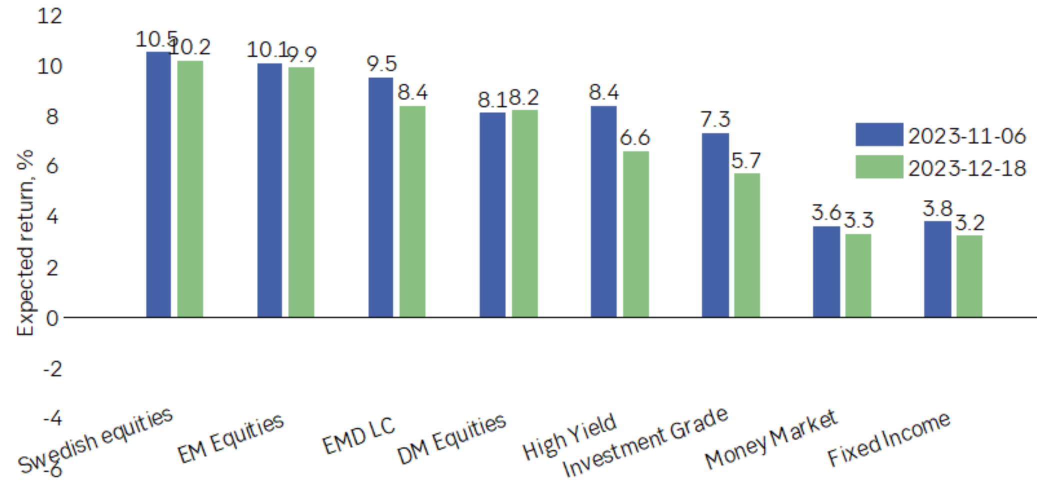


Figure 2: 12 month forward looking return expectations for equities and bonds

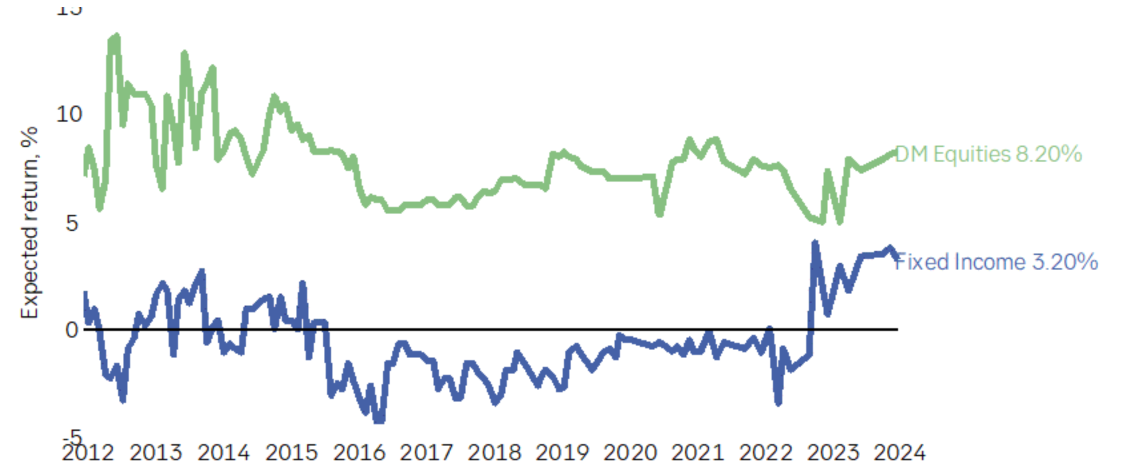


Figure 3: Absolute expected returns

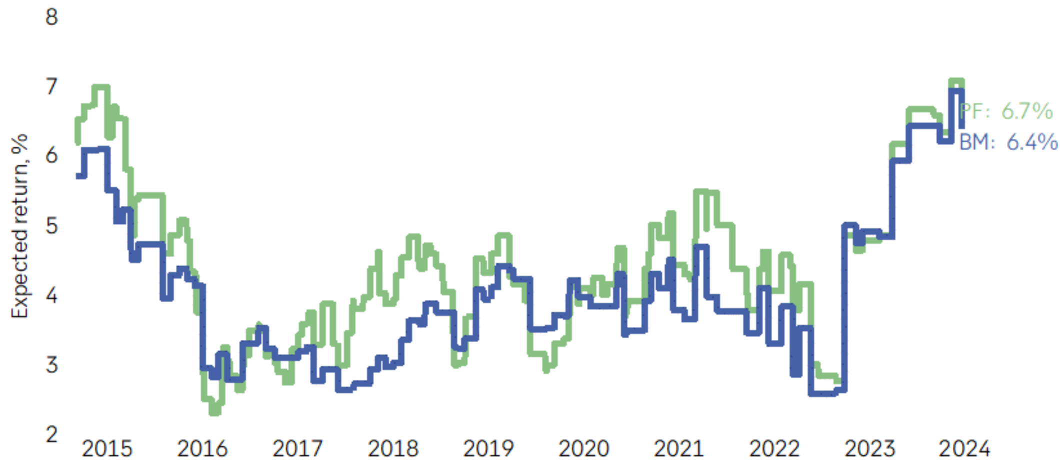
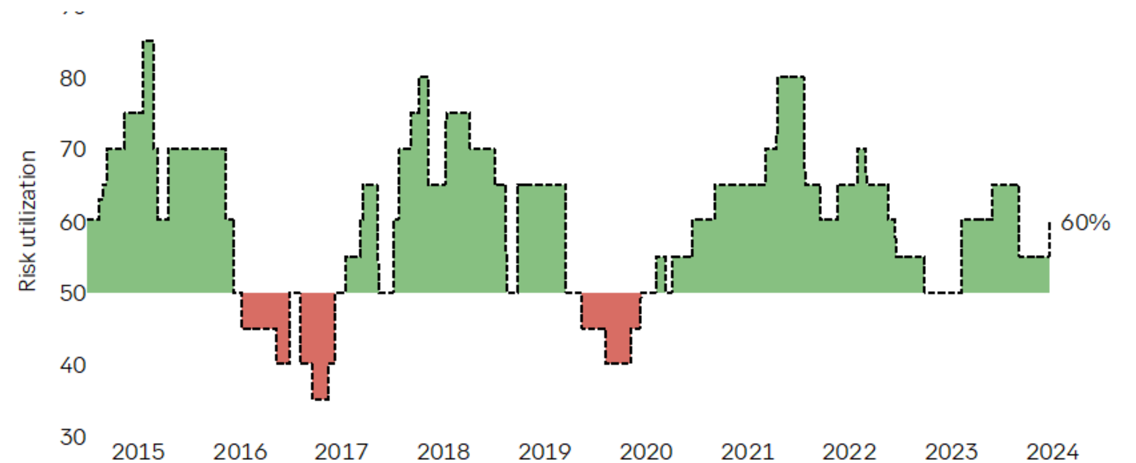


Figure 4: Risk utilization since inception



SEB

Historical House View Allocation

Figure 1: Equities

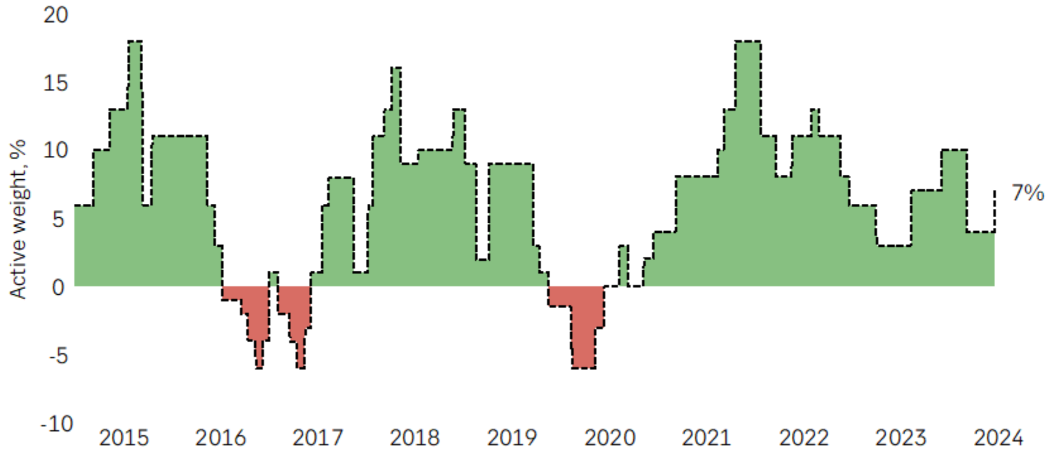


Figure 2: High Yield

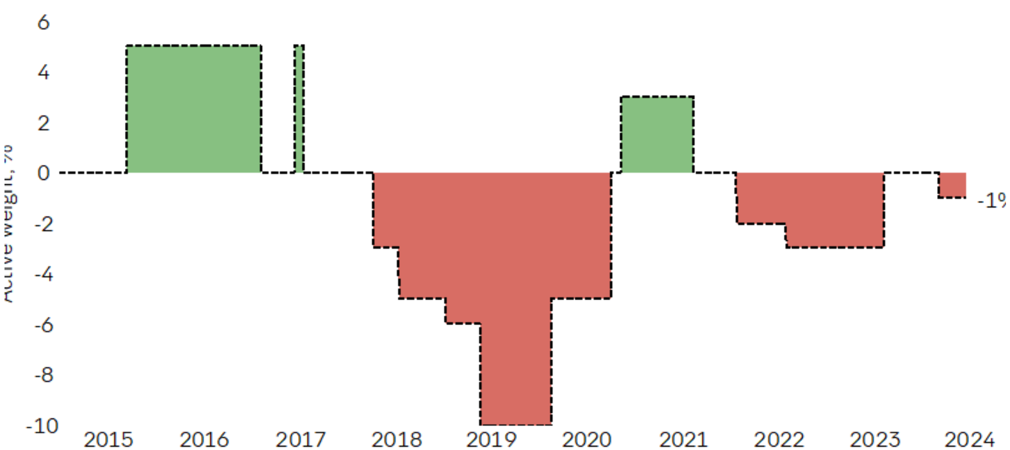


Figure 3: Emerging Market Debt

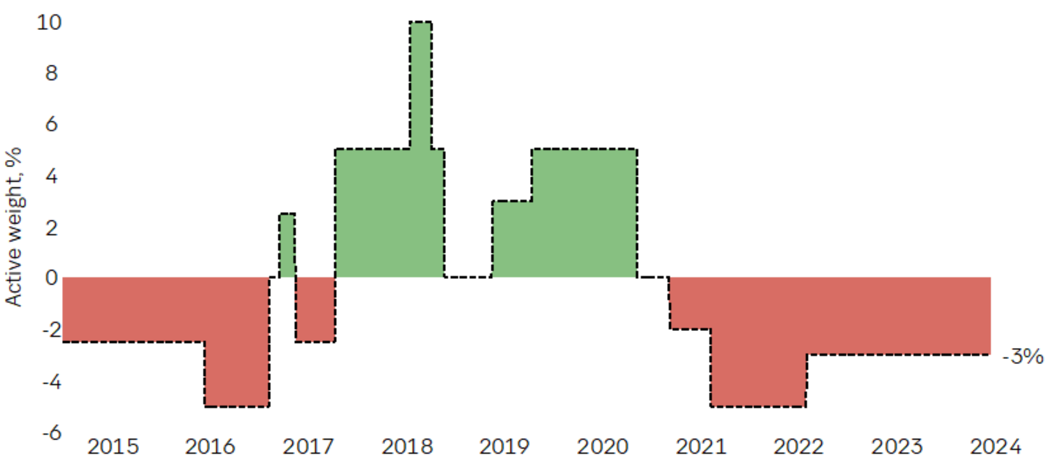
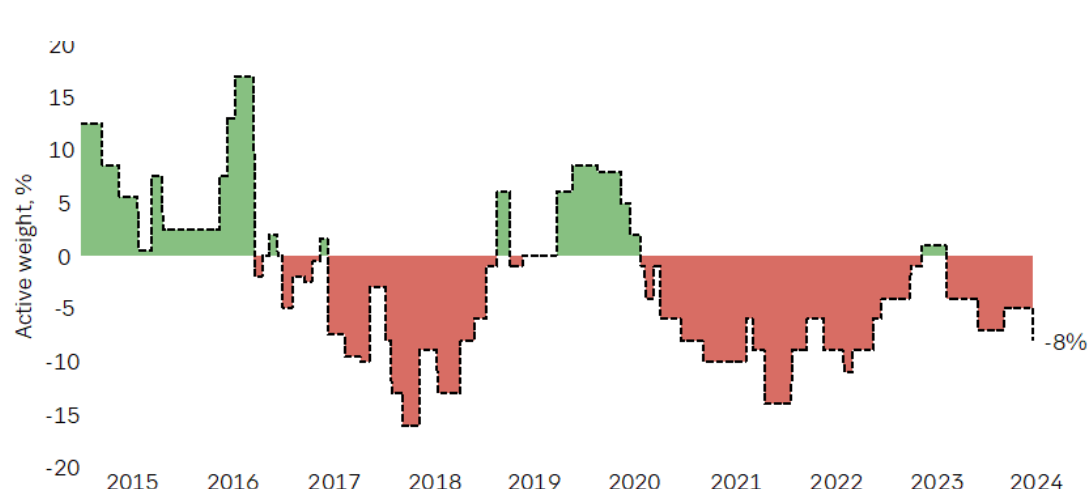


Figure 4: Fixed Income*



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

Agenda

03 Overview

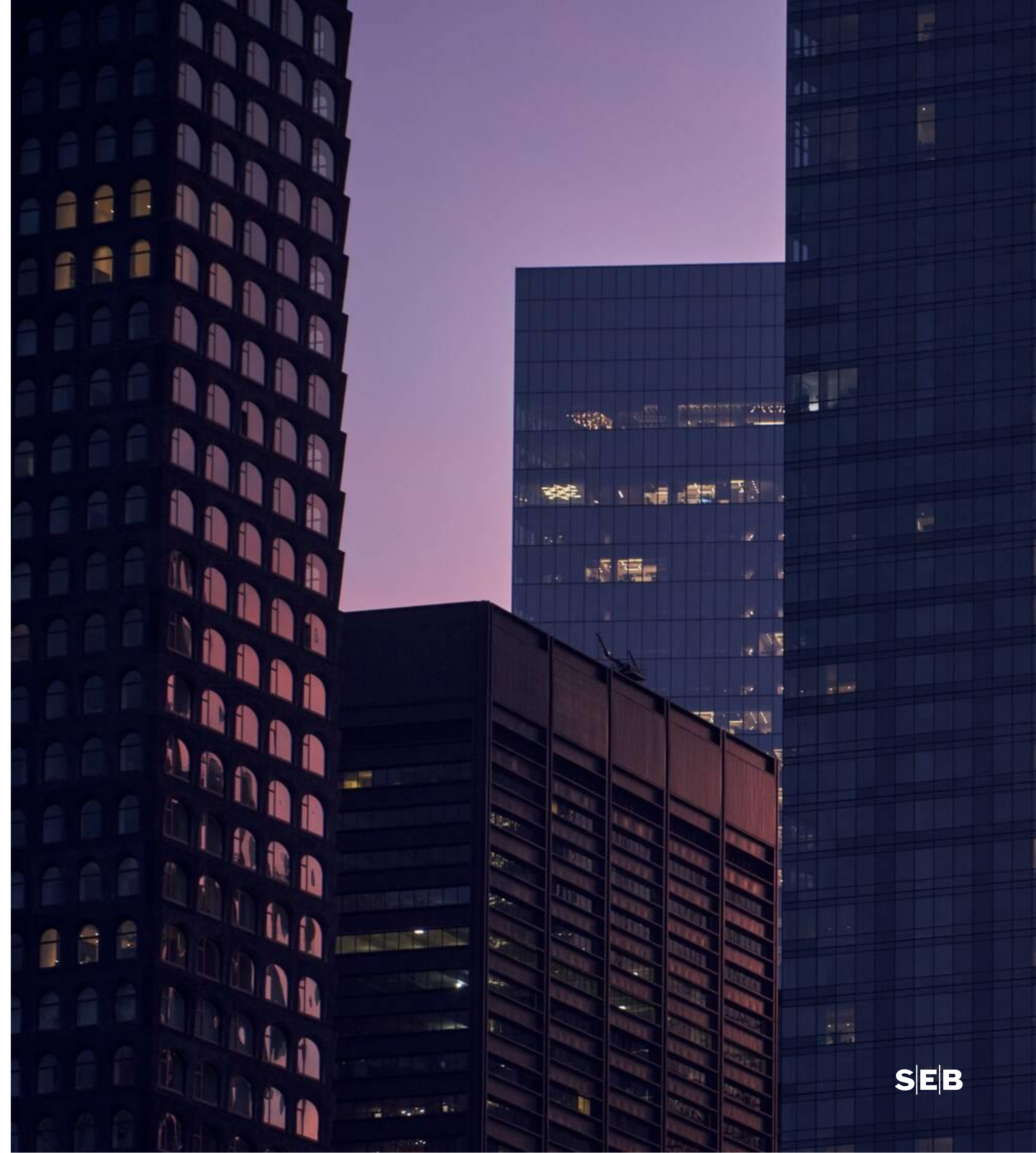
11 **House View factors**

13 Macro and Markets

17 Markets and Fair Value Indicators

22 In Focus

26 Asset Class and Sector Views



House View decision variables

Following recent dovish signals from the Fed and a hold from ECB, central banks have in our view turned more positive as a factor for equity markets

- Last week, investors were focused on central bank rate decisions, looking for guidance on when potential policy pivots could occur
- Dovish signals from the Fed and Powell's lack of pushback against the recent easing of financial conditions drove both stock and bond prices higher in December
- The ECB left rates unchanged earlier this month while pushing back against market pricing for lower rates for next year, leading markets to scale back on bets for rate cuts in 2024
- That said, markets anticipate the ECB to start reducing rates first, with the Fed expected to follow suit in May

Macro data will continue to guide central banks and markets, but focus will likely shift from inflation to growth in the coming months

- Markets have stayed buoyant, undeterred by modest upside surprises in US employment and CPI data, as worries over prolonged high rates have subsided
- In the US, signs of a slowing job market and inflation are emerging, however, it is not indicative of a crash, while data in Europe and China signals weaker growth
- We think the recent data further strengthens our case for a soft landing in the upcoming year, particularly in the US, and we will closely continue to monitor the incoming data
- As inflation eases, attention will likely turn to the resilience of growth, raising the question if bad news for the economy will be viewed positively by markets

On a 3-6M horizon, SEB House View increases risk utilization to 60%

- Recent developments support our soft-landing scenario: prospects for rate cuts next year have improved, while risks for a near-future recession have diminished
- The Committee has therefore decided to slightly increase the allocation to equities as our conviction for a soft landing has increased
- However, we acknowledge that uncertainty is still relatively high regarding the growth/macro picture for 2024

Figure 1: Central banks and macro data continues to be the most important factors for equities right now, in our view

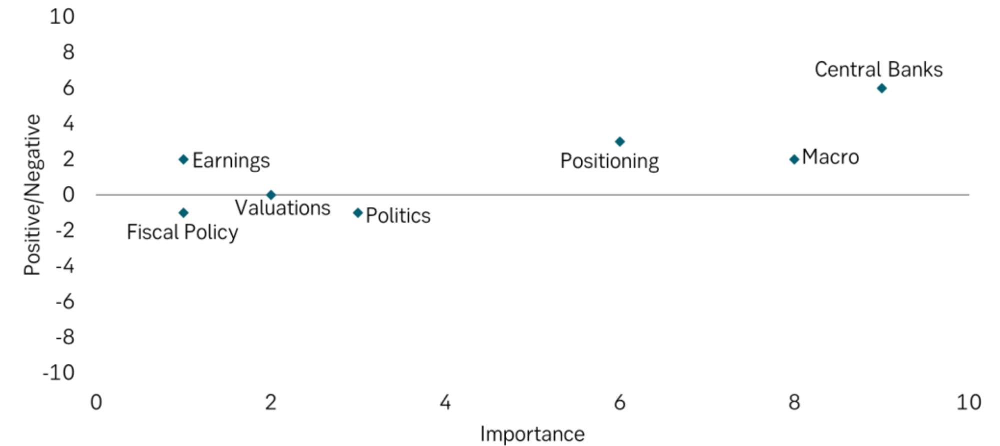


Figure 2: In our view, most factors have become more positive for equities since November. Central banks have become more bullish for equities as they have signaled an end to hikes.

SEB

Agenda

03 Overview

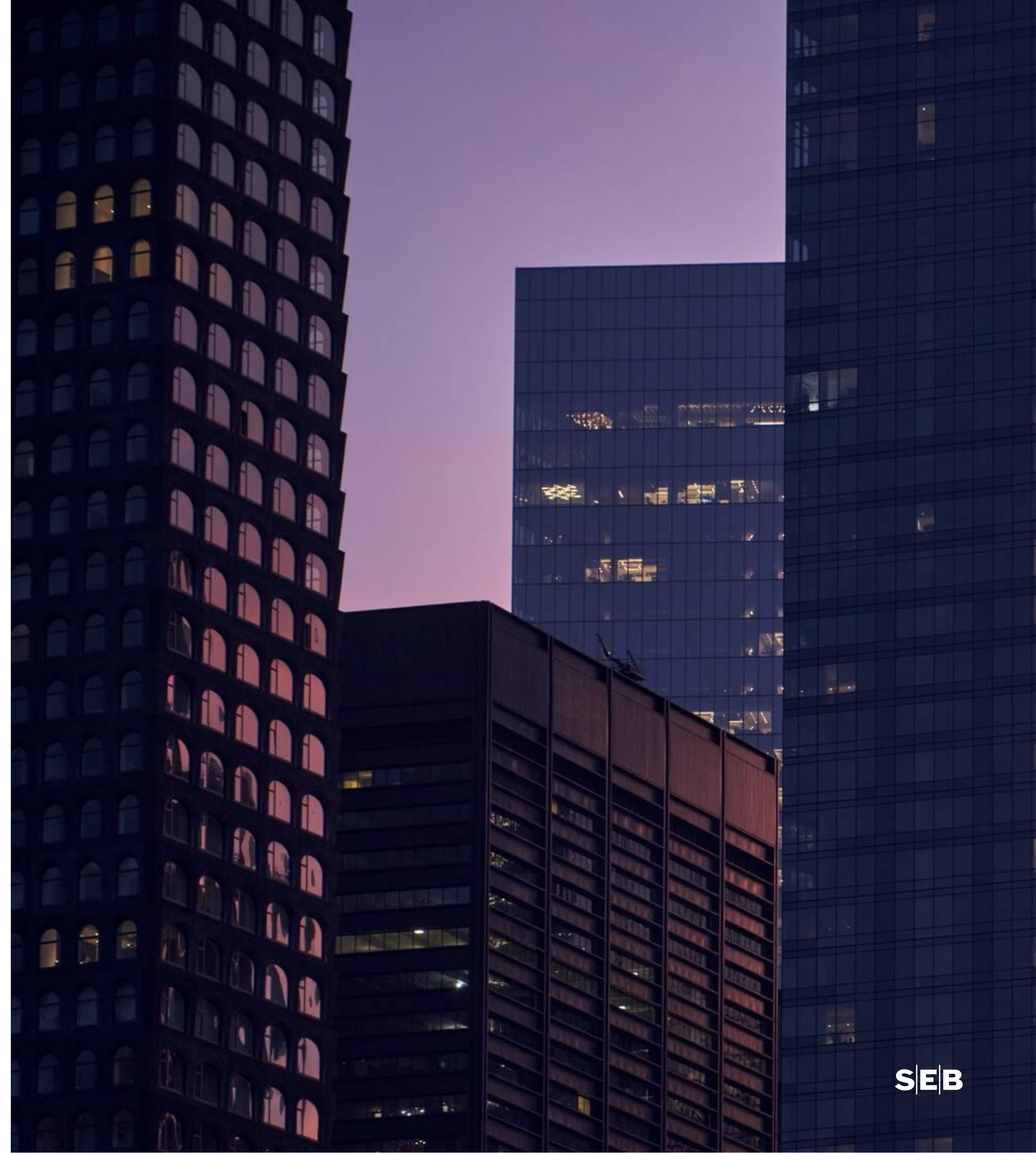
11 House View factors

13 **Macro and Markets**

17 Markets and Fair Value Indicators

22 In Focus

26 Asset Class and Sector Views

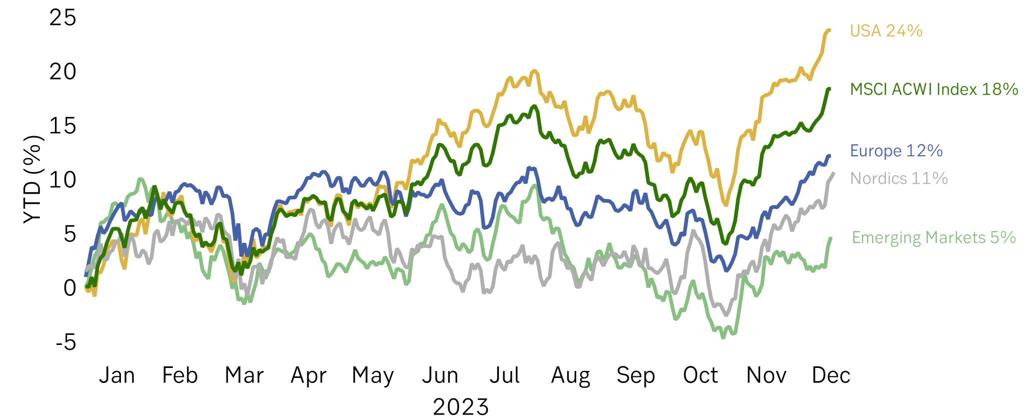


Developments in the Markets

November and December saw risky assets surge as bond yields continued to decline and markets priced in interest rate cuts in early 2024

- The US 10-year bond yield has dropped substantially since the beginning of November, due to rising market expectations of Fed rate cuts in the first half of 2024
- Easing US inflation data, a perceived dovish shift in the Fed's tone by markets and fewer new bond issues by the US Treasury, led markets to price in more Fed rate cuts for 2024
- December Fed meeting further boosted equities higher, as Fed officials forecasted an end to the hiking cycle and a series of rate cuts for next year
- Fed officials forecasted lower inflation for next year and 75 bps rate cuts for 2024
- The ECB also held rates steady in December, just as the Fed, and forecasted a weaker economy for the Eurozone which brings down inflation
- Weaker data from the ISM Manufacturing index also drove bond yields lower as it continued to indicate weaker manufacturing activity in the US economy
- Both equity and bond prices surged on the back of the sharp declines in bond yields
- As a result of falling bond yields and dovish communication from central banks, global equities surged over the last two months, following three months of negative returns
- The gains in equities were led by growth and small stocks, which are more rate sensitive than other sectors and had been hit the hardest when bond yields edged higher, but also displayed significant breadth
- China equities lagged global peers in November as they edged lower, most likely as the property sector continued to weigh on its economic outlook
- Corporate credit spreads also tightened significantly as investor risk appetite improved
- The US dollar weakened against a basket of major world currencies, as markets priced in several rate cuts by the Fed next year
- Both equity and interest rate volatility has fallen back as concerns about higher-for-longer rates eased among investors
- Crude oil prices dropped despite a weaker dollar amid concerns about slower global economic growth as well as oil inventories rose

Figure 1: Falling bond yields boosted global equities in November with US stocks outperforming. Chinese stocks dropped amid concerns for its economic outlook.



Source: Macrobond, SEB

Figure 2: The US 10Y yield dropped more than 60 bps in November, the most in 15 years. The S&P 500 rose sharply because of the decline in bond yields, led by growth sectors

Source: Macrobond, SEB

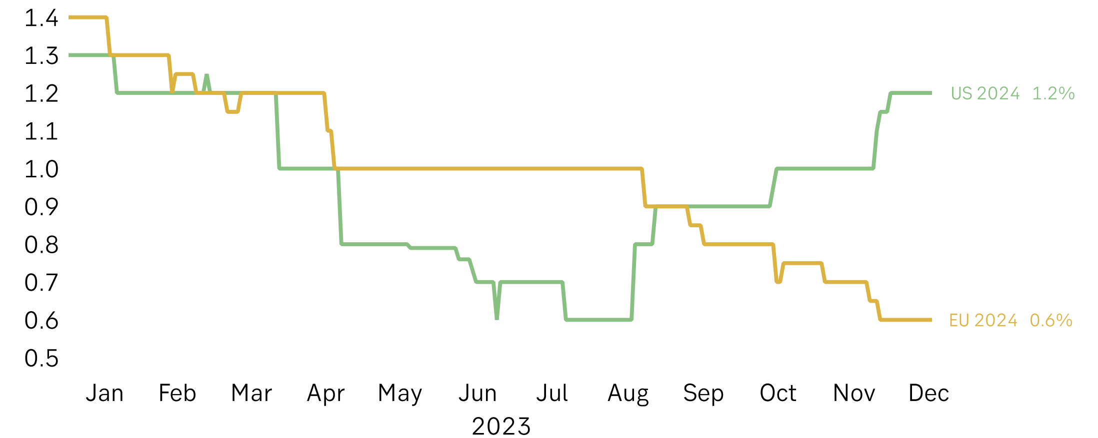
SEB

Economy – Developed Markets

Global central banks held rates steady, but with rate cuts projected for 2024 as inflation eases

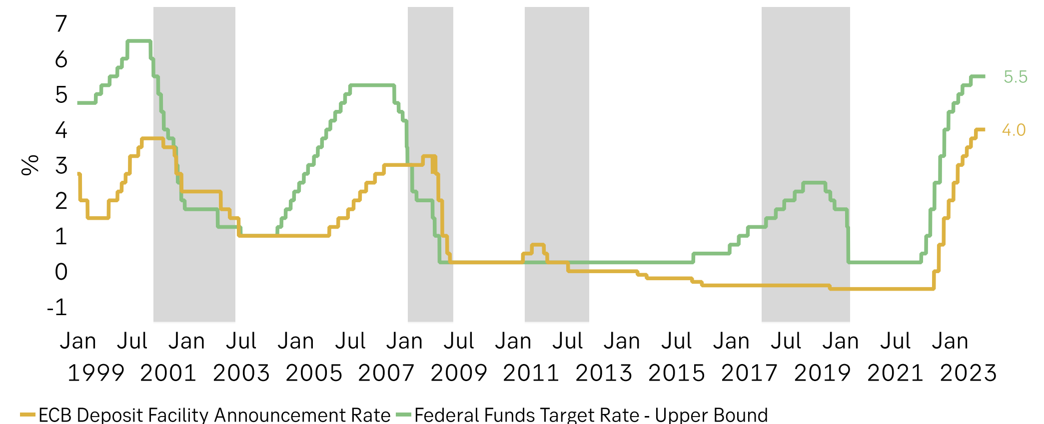
- The Fed held interest rates steady in December as expected and sent a strong signal that they have reached the end of this hiking cycle decision
- Fed officials' projections showed no additional rate hikes and instead showed they expect three rate cuts next year, while lowering their inflation forecasts for 2024 and 2025
  - Growth forecasts were slightly reduced and unemployment projections remained unchanged
- Powell's press conference also signaled that there is a discussion among policymakers on when it will be appropriatee to cut rates
- US CPI inflation figures accelerated slightly in November from last month – although the core CPI YOY measure stayed at 4% - which led markets to wobble, but overall we expect inflation to continue its downward path as the six-month annualized core inflation is falling
- US nonfarm payrolls surprised modestly on the upside with employers adding jobs in November
  - The employment figures were driven by job gains in health care and government and the resolution of strikes which further added approximately 50k jobs to the headline
  - Despite the upbeat jobs report for the headline index, the underlying employment trend continues to point to a downwards trajectory, indicating that the labor market is coming into better balance
  - That said, the unemployment rate unexpectedly rose as to 3.9% from 3.7% in the previous month, while the participation rate increased, but stayed below pre-pandemic levels
- The ISM Manufacturing index was unchanged at contractionary territory, however, there are signs that manufacturing activity will perk up going forward
  - The ISM November report showed that output slid into contraction and employment fell at a faster pace amid softer demand, while new orders and inventories fell at a slower pace than in October
  - Having said that, the upward trend in the new orders/inventory ratio suggests that the headline PMI index should rise above 50, indicating that US manufacturing activity should return to expansion
- CPI inflation in the euro area fell sharply to 2.4% in November, below estimates, driven by a sharp drop in energy prices as well as easing inflation for services, food items and beverages
- Markets in turn brought forward their expectations of ECB rate cuts, even as ECB policy makers tried to pushback on these expectations

Figure 1: Bloomberg survey of economic forecasts for 2024 signal a soft landing



Source: Macrobond, SEB

Figure 2: The ECB and Fed decided to keep rates unchanged in December. The Fed and ECB are expected to cut rates in 2024



Source: Macrobond, SEB

SEB

Economy – Emerging Markets

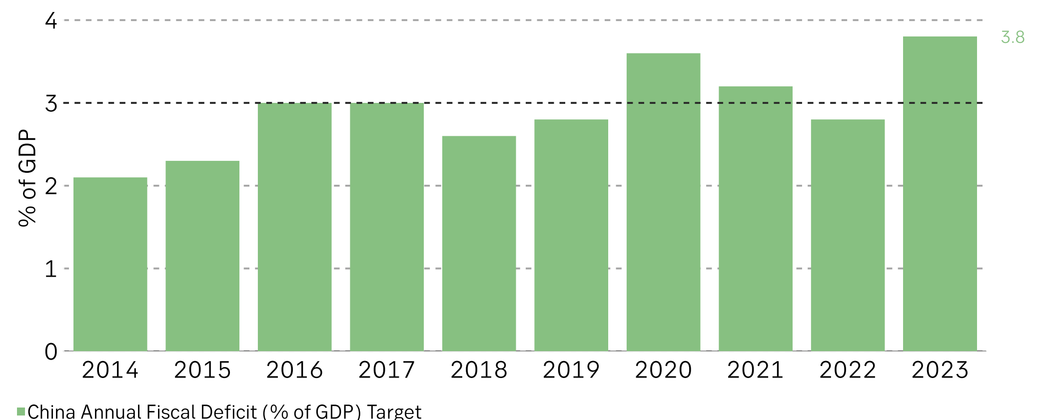
China poised for a supportive 2024 policy year as it battles deflation concerns, debt worries and a property crisis

- Both Chinese CPI and PPI inflation data for November came in weaker than expected and continued to point to deflationary pressures in the world's second largest economy
  - The negative inflation readings underscore that underlying demand remains sluggish and highlight the need for further policy stimulus, which will probably lead to rate cuts and/ or cuts in banks' RRR
- Rating agency Moody's downgraded China's sovereign debt to "negative" from "stable" earlier this month, citing broad downside risk to its economy from the country's debt-laden local governments and state firms amid its property crisis
  - The Chinese government has rolled out numerous economic stimulus measures in 2023 to boost faltering domestic demand amid a sluggish post-pandemic recovery and declining property market, which have eroded consumer and business confidence
- At the December 8 Politburo meeting, Chinese policymakers pledged to boosting domestic demand and the economic recovery in 2024 through moderately strengthening its accommodative fiscal policy and maintaining a prudent monetary policy
  - Analysts anticipate China will unveil additional economic stimulus measures, including setting a fiscal deficit target of 3.5%-3.8% and special government bond quota of 4 trillion yuan for 2024
- The China Caixin Services PMI rose in November on the back of stronger demand, indicating that growth in its services sector accelerated and the 11th consecutive month of growth
  - However, this contrasts with the official PMI survey which indicated that China's services sector unexpectedly contracted in November, for the first time since last December
- The private Caixin survey for manufacturing also offered a more upbeat reading about Chinese manufacturing activity returning to growth for the first time since August this year, while the official manufacturing PMI signaled the sector fell into a deeper contraction in November
  - The softer readings from official PMIs for China's services and manufacturing sectors point to a more challenging outlook than the private surveys, highlighting the need for more policy support
- For 2024, China plans to implement tax and fee cuts and plans to support an economic recovery by spurring domestic demand

Figure 1: The official China Services PMI indicated that the services sector unexpectedly fell into contraction in November, in contrast to Caixin's private survey

Source: Macrobond, SEB

Figure 2: China is expected to lift its fiscal deficit target to 3.5%-3.8% of GDP next year, higher than the traditional limit of around 3%, to boost domestic demand



Source: Macrobond, SEB

SEB

Agenda

03 Overview

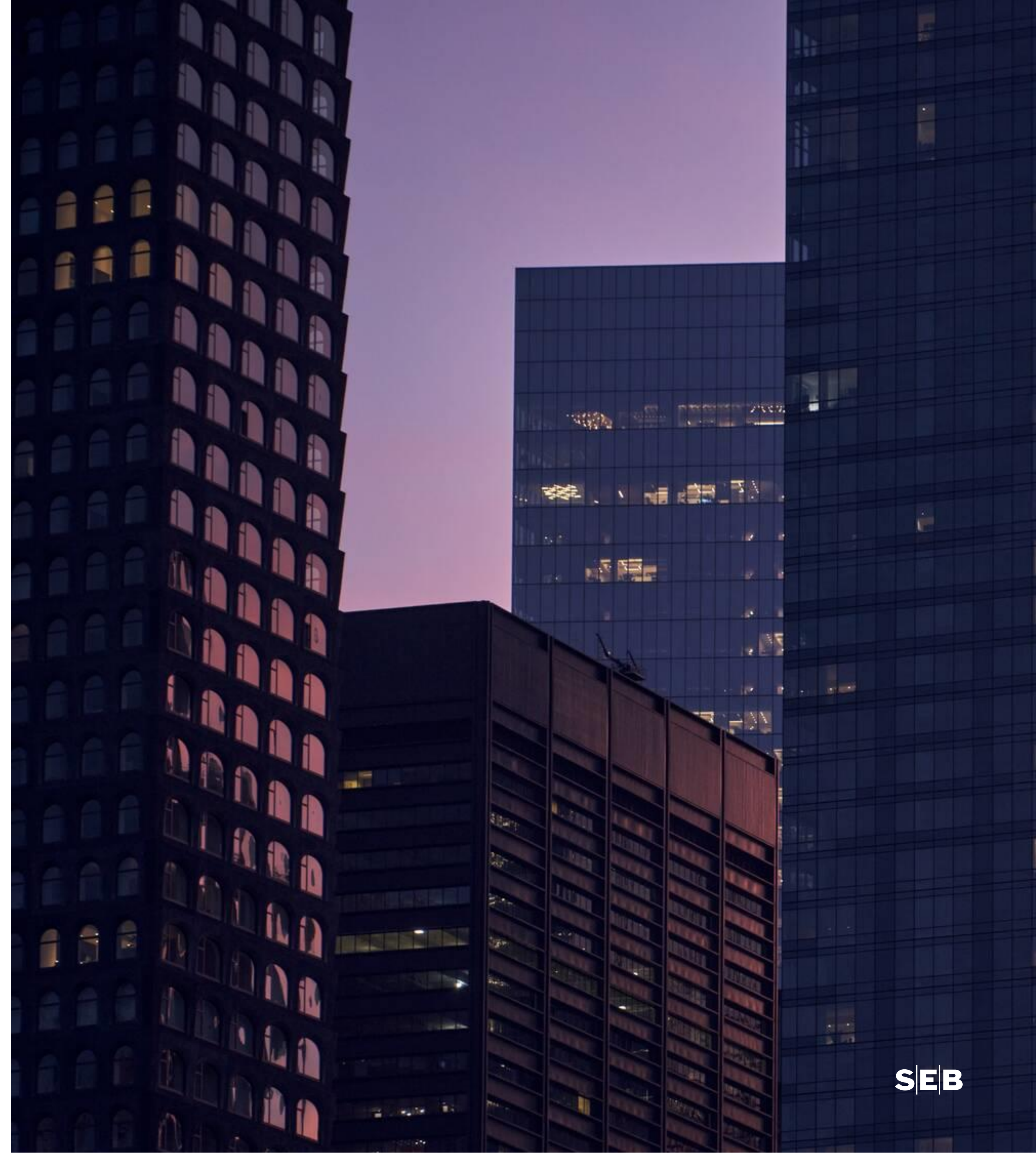
11 House View factors

13 Macro and Markets

17 **Markets and Fair Value Indicators**

22 In Focus

26 Asset Class and Sector Views

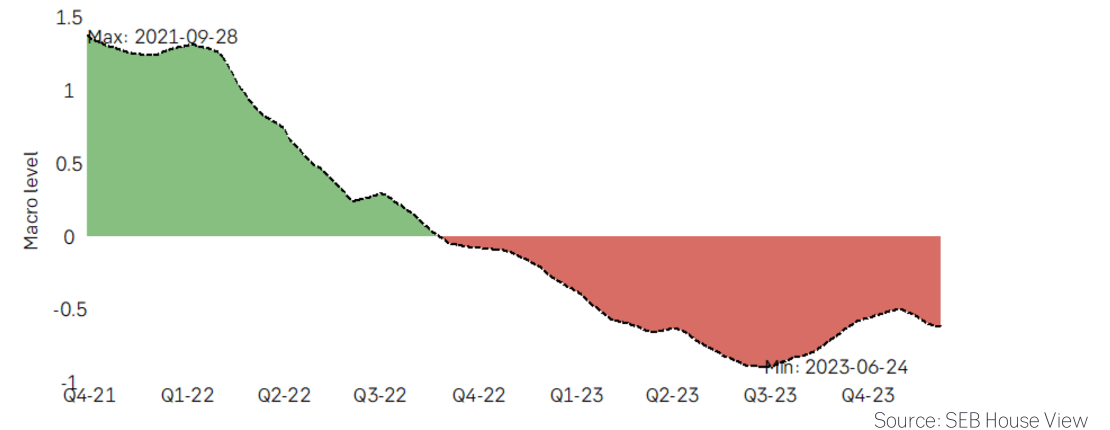


SEB House View – US Macro Status

US economic surprises turned slightly positive in December, however, positive economic surprises are not likely to sustain as US growth is anticipated to slow down next year

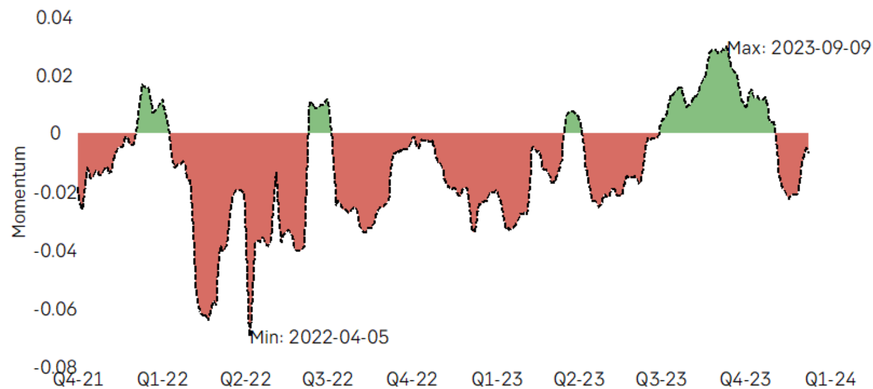
- Non-farm payrolls increased more than the consensus estimate in November, driven by job gains in health care, government and resolution of strikes, such as United Auto Workers
  - The latest job data, which saw an unexpected drop in the jobless rate, increases the likelihood of a soft-landing, however, we believe that the downward trend in the labor demand is still intact
- Michigan's consumer sentiment index saw a stronger-than-anticipated surge in December, possibly due to lower gas prices and rising stock prices, providing potential support for spending
  - Importantly, consumers' inflation short- and long-term expectations dropped, likely influenced by the drop in gas prices, which supports the case for Fed rate cuts in the first-half next year
- The Chicago PMI bounced in November, exceeding expectations and returning to expansionary territory for the first time since August 2022
  - However, the latest Chicago PMI reading is likely just noise as the national ISM manufacturing index and several other regional PMIs are indicating weaker, not stronger, manufacturing activity

Figure 2: US macro level is still below its historical average



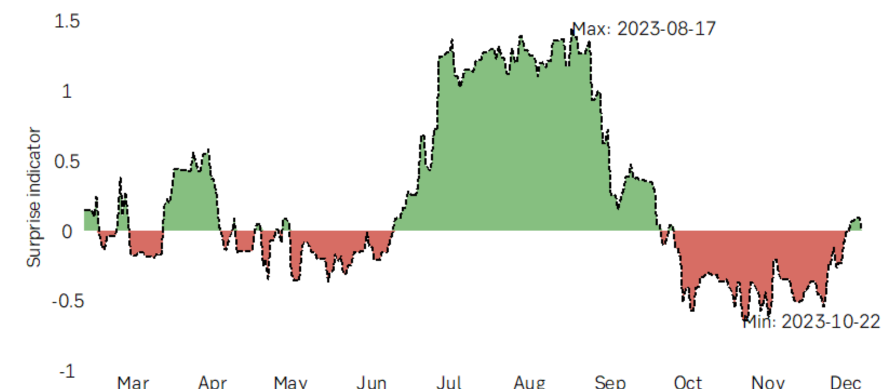
Source: SEB House View

Figure 1: US macro momentum somewhat improved, driven by increases in the Philly FED and ISM Manufacturing new orders index in November



Source: SEB House View

Figure 3: US economic surprises saw marginal improvement in December; however, this trivial uptick is expected to diminish as US growth slows in the coming year



Source: SEB House View

SEB House View – EU Macro Status

Negative macro surprises faded in the eurozone last month as German PMI data beat expectations, however, we expect weaker growth forward until the ECB begins to cut rates

- German Services PMI was revised sharply higher to 49.6 in November, pointing to a trivial decline in services activity and a much slower rate of decline compared to October
  - The new business index rose, also indicating business activity declined at a slower pace than in the previous month, potentially signaling that the worst may be behind Germany's economy
- Germany's Manufacturing PMI was also revised up in November, remaining at a 6-month high, as declines in output and new orders slowed, however, it continues to point to a deep contraction in the manufacturing sector
  - Nevertheless, looking at the glass half-full, there are signs that German manufacturing activity may have already bottomed as the headline PMI index has been rising for 4 consecutive months, suggesting that the downturn in its manufacturing sector is easing
- Consumer confidence in France unexpectedly improved in November, rising to the highest level since April 2022, however, sentiment among consumers remains below its long-term mean

Figure 1: Macro momentum for the eurozone turned positive last month, boosted by an influx of better PMIs and retail sales data from Germany

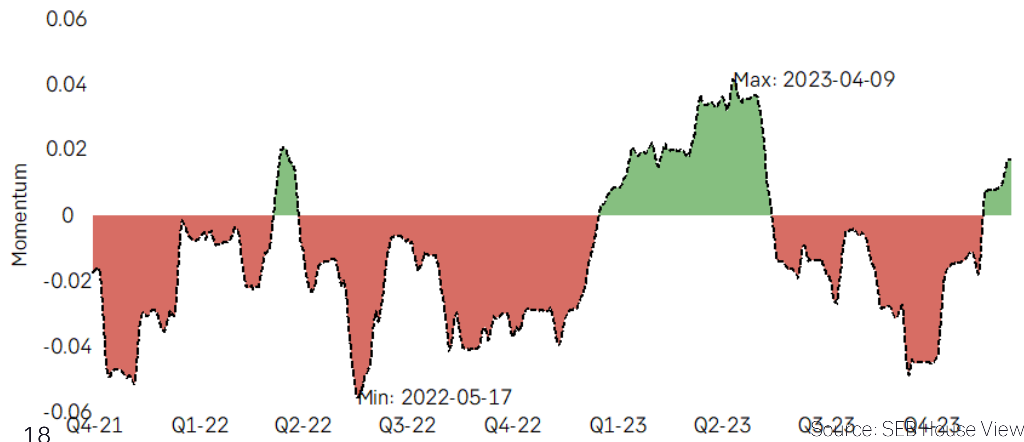


Figure 2: The EU macro level remains deeply negative, but it somewhat improved in November. Signs that German manufacturing activity may have troughed are emerging, with 4 months of rising PMIs

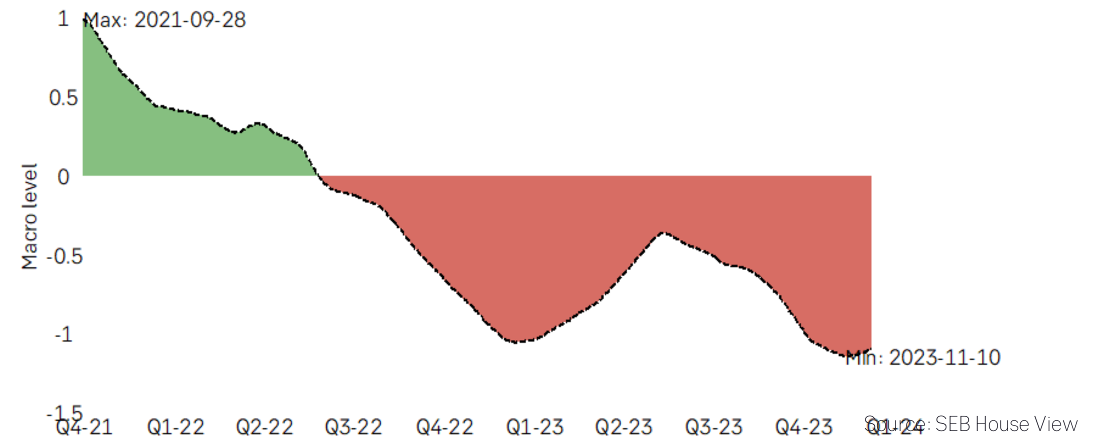
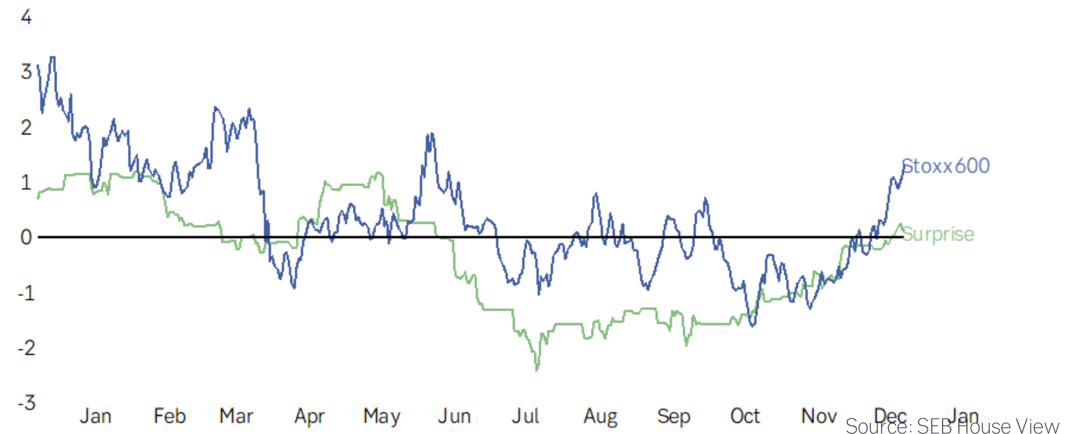


Figure 3: Negative data surprises in the eurozone faded in November but remains close to zero. Weaker growth ahead combined with upward revisions in expectation can lead to disappointments.

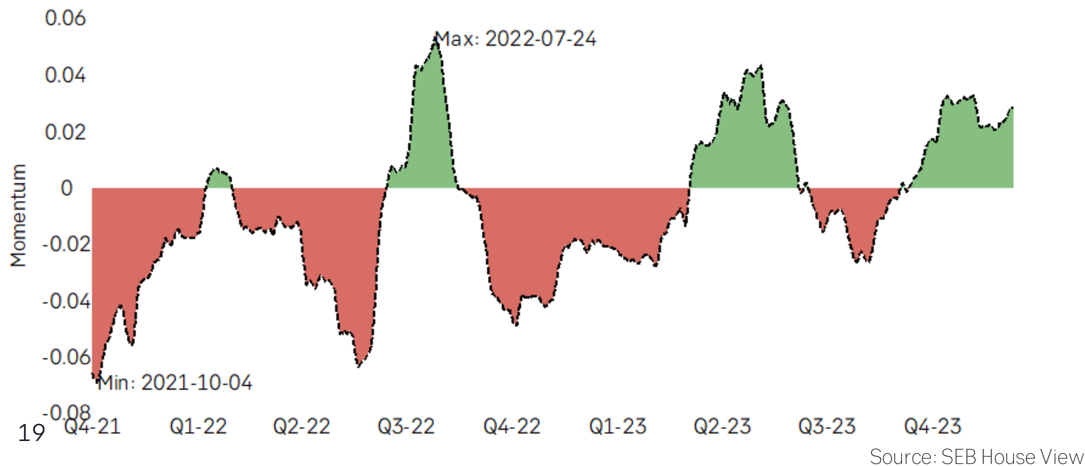


SEB House View – EM Macro Status

EM economic data continues to outperform expectations amid rising semiconductor demand and Brazil retail sales

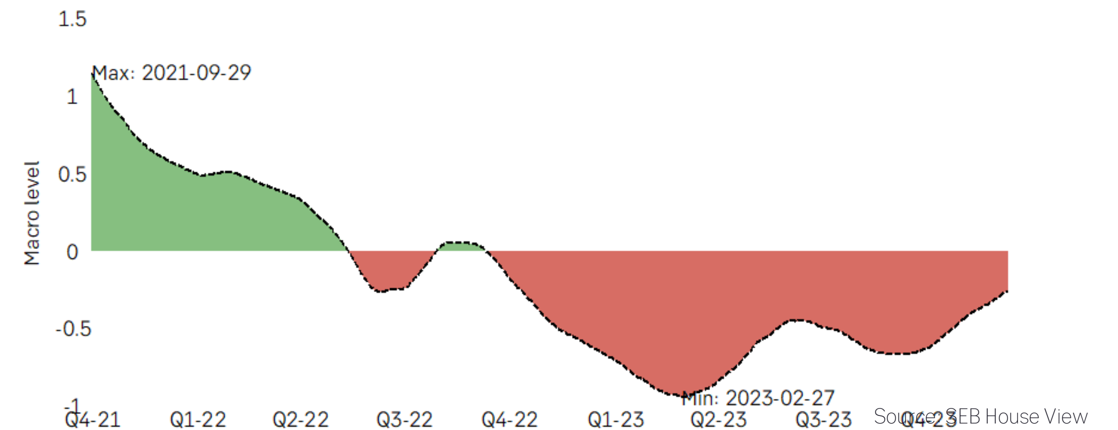
- Taiwan's industrial production exceeded October forecasts due to a reduced decline in manufacturing output, buoyed by a surge in semiconductor demand for AI applications
  – For the fourth month running, the contraction in Taiwan's industrial output eased, suggesting a potential trough in industrial activity. Rising global demand for AI-related semiconductors should be supportive for growth in the coming year
- In September, Brazil's retail sales outpaced expectations, fueled by an uptick in supermarket sales as consumers prioritized essentials like food and drinks, against the backdrop of high interest rates dampening durable goods expenditure
- South Korea's export growth picked up pace in November, driven by robust semiconductor demand, outstripping economic predictions and marking the second month of gains
  – While South Korea's upbeat export print boosts optimism for its economic forecast and global trade prospects next year, high global interest rates, slower global economic growth and soft Chinese demand pose risks to a sustained export recovery

Figure 1: EM growth momentum remained positive in December, boosted by accelerating South Korean export growth and easing slump in Taiwan industrial production



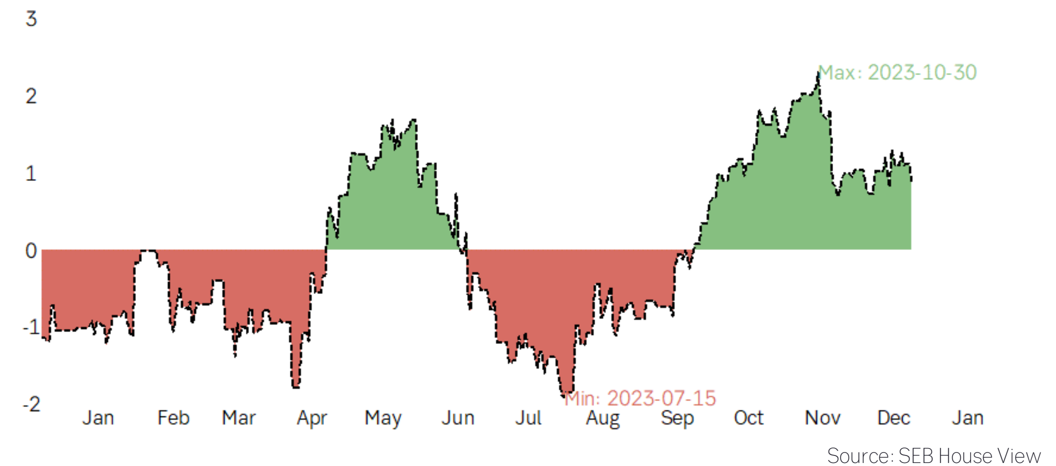
Source: SEB House View

Figure 2: The EM macro level rose in December, approaching neutral territory as economic data in the region strengthened, likely as falling inflation and interest rate cuts boost growth



Source: SEB House View

Figure 3: EM macro data continued to surprise on the upside, due to stronger-than-expected South Korean exports, Brazilian retail sales and Taiwan industrial output



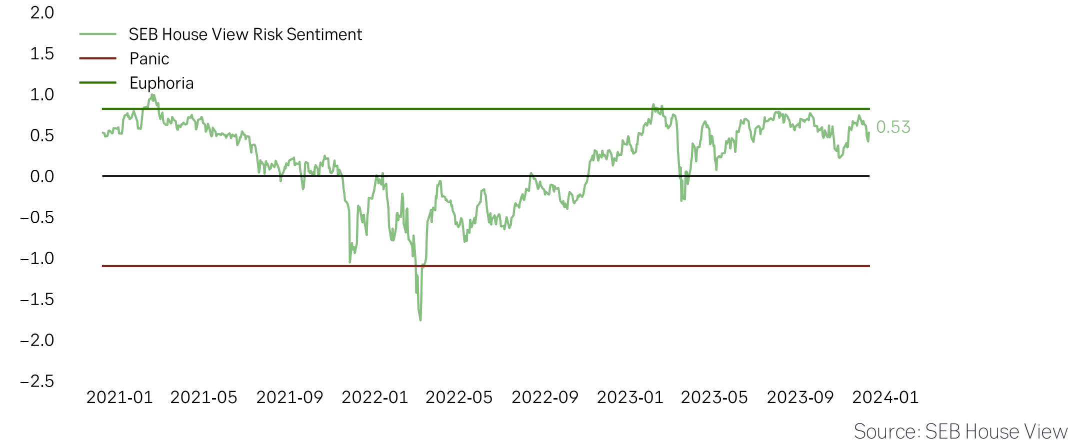
Source: SEB House View

SEB House View – Risk Indicator

Risk appetite increased on the back of lower bond yields and dovish global central banks

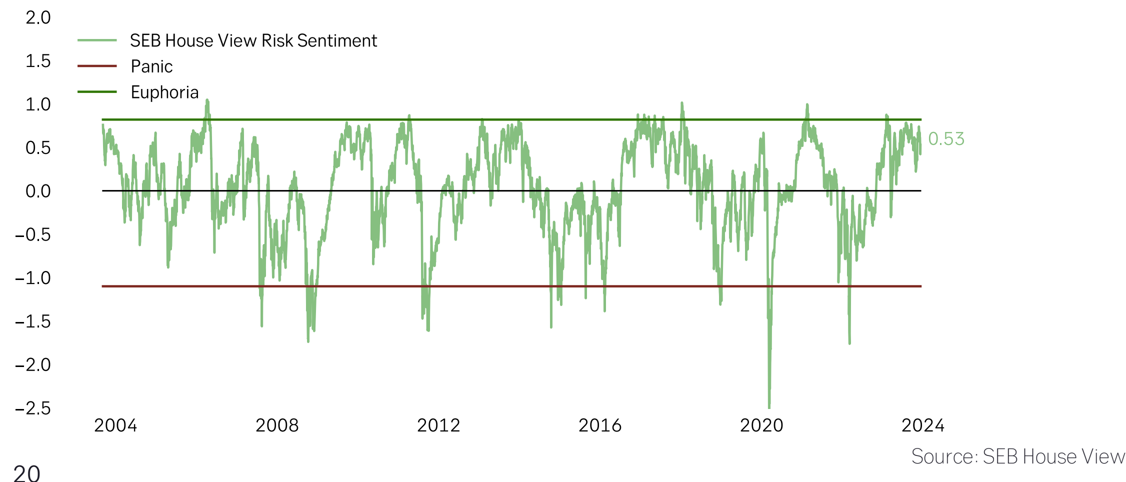
- Global risk appetite has increased since October as equity and bond markets rallied while credit spreads tightened on the back of soft inflation data and dovish Fed signals
- Markets shifted away from the “higher-for-longer” narrative and priced in more rate cuts from the FED and ECB in early 2024, and hopes fora soft-landing increased
- Following the quick rise in long-term US bond yields and equity market sell-off in August-October, we have seen a reversal in yields and risk sentiment after October’s soft US CPI print
- The shift in risk sentiment also came on the back of a dovish tone from Fed officials which signaled a potential pivot ahead
- The stock/bond correlation remains positive with bond markets remaining in the driver's seat for risk assets, but we think that that the peak in bond yields and policy rates is likely behind us and that central banks will begin to cut interest rates next year which should boost risk assets
  - That said, risk sentiment could falter should global growth momentum deteriorate faster-than-expected, leading to increased recession fears

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



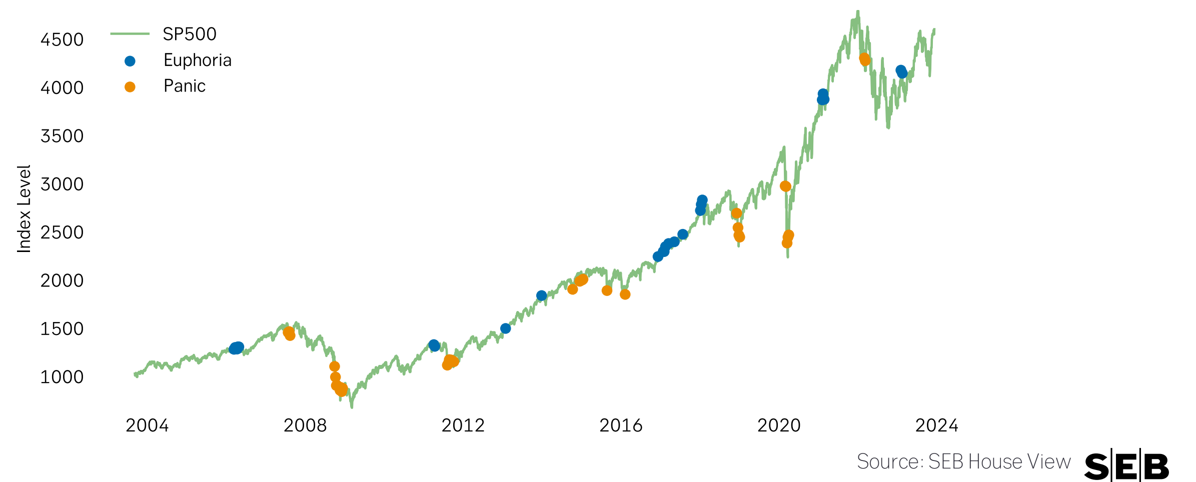
Source: SEB House View

Figure 1: SEB House View Risk Indicator



Source: SEB House View

Figure 3: Extreme states plotted on SP500



Source: SEB House View

Agenda

03 Overview

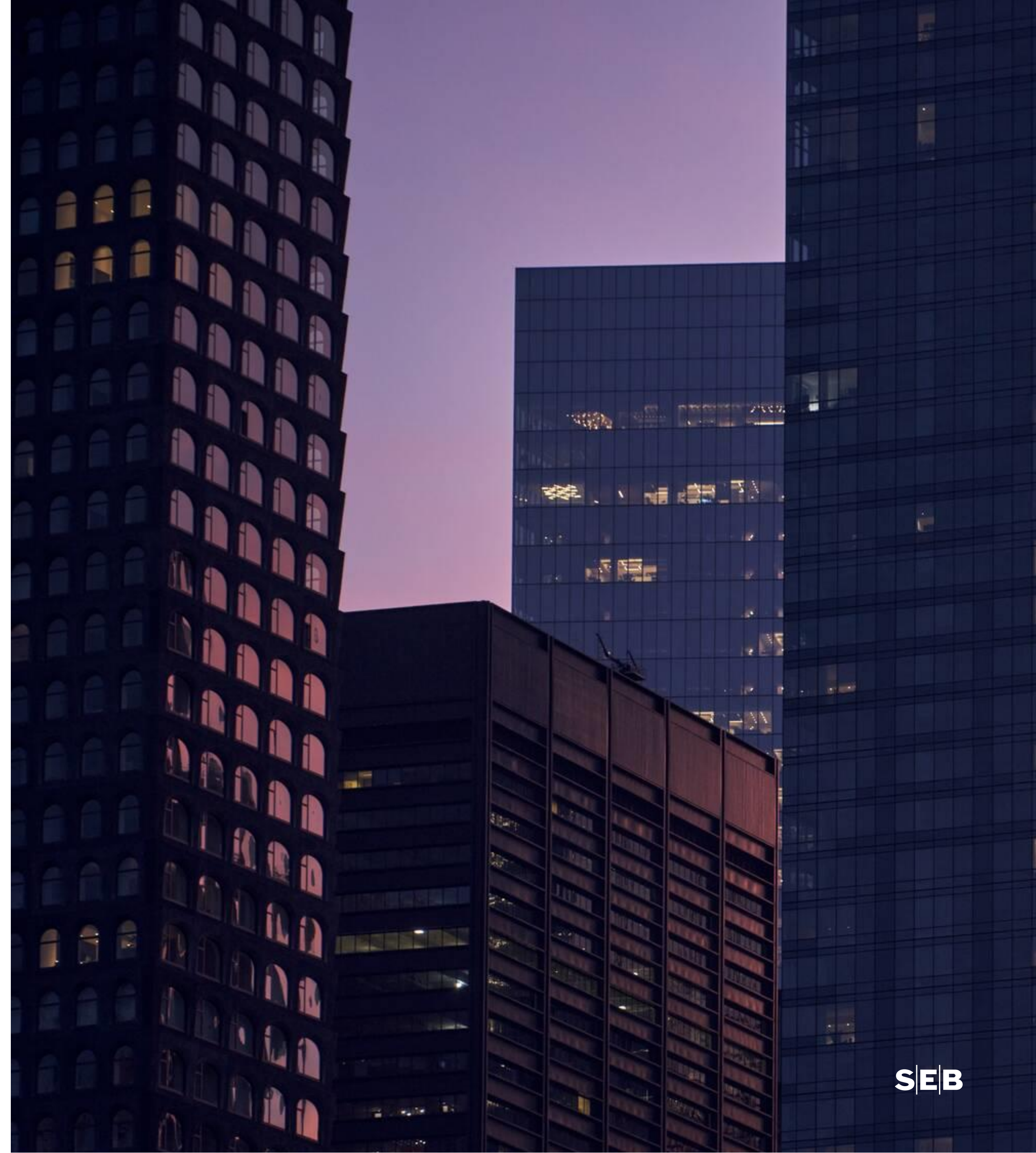
11 House View factors

13 Macro and Markets

17 Markets and Fair Value Indicators

22 **In Focus**

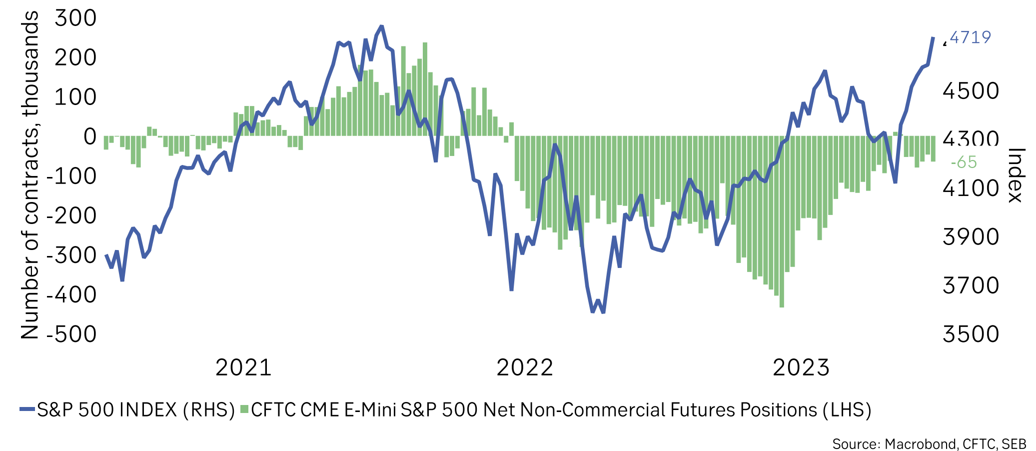
26 Asset Class and Sector Views



In Focus: Positioning - Equities

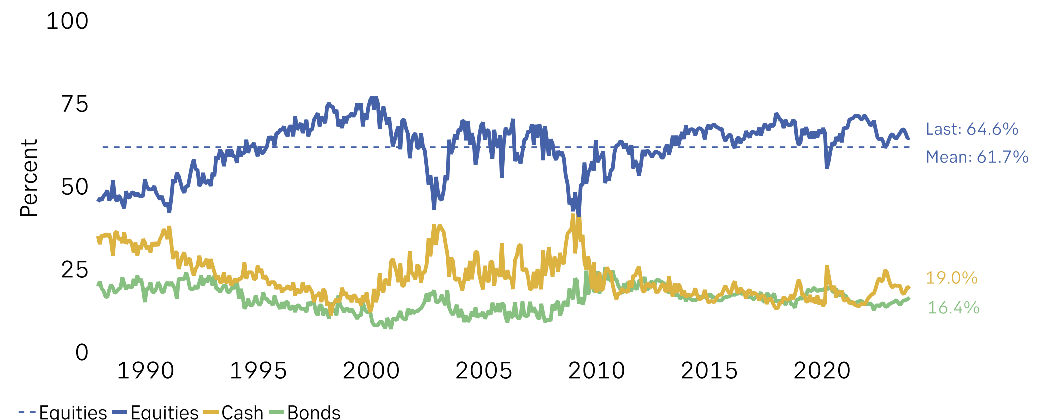
- **Positioning data from the Commodity Futures Trading Commission, CFTC, show that speculators likely remain net short, at the margin, in S&P 500 futures**
    - Reflecting a somewhat cautious or bearish outlook which seems to still be prevalent among some traders
    - But the CFTC data also shows a notable shift among traders, having significantly reduced their short positions in S&P 500 futures amid this year's stock rally, meaning fewer bet against a rise in US equities, potentially a positive sign for equities
- In contrast, BofA's fund manager survey shows institutional investors turned overweight in equities in November, marking the first such shift since April, albeit still below historical highs
- The AAII allocation survey (figure 2) also reflects a slightly above-average equity allocation among US individual investors, but do not indicate extreme bullishness
- We chose to place more weight on hard data like futures positioning over surveys for assessing investor positioning, which points to a more cautious/bearish stance among equity investors
- **Either way, neither survey or hard data, i.e. futures positioning, show investors being excessively long in equities**
    - Suggesting potential for further upside for equity prices as there is more room for positioning to shift towards a more bullish stance

Figure 1: Traders have reduced short positions in S&P 500 futures amid this year's equity rally, meaning fewer bet against a rise in US stocks, potentially a positive sign for equities



Source: Macrobond, CFTC, SEB

Figure 2: US individual investors' (AAII) stock allocation are slightly above their median level, suggesting a moderately bullish stance



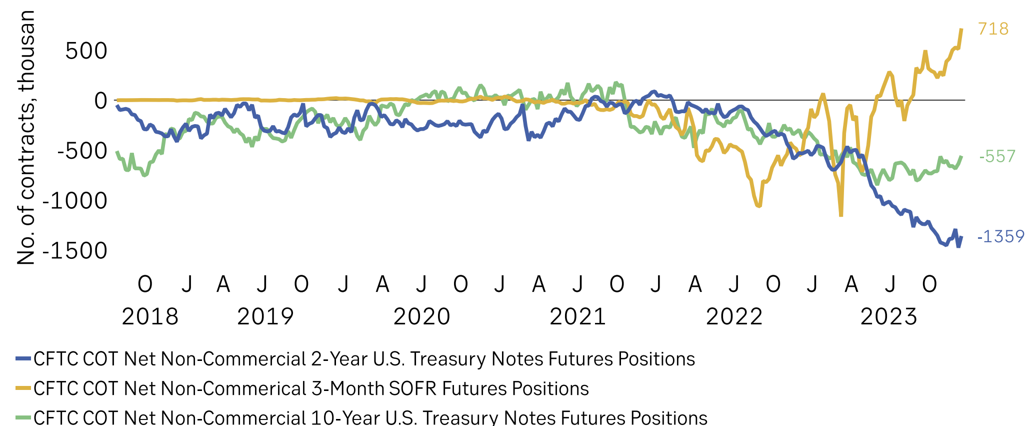
Source: AAII, Macrobond, SEB

SEB

In Focus: Positioning – Fixed Income

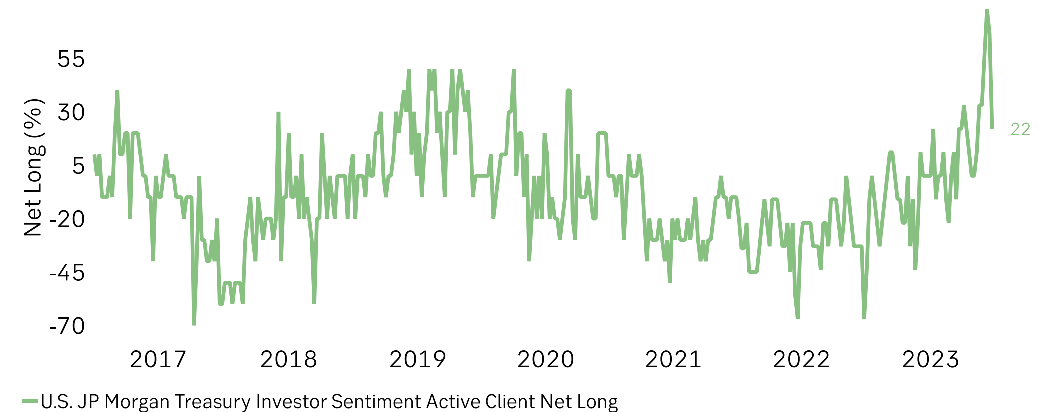
- **Overall, positioning in bonds is still relatively high, but we have seen shifts**
  - BofA's fund manager survey points to the highest overweight in bonds among institutional investors since 2009, driven by expectations of falling yields next year
  - The AAII survey also indicates a gradual rise in individual investors' bond allocations
  - However, JP Morgan's treasury client survey notes a shift in net long positioning to more neutral bond positions among investors, suggesting a reduction in extreme bullish sentiment
- Market activity shows that there is heightened demand at the shorter end of the curve, betting on a steeper curve where short-term yields drop quicker than long-term yields
  - According to CFTC's Commitment of Traders data, net non-commercial positioning in three-month SOFR futures recently hit a two-year high, suggesting speculators are very long short-term bonds relative to history
  - Meanwhile, CFTC COT data reveals record net short positions in two-year Treasury futures among speculators, with a slight decrease in elevated 10-year Treasury shorts

Figure 1: Futures positioning on SOFR and UST 10Y



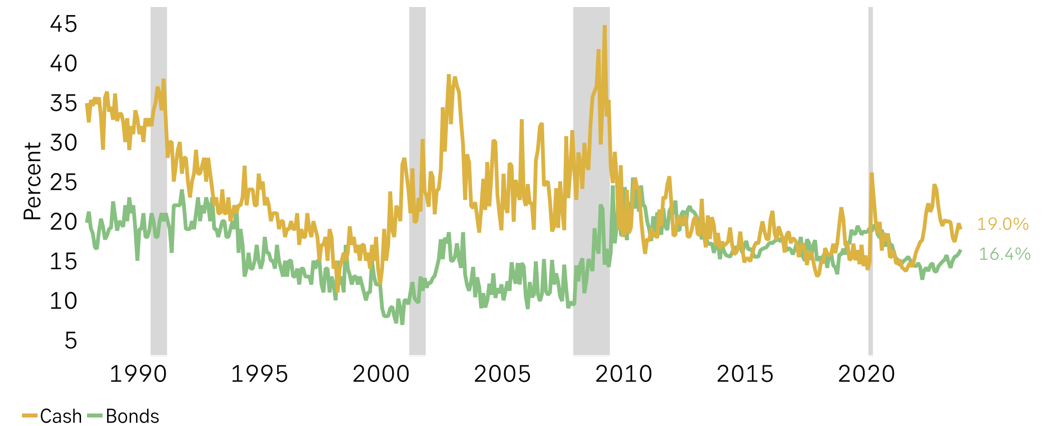
Source: CFTC, Macrobond, SEB

Figure 2: JP Morgan Treasury Client Survey of active clients show that net long bond positioning dropped significantly over recent weeks, implying less extreme positioning



Source: JP Morgan, Macrobond, SEB

Figure 3: AAII Allocation to Bonds and Cash

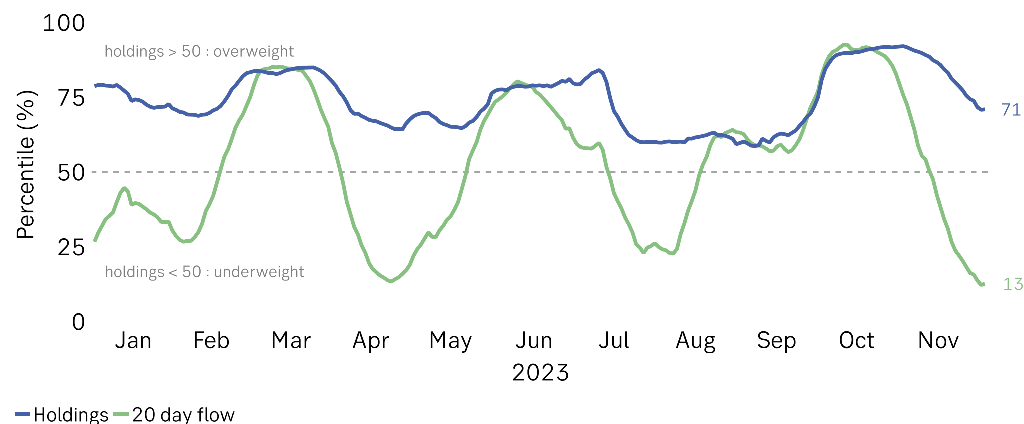


Source: State Street Global Markets, Macrobond, SEB

In Focus: Positioning in the USD

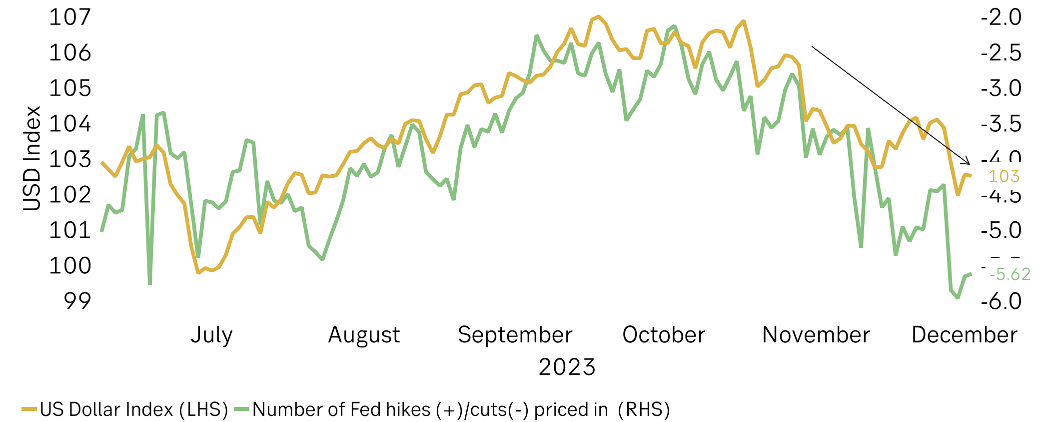
- **Data seems to suggest that institutional investors have continued to sell the US dollar aggressively, as outflows from the currency have accelerated (figure 1)**
  - USD selling pressures have intensified as markets have aggressively priced in Fed rate cuts for next year, as early as next quarter, which may be a bit too optimistic
  - We anticipate the Fed to start cut rates next year as inflation continues to fall and the labor market coming into better balance, leading to a dollar sell-off
  - Additionally, dollar positioning remains overweight for institutional investors, despite the sharp outflows in recent weeks, suggesting there is more room for outflows
- That said, there are upside risks to our bearish dollar view should the market narrative change and move away from the current soft landing and disinflation theme
  - Should US data surprise on the upside again and bolster hawkish Fed expectations, or should there be a severe deterioration in macro data, increasing recession fears, where both scenarios would trigger a risk-off sentiment in which the dollar strengthens

Figure 1: Acceleration in outflows shows that institutional investors are still selling USD



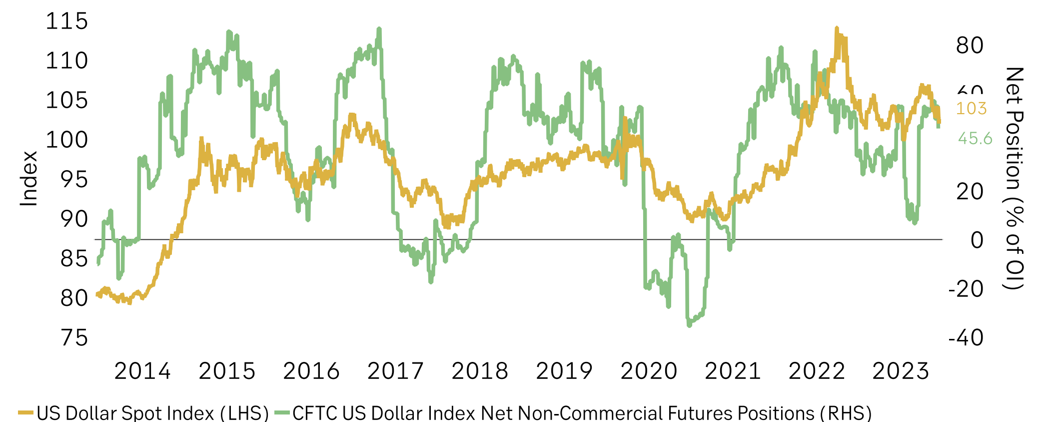
Source: State Street Global Markets, Macrobond, SEB

Figure 2: Aggressive market pricing for Fed rate cuts in 2024, following softer inflation data, pushed down the USD in November's risk-on rally



Source: Macrobond, SEB

Figure 3: Still, overall long dollar positioning leaves room for investors to sell more...



Source: Macrobond, SEB

Agenda

03 Overview

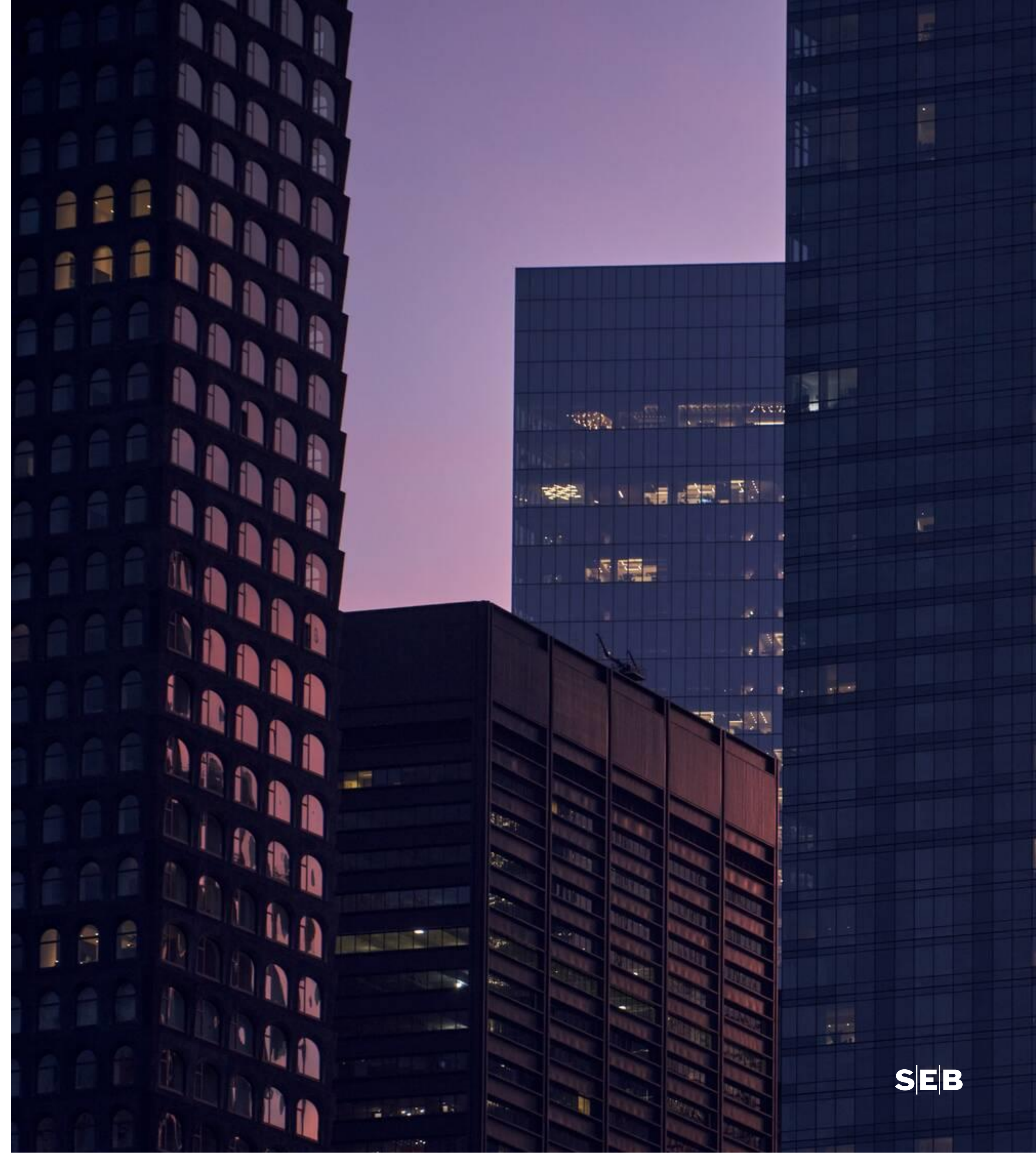
11 House View factors

13 Macro and Markets

17 Markets and Fair Value Indicators

22 In Focus

26 **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 in 2024

Developed market central banks have recently signaled rate cuts for 2024. Central banks have previously held a view of higher for longer rates as long as inflation remains elevated, but we anticipate a moderation in inflationary pressures, which will pave the way for central bank rate cuts next year. As a result, DM yields will likely fall a bit further, 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 scenario, but the risk of downside growth may heighten in an environment of higher for longer rates

Our base case scenario 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 tighter 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. 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.

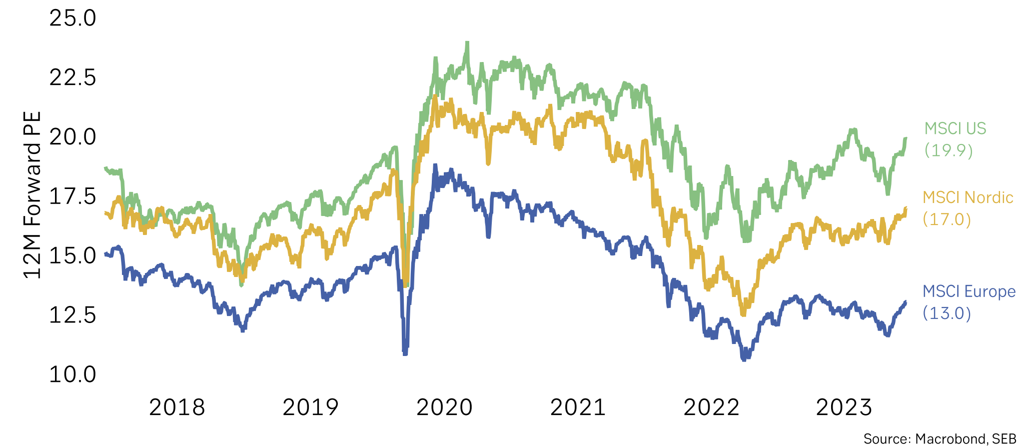
2024 earnings growth in the US is expected to improve after a dismal 2023

European equities trade at a historically wide discount compared to US equities. US equities rallied during the first half of this year mainly driven by multiple expansion in mega-cap technology stocks. European equities have de-rated relative to US equities despite European earnings outperforming US earnings. For next year, however, we expect US equities to be driven by better earnings growth which can lead to an outperformance of US equities.

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

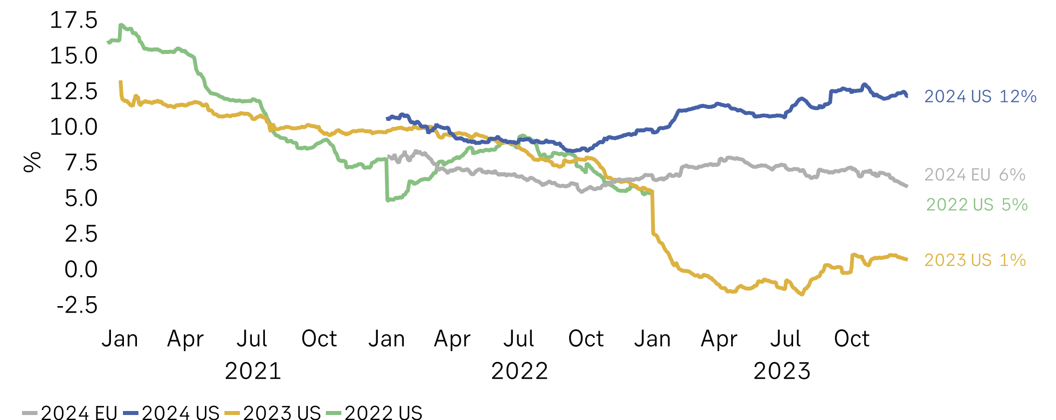
Small-cap stocks have underperformed large-cap stocks this year and appear attractive due to their inexpensive valuations. Therefore, small-caps may be poised for outperformance when central banks initiate rate cuts. These stocks generally benefit in rate-cutting cycles.

Figure 1: We have seen an uptick in valuations lately. As the Fed starts to loosen monetary policy next year, we could see some further expansion in multiples



Source: Macrobond, SEB

Figure 2: SPX bottom-up EPS growth is expected to improve in 2024 after a dismal 2023



Source: Macrobond, SEB

Emerging Market Equities – 12M Outlook

Over a 12-month horizon we a have a more constructive view on EM equities after a dismal 2023, which should be supported by a weaker USD, looser global monetary policy and low positioning overall in the region, but on a tactical horizon we prefer to keep a cautious position

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

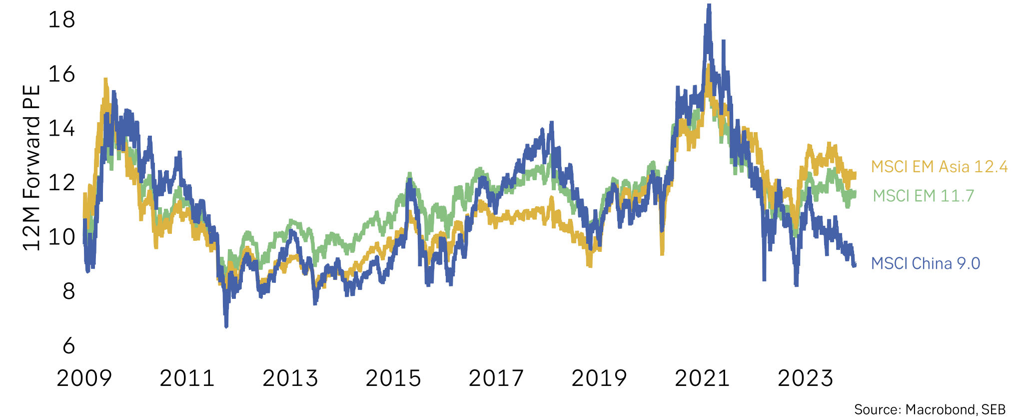
Investors have turned bearish on China due to economic disappointments, a declining property market, and geopolitical challenges, leading to a de-rating of Chinese equities. China's economic and demographic challenges draw comparisons to Japan's so called 'Lost decade', characterized by low growth, deflation, 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 valuations can limit further downside risks and provide a cushion against external negative shocks. Moreover, China's growth prospects still surpass developed markets, despite the downturn in the property sector, one of its key growth drivers.

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

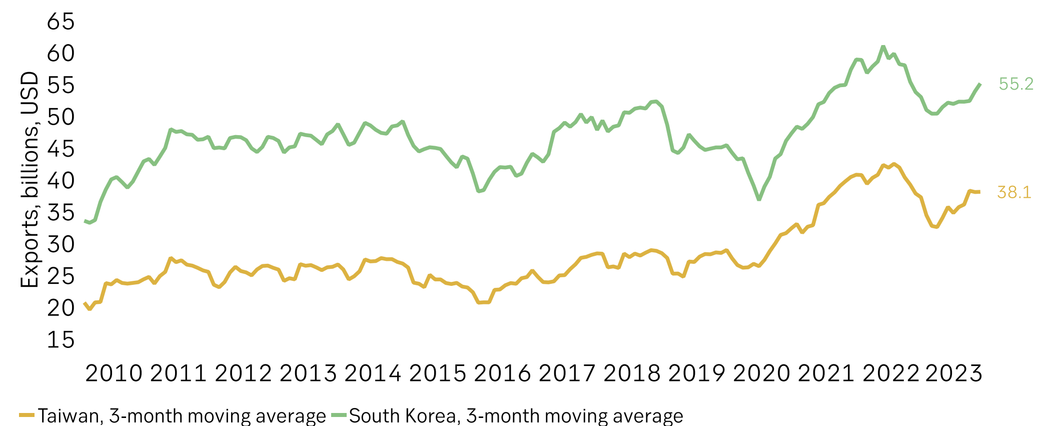
The USD has seen upward moves and appreciated amid heightened recession fears and tightening US monetary policy. However, we think the USD should weaken as recession fears fade due to resilient US hard data. Moreover, the Fed is nearing the end of its tightening cycle and will eventually begin to shift 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 believe that corporate bonds can have a positive return

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 benefit from lower rates and tighter spreads

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.

In the case of a soft-landing scenario, high-yield corporate bonds should outperform their IG counterparts, but on a tactical horizon we prefer to keep a slight underweight given that risks of widening spreads are not over

In a soft-landing scenario characterized by stable growth and increased risk appetite, high-yield corporate bonds are poised to outperform investment-grade bonds. Given their higher spreads 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 HY credit spreads to tighten.

Downside risks to our 12-month outlook

Having said that, the uncertainty for the next 12 months is still on the background, 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 high yields bonds underperforms safer investment grade bonds.

Figure 1: HY spreads may still tighten further in a 'soft-landing'/'goldilocks' scenario where rates decline and default rates remain low. However, risks of widening spreads are not over

Source: Macrobond, SEB

Figure 2: IG bonds can also have a good performance next year as risk appetite improves and recession fears diminish. But risks of widening spreads cannot be disregarded

Source: Macrobond, SEB

Government Bonds – 12M Outlook

Government bonds may have positive returns next year given expected global rate cuts

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.

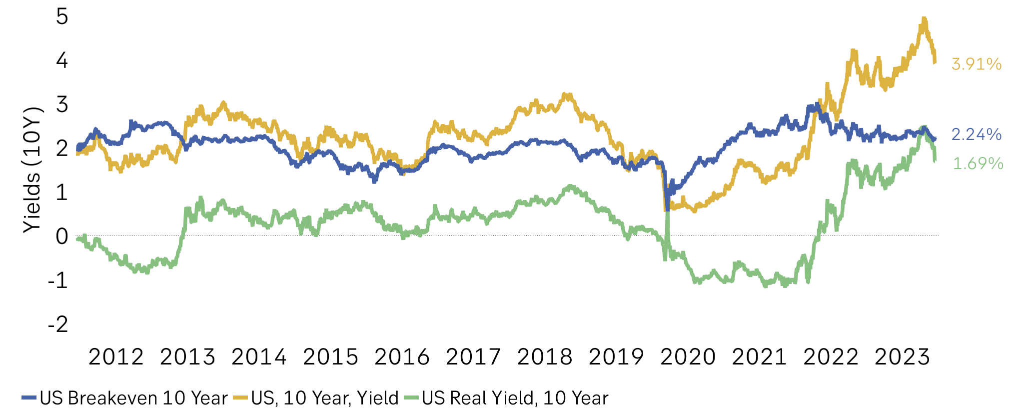
Given that bond yields are at elevated levels we have not seen since 2007, there is plenty of room for a positive rally in case of several rate cuts

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 a resilient economy. 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

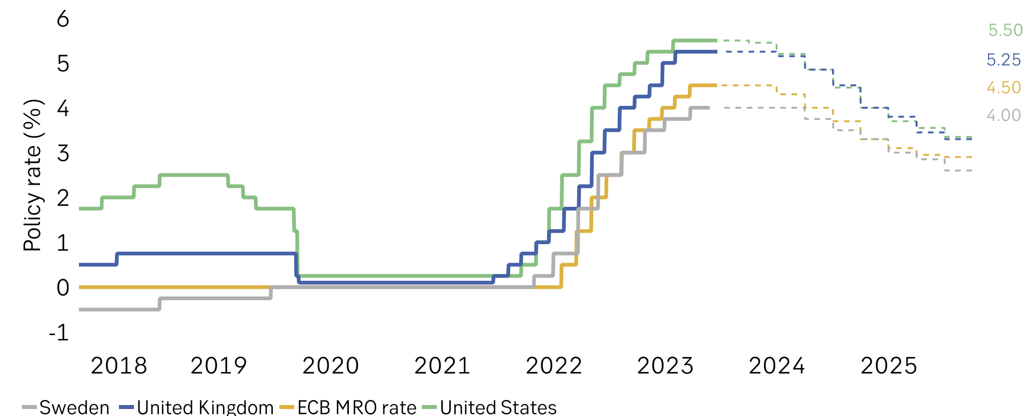
However, there are many scenarios and factors that could prevent or postpone a bond rally. Persistent strength in US consumer spending and labor markets could sustain core inflation, which might compel the Fed to tighten further, driving bond yields upwards. Actions like OPEC further tightening the oil 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 yields are in positive territory, but we expect real and nominal yields to decline as central banks start to cut interest rates next year



Source: Macrobond, SEB

Figure 2: Central banks could start lowering rates in 2024, which would benefit bonds and stocks. Forecasters are expecting a couple of rate cuts in 2024



Source: Macrobond, SEB

SEB

Region Overview

Regional equity positioning

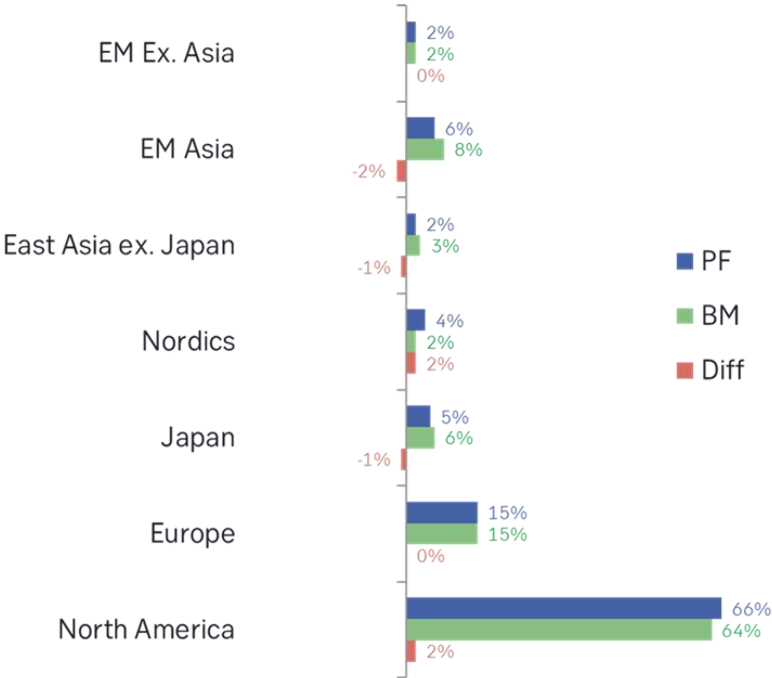
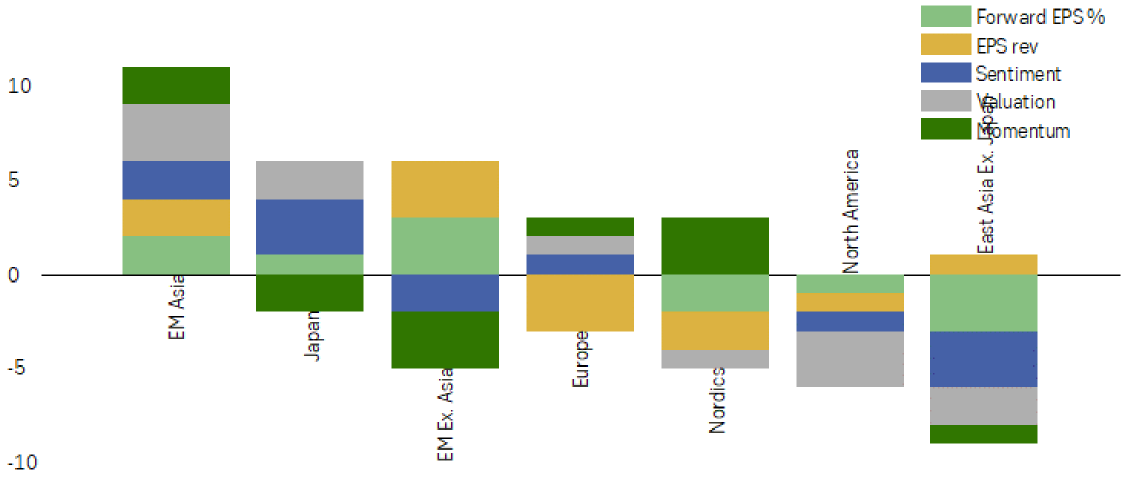


Figure 1: SEB House View region score*



* Ranked by total score with highest score starting from left

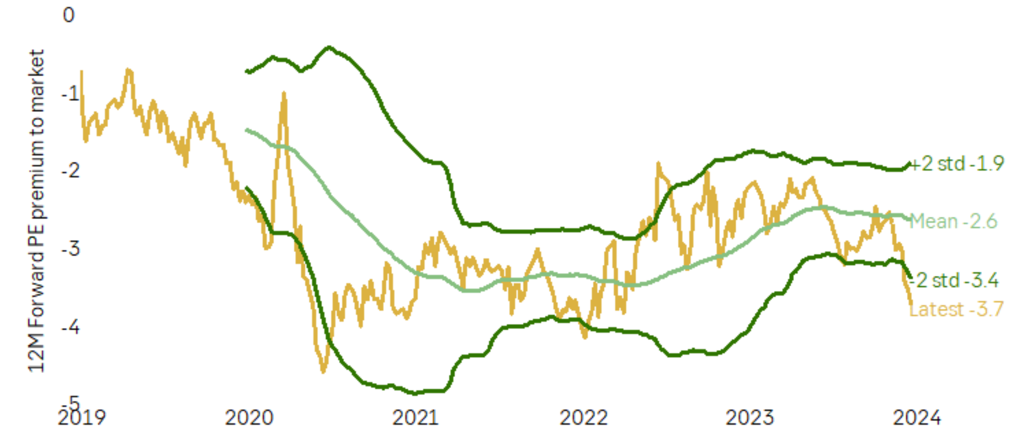
SEB

EM Asia – Underweight

We maintain our underweight to EM Asia equities due to persistent growth challenges in China

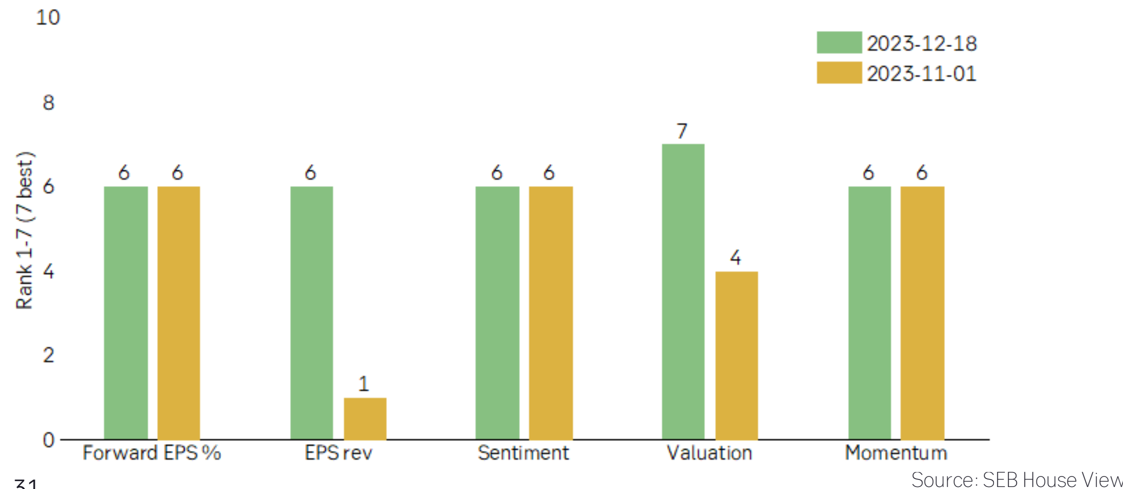
- With inflation easing broadly and a more dovish Fed, we expect regional central banks to reduce rates next year, potentially benefitting EM equities if a recession is avoided
- We also anticipate a weaker USD for next year which should support EM assets, yet China's heightened economic and geopolitical risks could still dampen investor sentiment towards equities in the region
- Positive economic data surprises in the region are overshadowed by China's gloomy outlook with its ongoing housing crisis and rising local government debt, and Moody's downgrade of China's credit rating only adds to prevailing uncertainties
- During its Central Economic Work Conference, top Chinese policymakers pledged to pro-growth policies for next year to boost demand and aid its struggling post-covid recovery, which should induce a floor on growth, however this remains to be seen
- **Persistent challenges in China, despite dovish monetary policies, low positioning, lead us to maintain our small underweight stance in EM Asia equities**

Figure 2: Standardized relative valuation – Current constituents



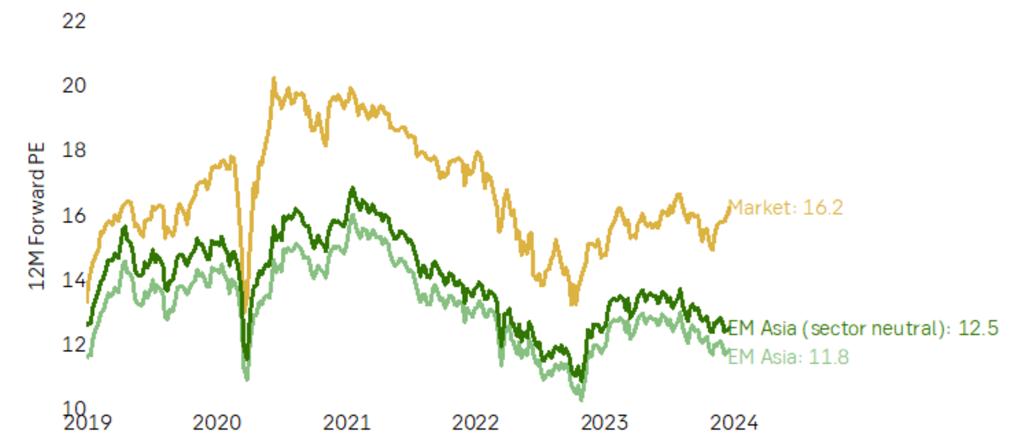
Source: SEB House View

Figure 1: Contribution to House View Region Score



Source: SEB House View

Figure 3: Absolute valuations – Current constituents



Source: SEB House View

SEB

EM Ex Asia – Neutral

We maintain our neutral stance on Em Ex Asia despite prospects of rate cuts next year as growth and geopolitical uncertainties will likely prevail in a more defensive climate

- Latin America is experiencing a growth deceleration due to tighter monetary policies, fiscal strains in the region and external headwinds, including China's economic weakness
- Despite these pressures, easing inflation and growth could allow LatAm central banks to soften their monetary stance, aiding economic activity
- Furthermore, we expect the USD's strength to wane next year as the Fed has hinted at further rate cuts, potentially easing external strains on EM assets
- However, in a more defensive investment climate, high beta/cyclical segments like EM ex Asia are less attractive for investors amid heightened geopolitical risks and economic uncertainties, supporting our neutral stance, for now
- Having said that, should rate cuts materialize and global risk sentiment improve next year, capital may shift from defensive markets like the US towards EM

Figure 1: Contribution to House View Region Score

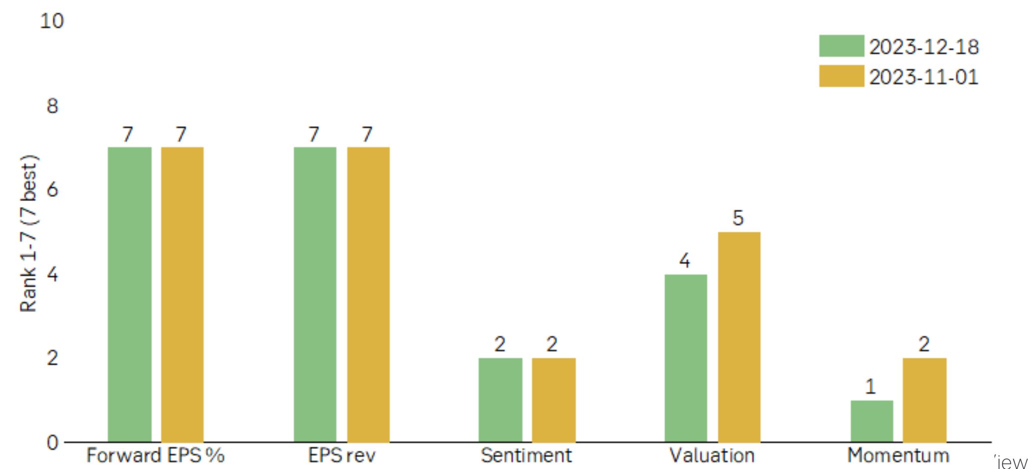
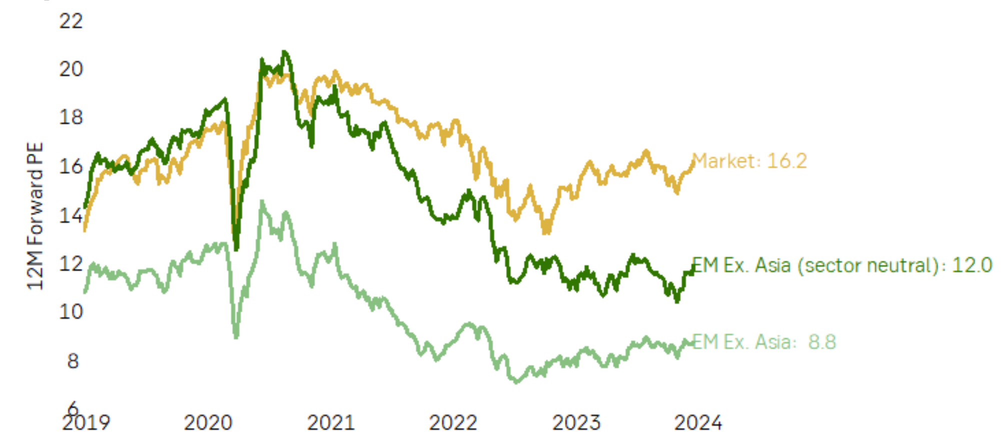


Figure 2: Standardized relative valuation – Current constituents

Figure 3: Absolute valuations – Current constituents



Europe – Neutral

We increase our position to Europe to a neutral stance based on improved prospects for ECB easing and a soft-landing scenario in 2024, but a China slowdown and geopolitical risks remain

- Increased odds for a soft landing and improved macro prospects enhance the outlook for European equities next year in our view, although China's recovery is still a wildcard
- Euro area core inflation has fallen faster-than-expected, which could lead to earlier and deeper easing from the ECB than expected, which could stabilize growth momentum in the region
- Furthermore, European PMIs have likely bottomed, albeit remains low, but signals a potential trough in business activity which could bode well for European stocks
- Low expectations for European growth and corporate earnings (negative revisions) set the stage for potential positive surprises in earnings next year
- With P/E multiples at near historical lows in absolute terms, European stocks should see upside from lower rates from the ECB next year
- Geopolitical risks are fading in the background, but remain a threat to the outlook, as an escalation in the wars could put upward pressure energy prices and inflation, delaying rate cuts

Figure 1: Contribution to House View Region Score

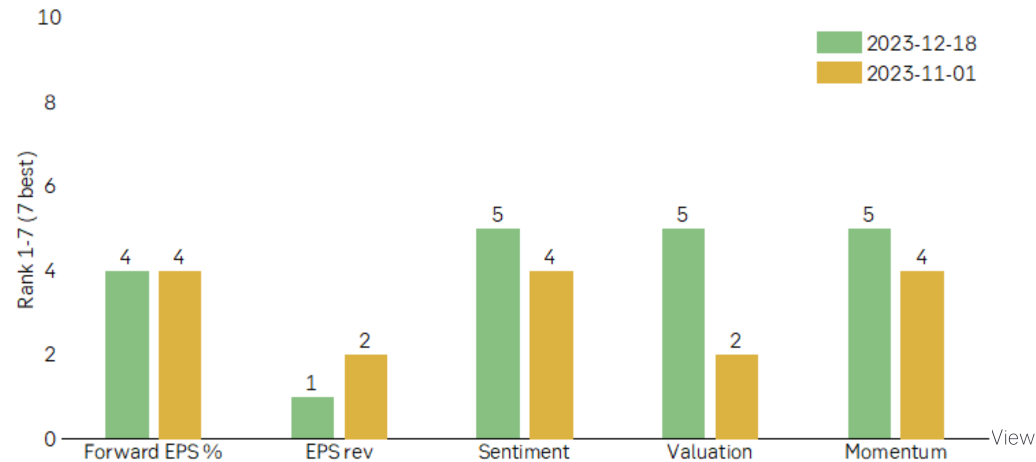


Figure 2: Standardized relative valuation – Current constituents

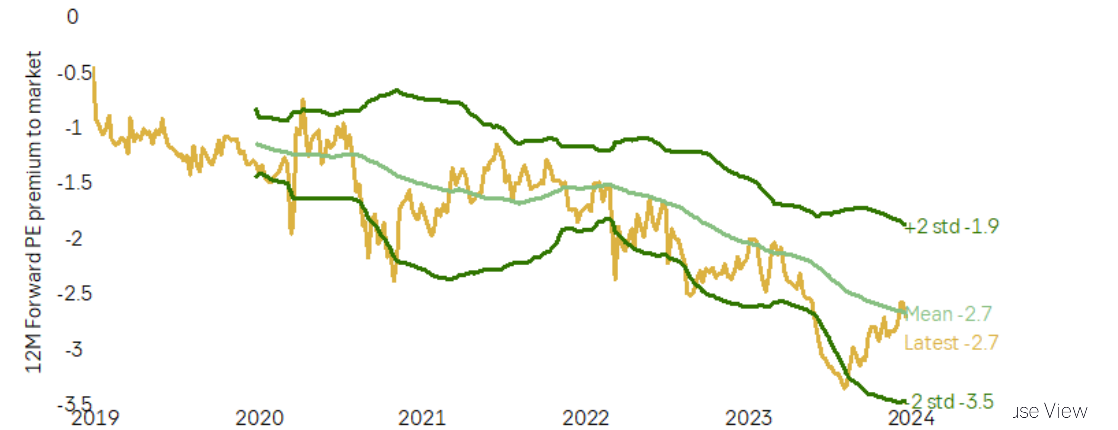
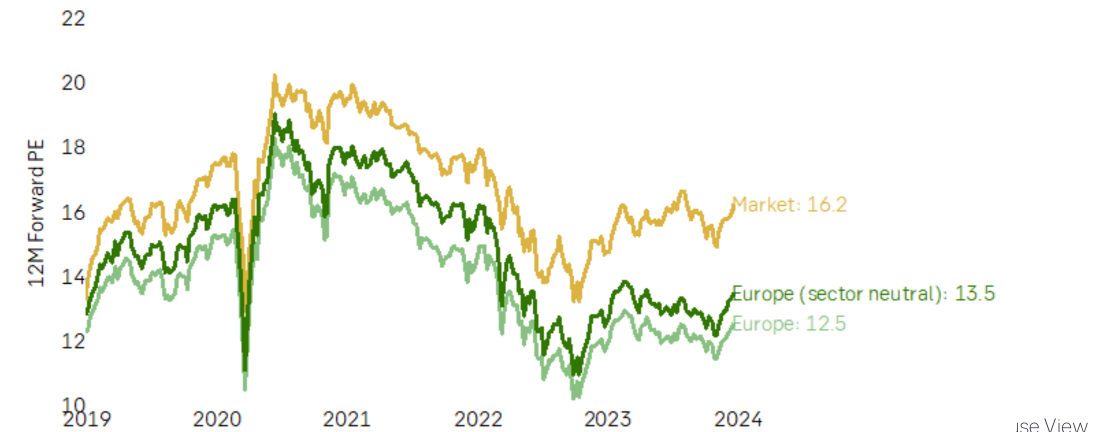


Figure 3: Absolute valuations – Current constituents



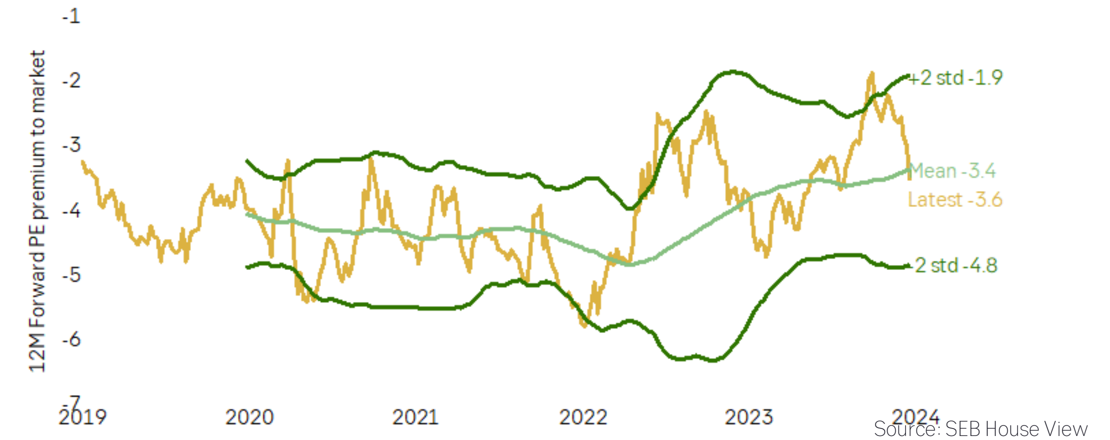
SEB

Japan – Underweight

We remain underweight to Japanese equities due overcrowded positioning, yen headwinds and an upcoming policy shift

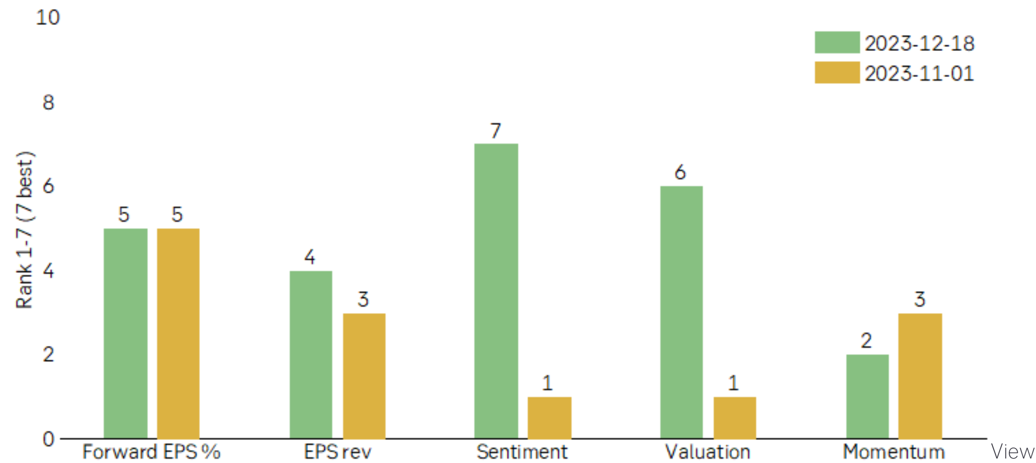
- PMI data showed that Japanese business activity returned to growth in December, with service sector growth offsetting manufacturing declines, yet the sustainability of this momentum is uncertain
- EPS revisions are positive again, but are falling, hinting at a possible return to negative territory. We expect economic growth in Japan to slow down next year, which should weigh on earnings growth
- Anticipated rate cuts by the Fed and ECB, alongside the BoJ's likely move away from negative rates, are set to bolster the yen, posing challenges to Japanese exports and the profit outlook
- November saw strong inflows into Japanese stocks, yet with signs of overcrowded positioning, and we do not view positioning as a supportive factor going forward, as investors are very long relative to history
- BoJ's negative interest rate policy has benefited equity valuations, but an expected policy shift in the coming year will most likely negatively impact Japanese stock prices

Figure 2: Standardized relative valuation – Current constituents



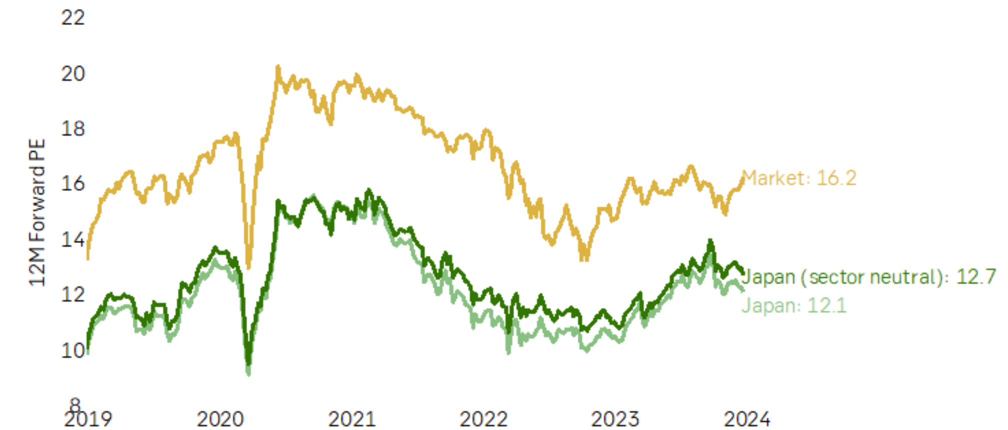
Source: SEB House View

Figure 1: Contribution to House View Region Score



View

Figure 3: Absolute valuations – Current constituents



use View

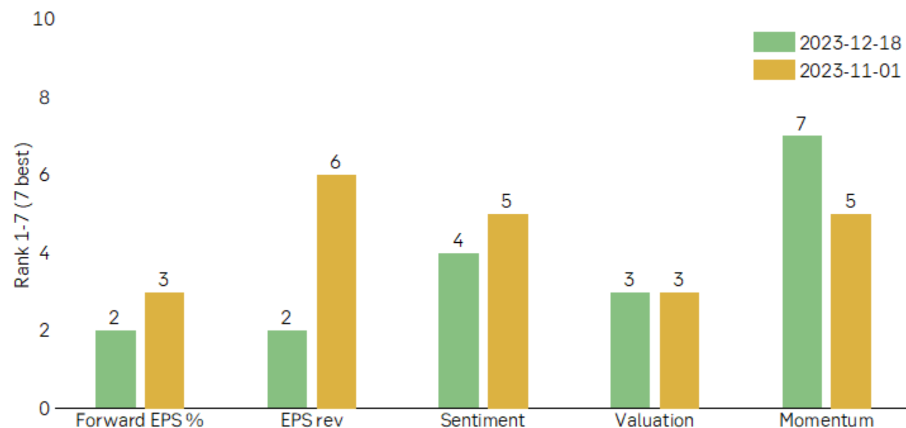
SEB

Nordics – Overweight

We increase our overweight position in the Nordics, anticipating that Swedish equities will benefit from a stronger SEK next year and a broad pick-up in the market

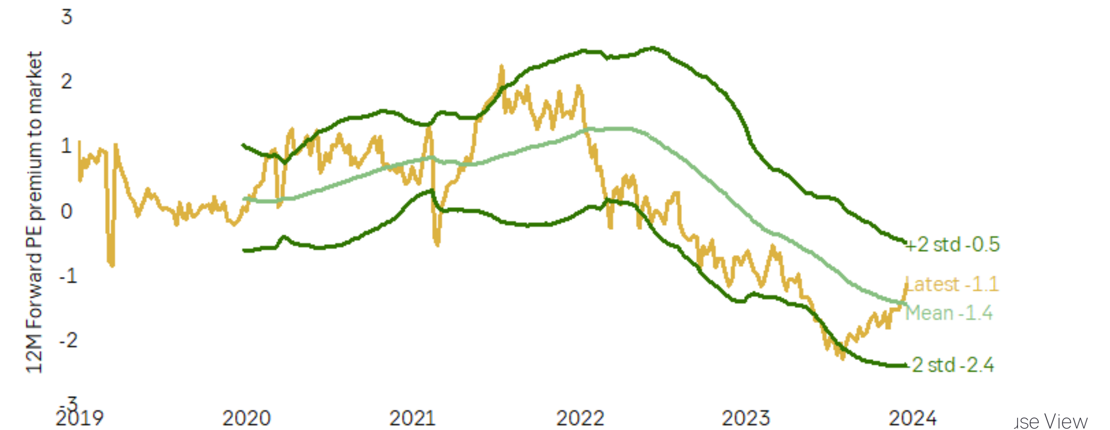
- The Riksbank unexpectedly paused its rate hikes in November, for the first time since it began hiking rates last year, suggesting an end to increases with potential cuts ahead as inflation eases more than anticipated
  - Despite the hold, the Riksbank has flagged it remains ready to hike rates further if inflation rises
- We expect lower rates to bolster Swedish equity valuations next year trough a re-rating of multiples
- The SEK is also poised to strengthen against a backdrop of low valuations against other major currencies and forecasted rate cuts by the Fed and ECB, potentially enhancing the appeal of Swedish equities to global investors
  - A stronger SEK would amplify returns for dollar- or euro-based investors, increasing the allure of Swedish stocks internationally
- Despite Sweden entering a technical recession last quarter, we anticipate a soft landing next year, not a severe downturn, with both inflation and interest rates coming down

Figure 1: Contribution to House View Region Score



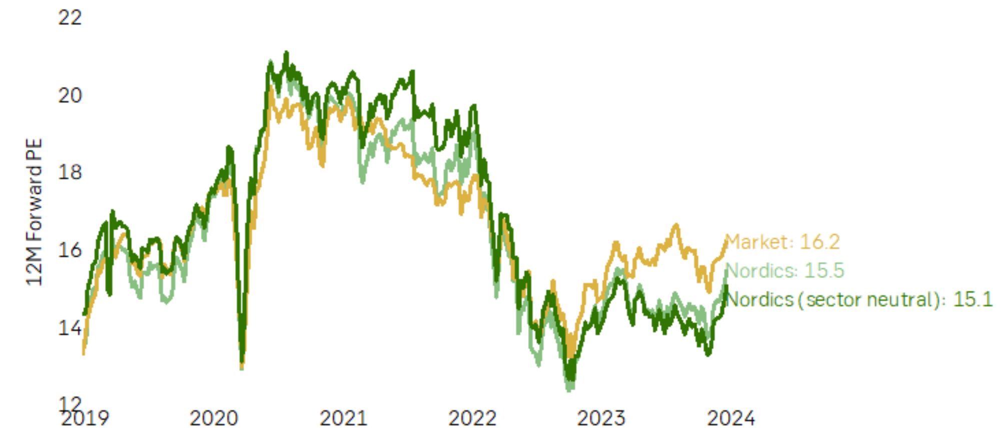
Source: SEB House View

Figure 2: Standardized relative valuation – Current constituents



Source: SEB House View

Figure 3: Absolute valuations – Current constituents



Source: SEB House View

SEB

North America – Overweight

We reduce slightly our overweight in the US –which has benefitted us well in 2023 – but still remain overweight to US equities as we are confident in a soft-landing by the Fed and anticipate stronger earnings growth

- We anticipate the Fed to cut interest rates next year, driven by a faster-than-expected decline in inflation, supporting our constructive view on US equities
- Additionally, we expect the Fed to successfully achieve a soft landing, steering the US economy towards a lower, but more sustainable growth without inducing a recession
- Despite relatively high valuations, US equities could retain their appeal among investors due to defensive qualities, particularly if global growth disappoints or geopolitical tensions escalate
- Following a muted 2023 in earnings, we foresee improved earnings growth in 2024, likely driving US equity performance
- **However, from a relative global regional perspective, we believe there is somewhat more potential in regions outside of the US, which have been unloved and could catch up next year. Therefore, we reduce ever so slightly our overweight in North America**

Figure 2: Standardized relative valuation – Current constituents

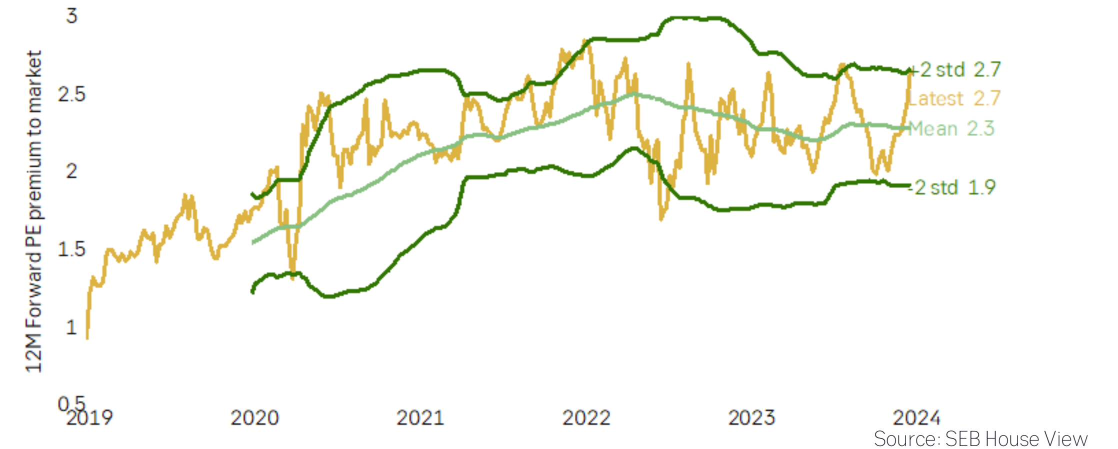


Figure 1: Contribution to House View Region Score

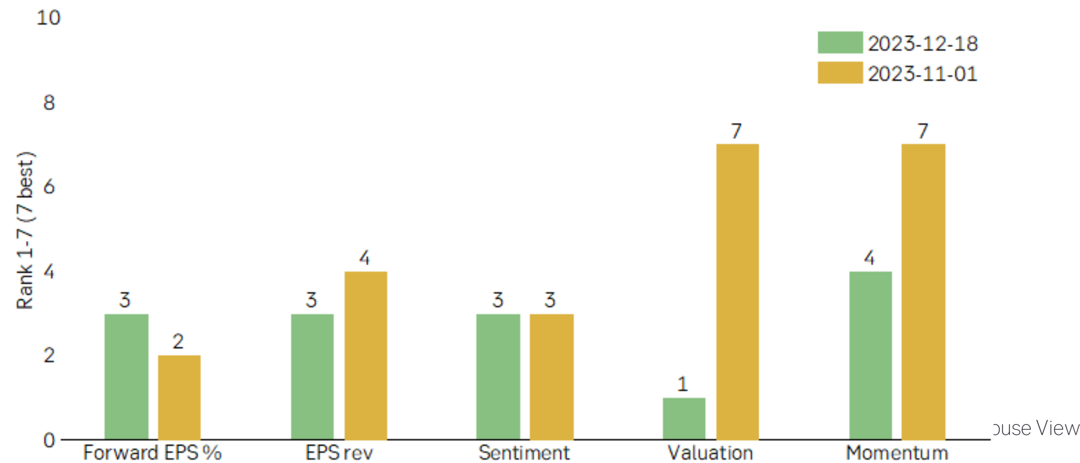
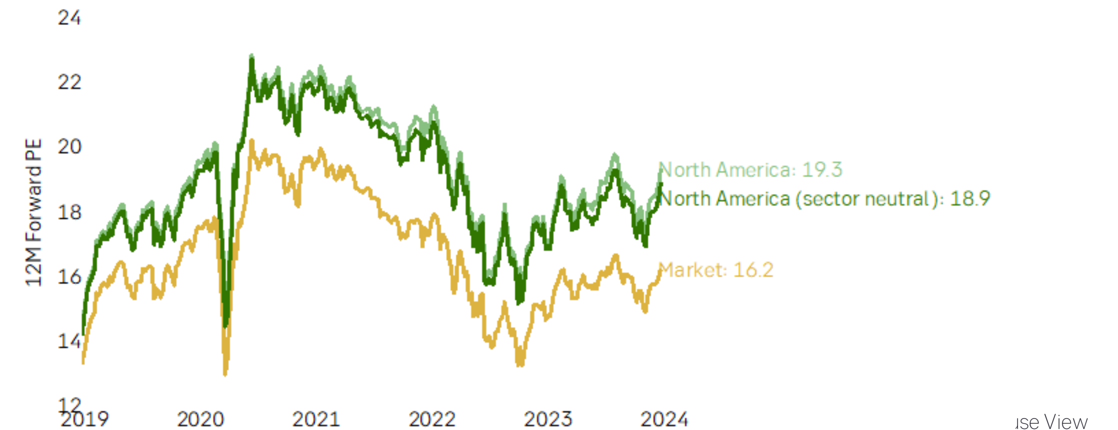


Figure 3: Absolute valuations – Current constituents



SEB

East Asia Ex Japan – Underweight

We decided to underweight in East Asia Ex Japan, which has strong trade with China, in favor of Europe and the Nordic region

- In our regional model, the region scores the lowest in comparison to other regions
- 12M Forward earnings are dismal although earnings revisions have been slightly positive
- The region mostly consists of Australia, which is heavily exposed to Chinese trade
- The region has not gained momentum yet, and is trailing its other regional counterparts
- **Therefore, we reduce ever so slightly to an underweight in the region**

Figure 2: Standardized relative valuation – Current constituents

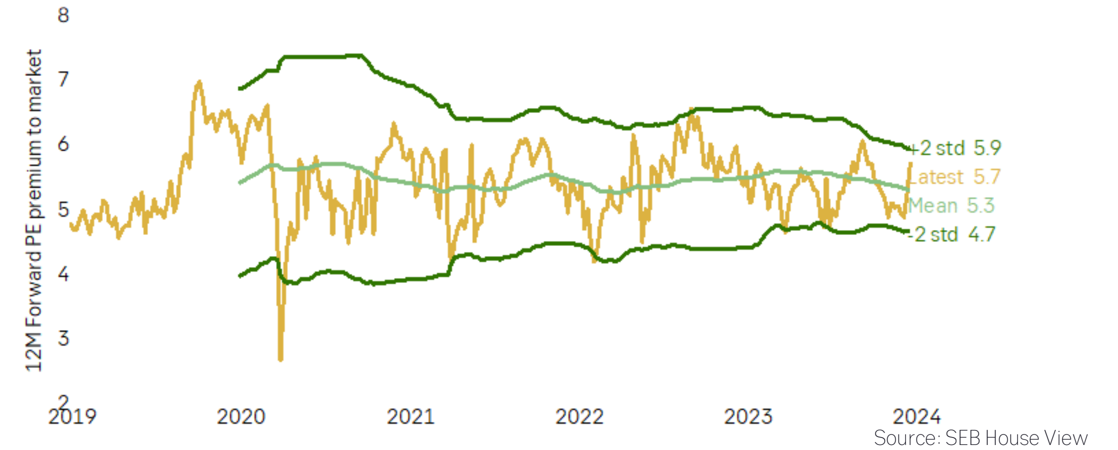


Figure 1: Contribution to House View Region Score

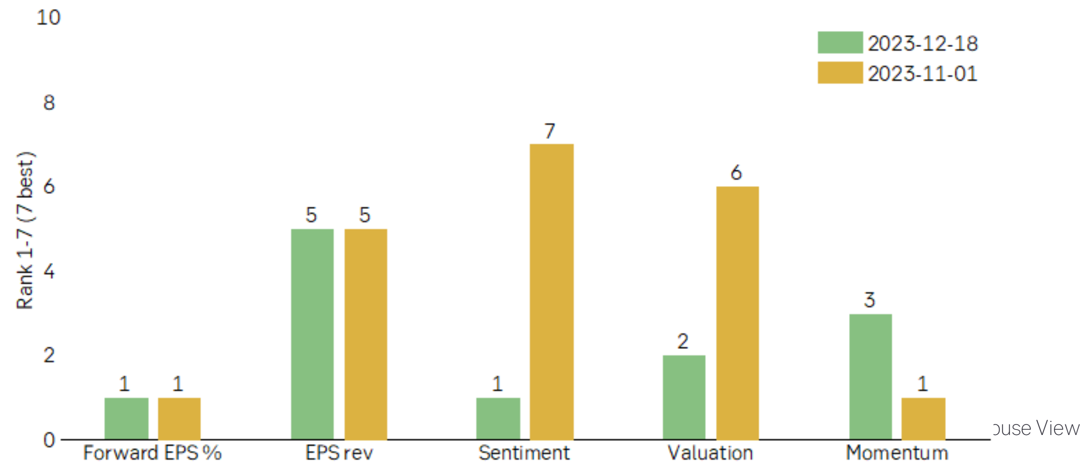
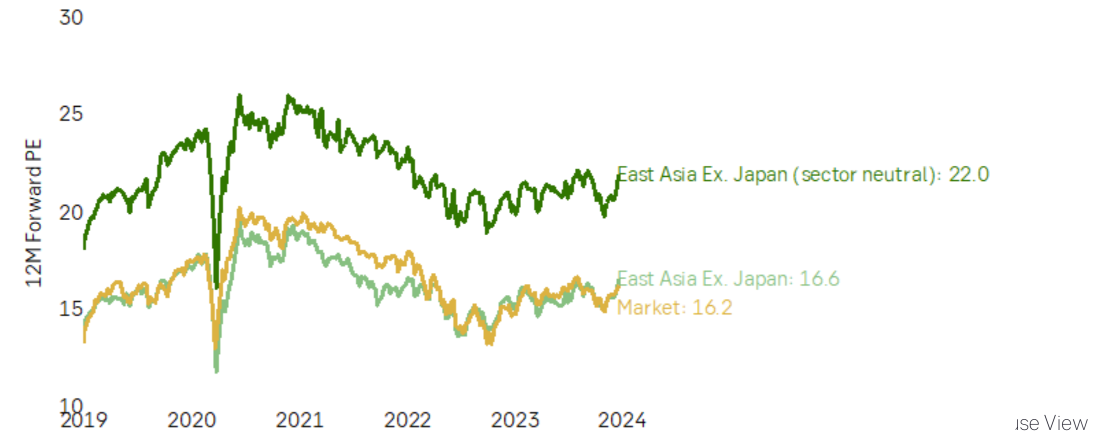


Figure 3: Absolute valuations – Current constituents

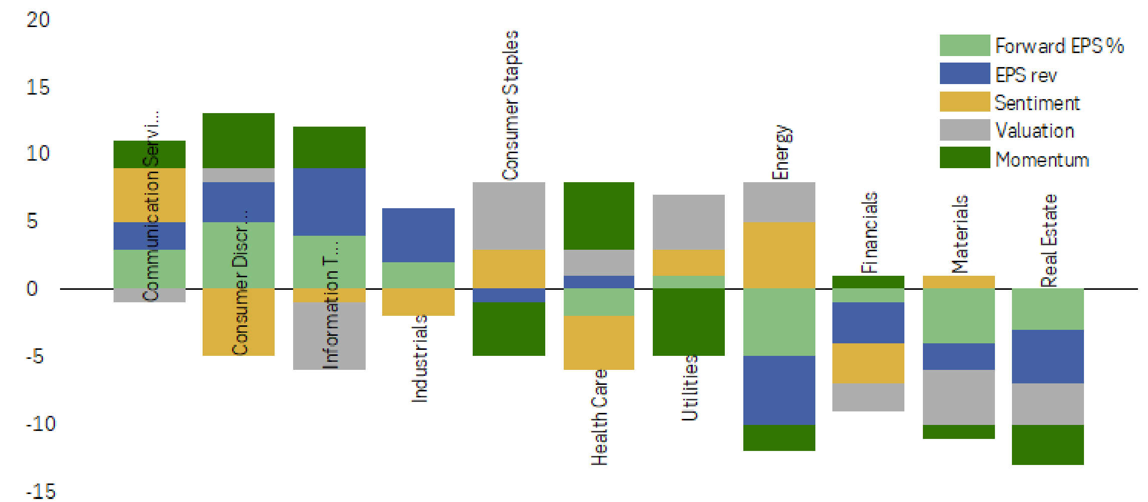


Sector Overview

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

Figure 1: SEB House View sector score



Source: SEB House View

SEB

Overweight – Consumer Discretionary, IT and Industrials

We remain overweight in Consumer Discretionary, anticipating a favorable soft landing

- In our view, the tight yet cooling labor market, alongside positive wage growth and low unemployment, should support consumer spending even with decreasing household savings
- An anticipated soft-landing and lower rates next year should favor consumer stocks, boosting demand and cyclical sectors' earnings

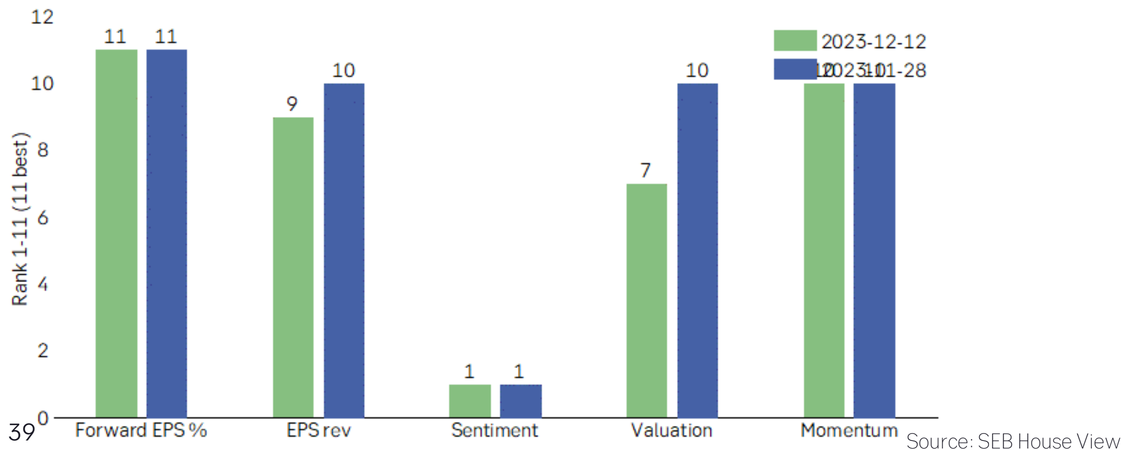
We keep our overweight in Info Tech as we expect rate cuts and the AI trend to be supportive

- With anticipated rate cuts by central banks next year, tech stocks are likely to outperform, while being further aided by the ongoing positive AI trend
- The sector also provides downside protection in downturns due to its less cyclical nature

We maintain an overweight in Industrials as indicators point to stronger manufacturing growth

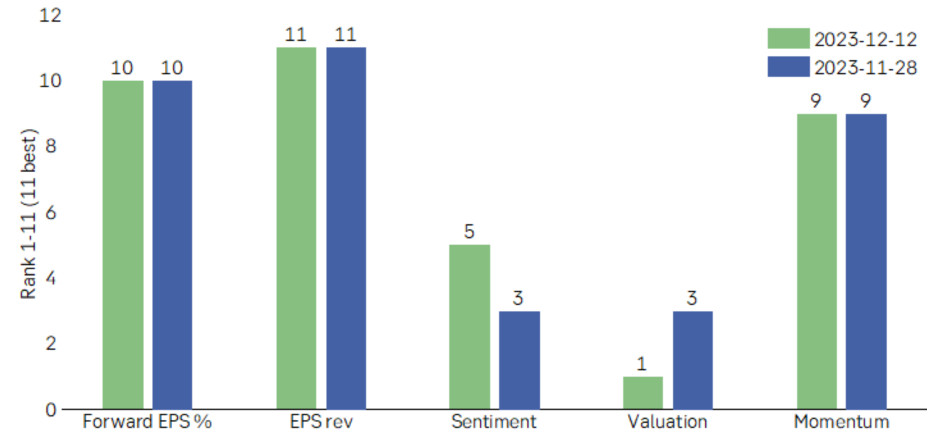
- Positive Korean export growth, a key indicator of the global trade cycle, suggests an upswing in manufacturing activity which should benefit the industrial sector
- Additionally, the low ISM manufacturing inventories index, pointing to an impending inventory restocking cycle, paired with expected increases in demand from rate cuts, could also enhance manufacturing activity

Figure 1: The earnings growth outlook for Consumer Discretionary remains attractive



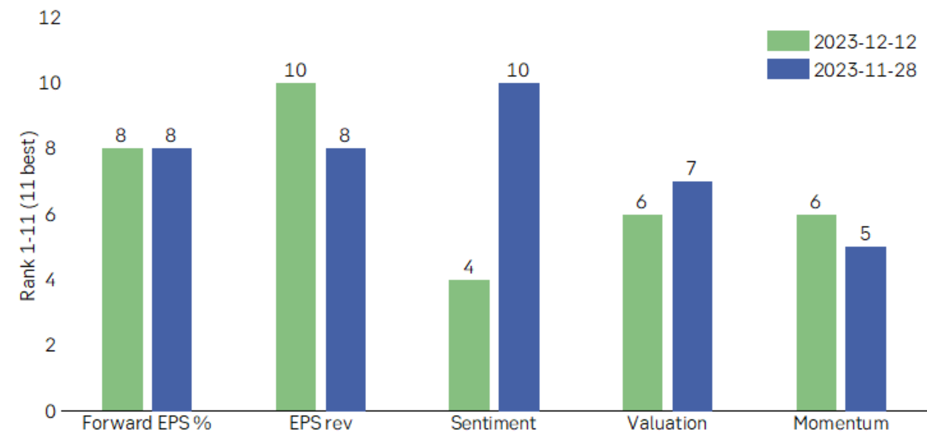
Source: SEB House View

Figure 2: IT earnings continued to surprise positively and keep a strong growth outlook



Source: SEB House View

Figure 3: Earnings revisions and the earnings outlook for Industrials remain solid



Source: SEB House View

Underweight – Consumer Staples, Utilities and Materials

We remain underweight in Consumer Staples

- 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

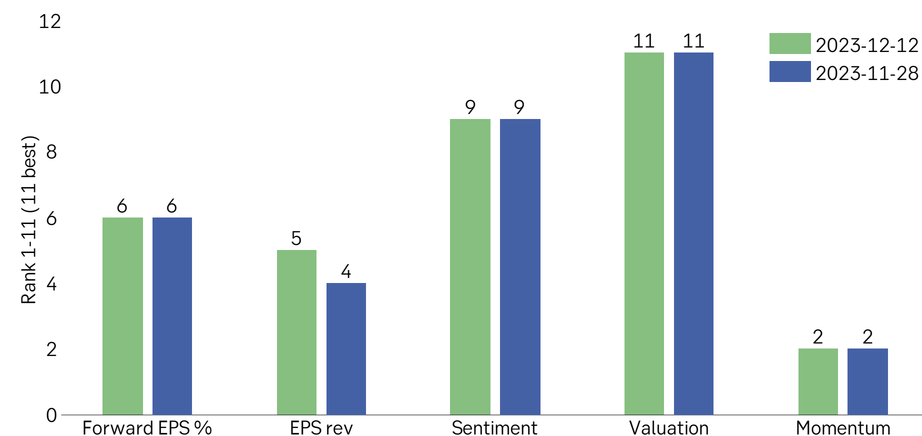
We reduce our underweight in Utilities given that yields are expected to fall

- Utilities are less attractive as stock volatility is low, interest rates are still high, and a severe downturn is less likely in our view
- However, given that the sector acts like a bond proxy we believe that falling yields could slightly benefit the sector

We prefer to reduce our neutral weight in Materials to underweight given the low earnings score and considering that we are entering a slowdown in the economy

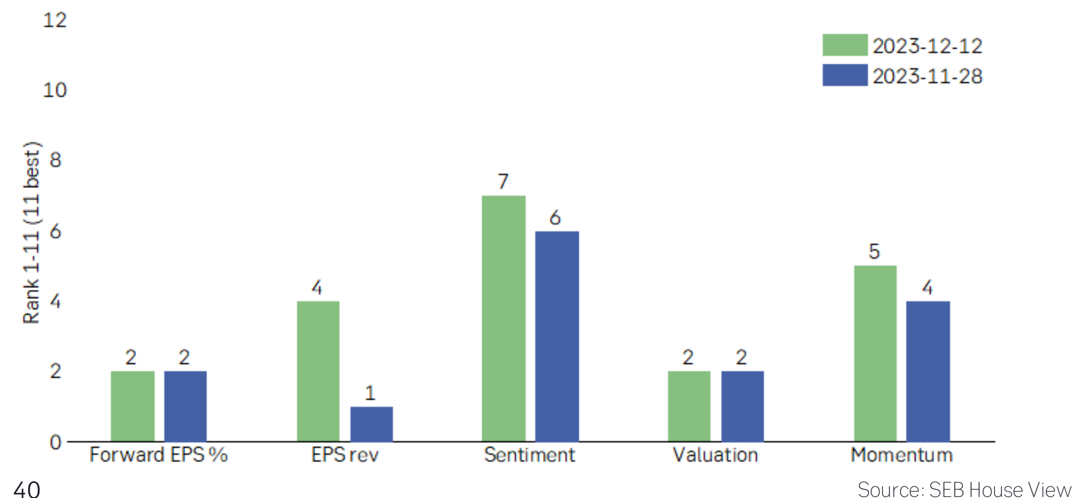
- Downward pressures are building up on chemicals and metals & mining as the regulatory and political environments remain challenging
- Demand for materials will likely remain subdued as the high interest rates are dragging on durable goods sales and manufacturing surveys still signal contraction

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



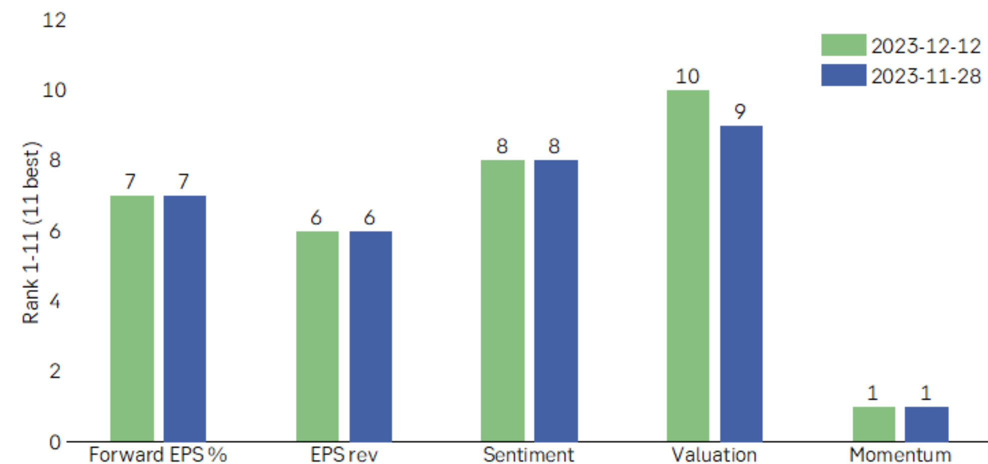
Source: SEB House View

Figure 2: Materials scores the lowest in our sector model



Source: SEB House View

Figure 3: Utilities has lower earnings in comparison to other sectors we prefer



Source: SEB House View

Appendix – US Inflation Heatmap

US Inflation Indicators

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

	12/2023	11/2023	10/2023	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
Economic Measures																									
Trimmed-Mean CPI		4.0	4.1	4.3	4.5	6,05	5.0	5.5	6.1	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
Core CPI		4.0	4.0	4.1	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
Core PCE			3.5	3.7	3.8	4.3	4.3	4.7	4.8	4.8	4.8	4.9	4.9	5.1	5.3	5.5	5.2	5.0	5.2	5.1	5.3	5.5	5.6	5.4	5.2
CPI		3.1	3.2	3.7	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
PPI		-0.9	-0.4	2.3	2.1	-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
Sentiment																									
Michigan Expected Inflation 12M	4.7	6.1	6.3	5.3	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
Conf Board Expected Inflation 12M		5.7	5.9	5.7	5.7	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
ISM Manufacturing Prices Paid		49.9	45.1	43.8	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
ISM Manufacturing Supplier Deliveries		46.2	47.7	46.4	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
NFIB Higher Prices		25.0	30.0	29.0	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
Commodities																									
CRB Raw Industrials	-5.5	-5.6	-2.5	-5.6	-8.7	-6.6	-15.9	-15.7	-18.8	-16.8	-11.9	-11.5	-10.6	-12.2	-11.9	-4.6	-1.8	-2.2	7.3	11.9	21.4	18.6	19.1	22.9	26.7
Metals	-20.0	-16.6	-7.7	-8.4	-12.4	0.5	-18.6	-18.0	-25.9	-32.1	-10.2	-4.1	2.4	-1.5	-15.6	-6.8	-0.4	-7.3	13.2	12.1	45.6	60.3	29.8	31.8	21.1
Agriculture	-3.9	-4.2	-6.7	-5.4	-3.5	3.1	-11.8	-13.8	-10.3	-10.6	4.3	10.0	11.0	12.8	21.9	27.1	15.1	15.4	29.6	29.8	48.2	44.4	33.5	23.8	37.3
Energy	-34.7	-28.0	-25.8	-27.1	-32.0	-32.2	-50.7	-43.4	-30.9	-22.1	-1.9	14.1	43.1	38.2	32.0	60.3	87.6	57.9	118.3	106.1	101.2	73.1	53.3	58.4	51.9
Wages																									
Hourly wages		4.0	4.0	4.2	4.3	4.3	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
Inflation components																									
Shelter CPI		6.7	6.8	7.1	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
Electricity CPI		3.4	2.4	2.6	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
Car Rental CPI		-10.7	-9.6	-8.6	-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
Recreation CPI		4.8	5.7	6.4	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
Market Indicators																									
US 5Y Breakeven	2.1	2.3	2.3	2.3	2.3	2.2	2.1	2.1	2.4	2.4	2.5	2.2	2.4	2.5	2.4	2.6	2.7	2.5	3.2	2.9	3.4	3.6	2.9	2.9	2.8
US 5Y/5Y Breakeven	2.2	2.3	2.4	2.3	2.4	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.3	2.2	2.3	2.2	2.1	2.4	2.3	2.5	2.5	2.1	2.1	2.1

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

Disclaimer

- This report has been compiled by SEB Group to provide background information only and is directed towards institutional investors. The material is not intended for distribution in the United States of America or to persons resident in the United States of America, so called US persons, and any such distribution may be unlawful. Although the content is based on sources judged to be reliable, SEB will not be liable for any omissions or inaccuracies, or for any loss whatsoever which arises from reliance on it. If investment research is referred to, you should if possible read the full report and the disclosures contained within it, or read the disclosures relating to specific companies. Information relating to taxes may become outdated and may not fit your individual circumstances. Investment products produce a return linked to risk. Their value may fall as well as rise, and historic returns are no guarantee for future returns; in some cases, losses can exceed the initial amount invested. You alone are responsible for your investment decisions and you should always obtain detailed information before taking them. If necessary, you should seek advice tailored to your individual circumstances from your SEB advisor.
- This material is not directed towards persons whose participation would require additional prospectuses, registrations or other measures than what follows under Swedish law. It is the duty of each and every one to observe such restrictions. The material may not be distributed in or to a country where the above mentioned measures are required or would contradict the regulations in that country. Therefore, the material is not directed towards natural or legal persons domiciled in the United States of America or any other country where publication or provision of the material is unlawful or in conflict with local applicable laws.