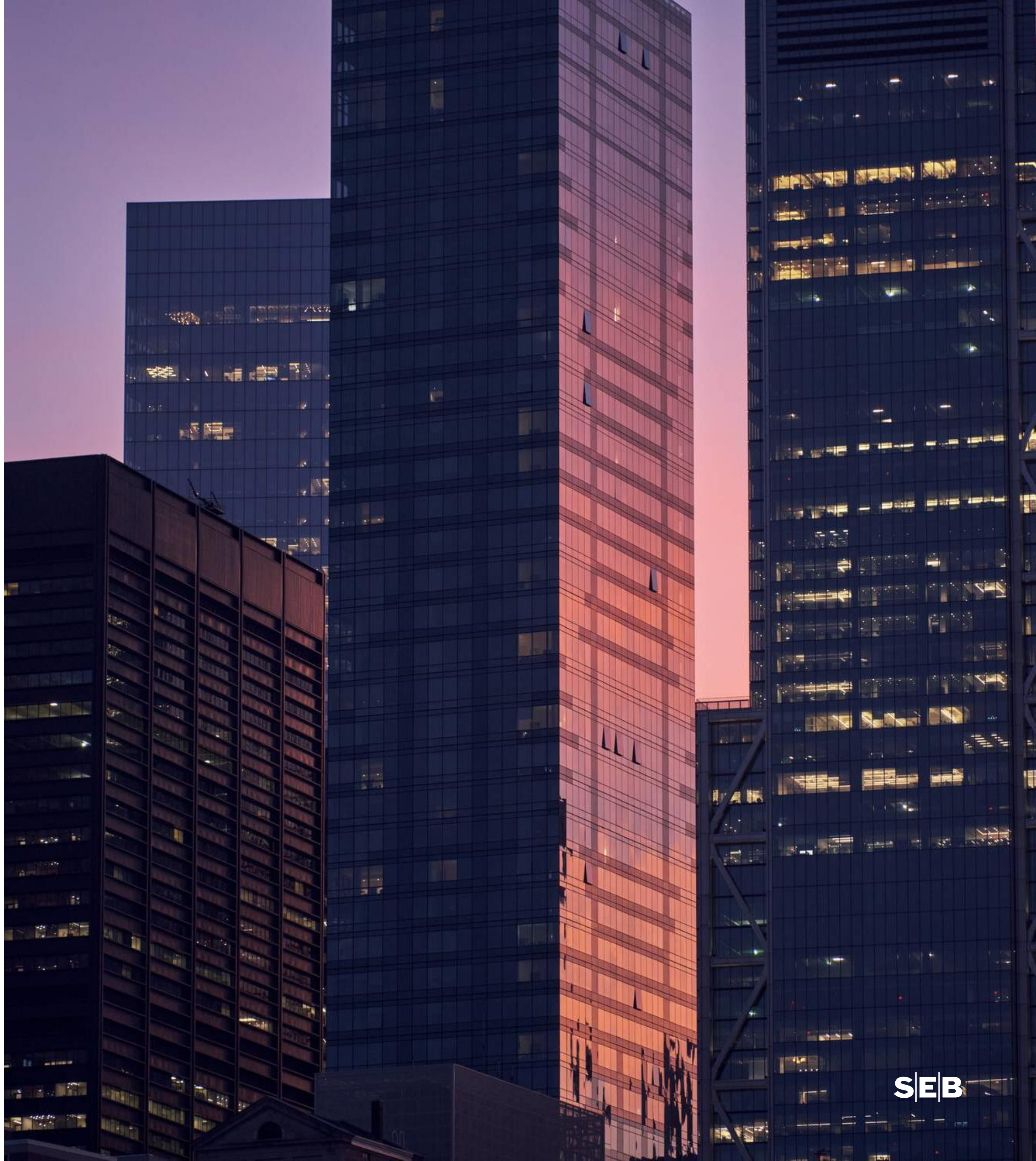
SEB House View

08 November 2023

Agenda



Fed changes tonality – a glimmer of hope

- The narrative that is driving markets is when the FED will adjust rates? Higher-for-longer is setting the tone for market sentiment and the question is now for how much longer
  - In the November Fed policy meeting, we saw a slight change in tone from the FED. This created a strong reaction in equity and bond markets; perhaps stronger than what was reasonable
  - At the time of Jeremy Powell's slightly softer statement, the investor community was rather short in the equity market and the consensus was primarily on the negative side
  - Concurrently with the Fed meeting came softer macro data signaling a slowdown in the US economy which strengthened the belief that we are heading towards a softer road ahead
  - The million-dollar question is if we are on our way to a soft-landing scenario with lower inflation. The answer is probably yes, but there are still questions on the speed and how deep the dip in growth will be
  - If we look at Fed Funds futures these indicate that markets expect lower policy rates by next summer, but these are current market odds and not a fact. Against this is the massive tightening in short term yields, bank credits are tighter and we are close to seeing a trend in weaker employment data –everything points to much slower growth
  - What is worrisome are signs that the US disinflation trend is about to take a break. There is a risk of higher inflation data in the near term, even though it will probably not be massive, but the good news on that front is that it will eventually take a break
  - Globally, macro data is on a good road towards a slowdown of the economy. This will lead to better inflation data and a stabilization of markets, supported by lower bond yields
  - Our research (enclosed in the presentation) looks at the peak in bond yields and correlations with other leading indicators. From the research we may deduce that we could have already reached a peak in yields and moving forward yields may be range bound or move lower
  - In many countries the private sector is in a good shape financially, not least in banks. This is a fact that speaks for the soft-landing scenario
- We maintain our light pro-risk position with a risk utilization of 55%
  - We have full respect for the quick market swings, but we believe that we are near the end of tighter policy. That is, we are most likely on the road towards a cool down of the economy, but it will probably be controlled all the same
  - We would like to see further signs of softening data, for instance in employment data, before venturing into the market and frontrunning the FED's policy
  - So 55% is a sensible and lightly conservative way of participating in the potential at this point

Investment Regime

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

Moderately tight financial conditions

Gradually weaker macro data

Q3 earnings reports signalled weaker earnings outlook

Slightly weaker labour markets

A soft landing is our main scenario

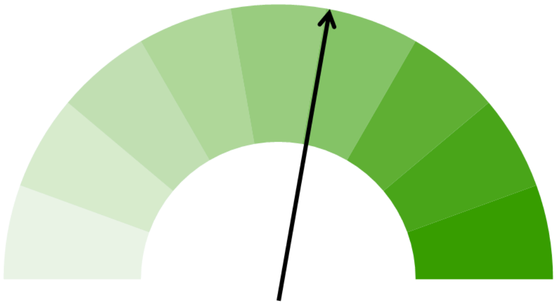
Oil may have peaked

Weakness in China - with ongoing support

Short term upside risks to inflation

Speedometer

55%



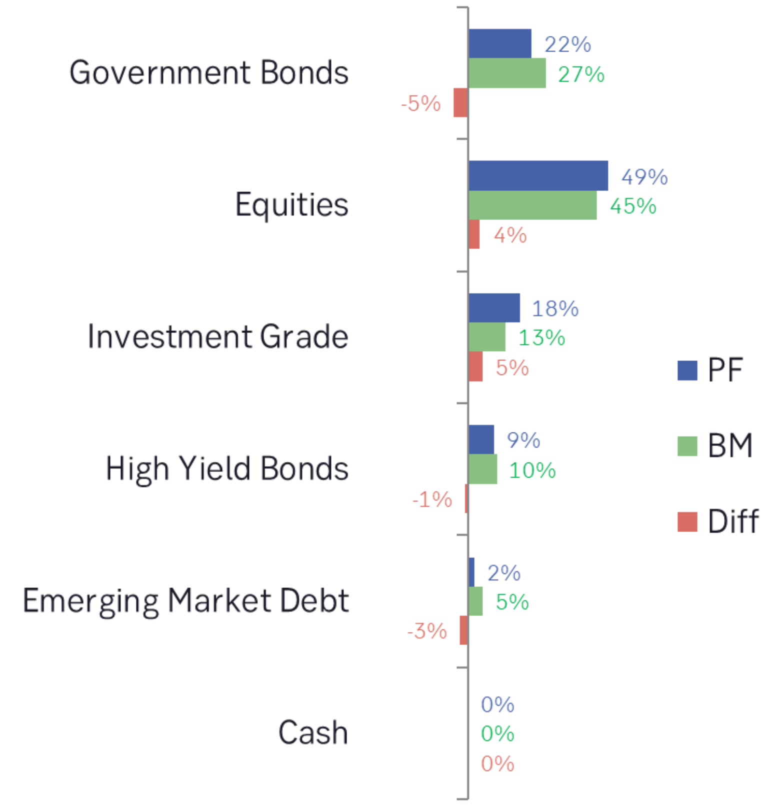
The speedometer controls to what extent the portfolios should utilize their risk budgets. It is connected to the model portfolio (page 4) which at all times utilizes its risk budget in-line with the speedometer. In a very general sense it can be interpreted as equities on/off (with 50% being neutral).

Asset Allocation

Recent market events and moves is a road map to what will happen when the scenario shifts. But until that point, we prefer to maintain a well-balanced portfolio

- This is a strategy that is constructed to take part in the potential for a turnaround with an eye on a better macro climate
  – We are not betting hard on a turnaround in central-bank policy, instead we harvest bond-yields that acts as return creators and volatility mitigators
- Bonds continue to offer competitive yields indicating the importance of balancing portfolios
  – This is a big change from last years' climate and a better world for asset allocation
- One interesting observation from last weeks' moves is that the breadth of the equity market movement was much broader than this year where the magnificent seven stood for most of the moves
  – This is encouraging and shows potentials the day when the economy moves in the right direction
- We hold a light overweight in Equities as we are in the right road ahead. Corrections are in place and equities are in some cases reasonably priced
  – Importantly we do not expect a hard landing that will hurt earnings and balance sheets badly
  – And in many cases we see that several companies have robust fundamentals
  – Without a doubt, large parts of the equity market is reasonably priced and it will be very interesting the day we seriously start discounting a turn in Fed policy – one of those sectors is small caps
- We keep 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
  – We might see a higher level of issuance before winter and spreads are tight
- Emerging Market Debt is still a bit too risky, but in due time and with a different FED policy the asset class may become competitive
- It is important to see our portfolio strategy in the light of a soft-landing scenario and the risk-premia in large parts of the equity and bond markets that consider the higher-for-longer scenario
  – Therefore, our strategy may be seen as slightly defensive, but which has optionality

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.

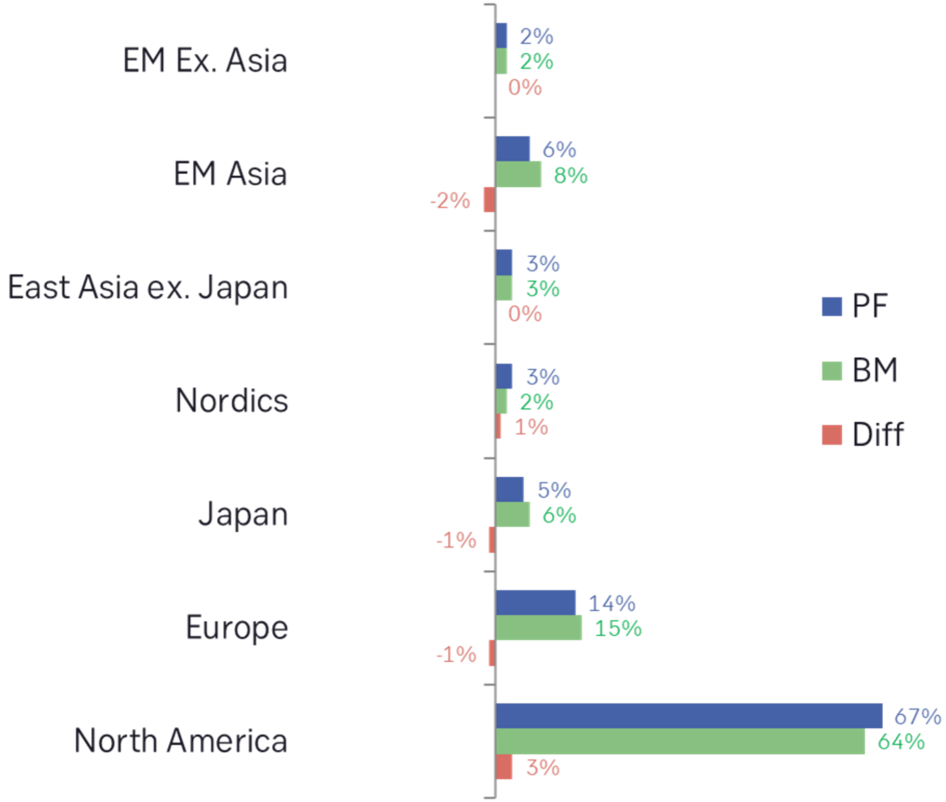
SEB

Regional equity allocation

Markets are most likely in a wait and see mode

- We prefer to keep a slightly defensive position given that the final conviction on lower rates may still take some time
  - We continue to focus on assets with limited cyclicality and focus more on innovation and growth
- The uptick we saw last week indicate how markets will perform when we enter a new scenario with a shift in central bank policies – but we note that we are not there yet
- We keep our focus on the US, considering that the US holds some of the best growth companies in many respects
  - Even if there is a valuations gap to Europe and Asia, there is also a gap in EPS growth which supports our preference for US assets
  - Weaker growth in China and Germany is currently setting the tone
  - Interestingly enough, EPS in Europe has been robust and its performance gap with the US is now at one of its widest spreads in a long while...so sooner or later this will come into focus
  - With the current monetary tightening, the earnings advantage of the magnificent seven US tech companies is impressive – and given the prevailing growth concerns, they are likely to remain preferred for now
- We think that Asia and Europe will require a stronger cyclical backdrop before becoming attractive. Therefore, the regional positioning of the portfolio is more US focused as we maintain our underweight to both EM Asia and Europe
  - A matter of concern is the development in China over the last months which puts some question marks on growth and unfortunate general policies. We see this as a limitation for regions that depend on strong export markets
  - We keep a small underweight to Europe, due to the 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
- An important part of regional allocation is the currency outlook
  - The current scenario we are in also results in an overly expensive USD – another extreme trend these days. However, within this scenario, lies an element of optionality
  - Some Nordic assets become very interesting the day we can call a new trend. And the combination of a devalued currency and low P/E is very interesting.

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.

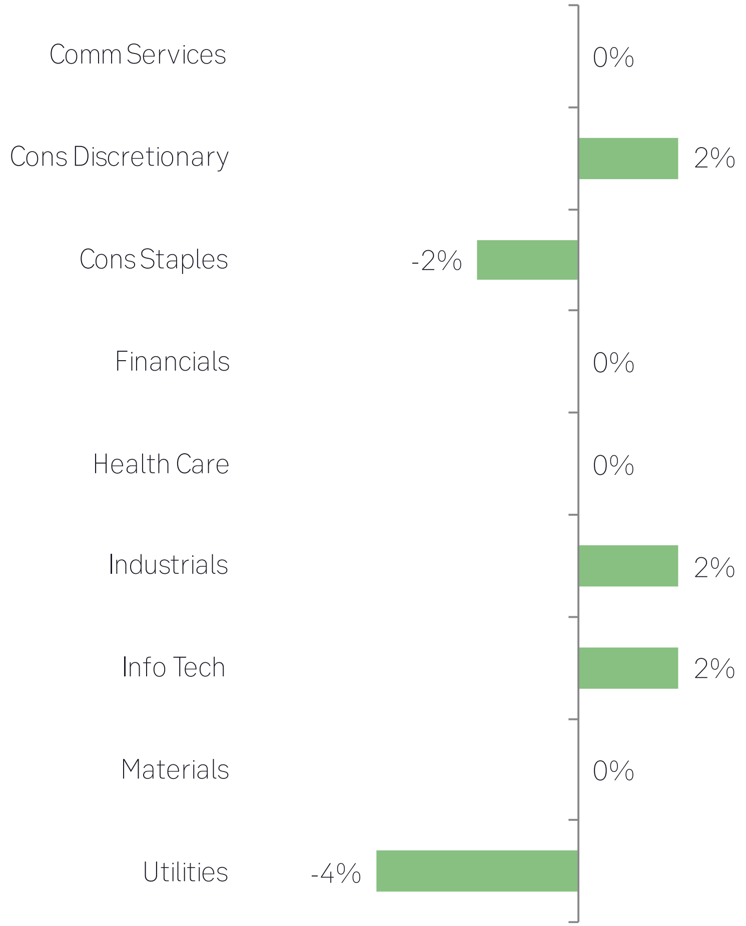
SEB

Sector allocation

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

- In the upcoming weeks, the investment environment will likely be characterized by central banks adopting a wait-and-see approach as growth and inflation moderates. Given these factors, we continue to think it is natural to focus on low-cyclicality and growth stocks
  – The growth factor should outperform, being supported by recent AI trends and innovation in the IT sector
- We keep an underweight in the low-cyclicality sectors of the portfolio such as Staples and Utilities, which has benefitted the portfolio, and we await the pivot in FED policy
- We stay neutral to Materials, as this sector is generally the most cyclical asset class
  – Chinese growth continues to be weak, although the government has announced some fiscal support recently
  – Commodity prices remain relatively low despite geopolitical risks
- We maintain our overweight in Info Tech
  – Earnings in Info Tech have surprised positively over the last earnings season and are still relatively competitive compared to other sectors
  – Info Tech is a major beneficiary of lower bond yields compared to other sectors, due to its long-duration stocks, recent developments in US rates supports this view
- We maintain our overweight to Consumer Discretionary which is exposed to consumer stability and had positive earnings surprises as well as YoY earnings growth from Q3 earnings report
  – 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 good 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



Risks to the investment regime

Sticky inflation and "higher for longer"

Inflation data has largely met expectations, but with stronger-than-expected growth and elevated service inflation, there are concerns about sticky inflation, particularly in the US. Elevated inflation will prolong the period of restrictive monetary policy increasing the risk of a more material slowdown in the economy. Over the past two months, bond yields have increased substantially, and financial conditions have tightened. This has reduced the immediate need for more policy tightening; however Fed remains with a tightening bias for now. The next two to three months labour market and inflation data will be crucial for global risk appetite.

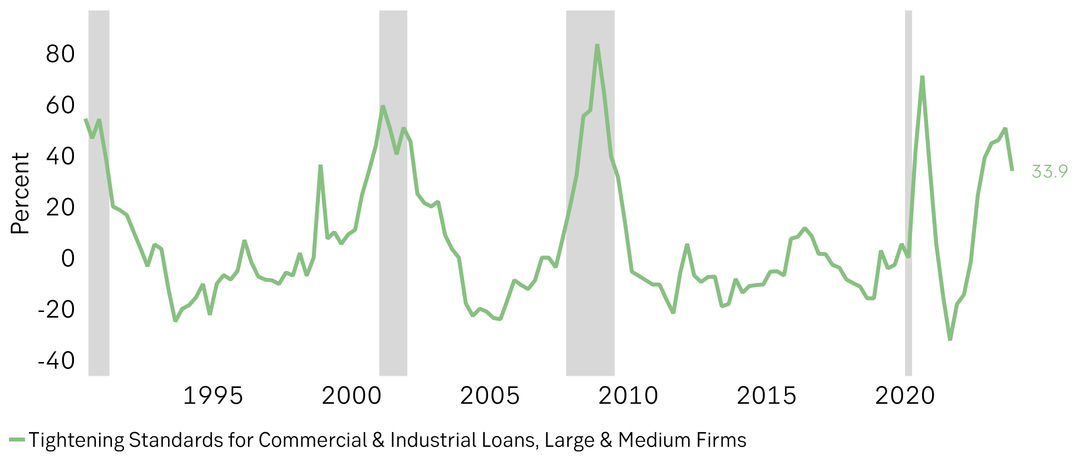
Deep global recession or a severe credit crunch

In accordance with rising bond yields, lending standards have tightened (see figure 1) 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 above 8% 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 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. Worth mentioning as well is the potential for a US government shut-down on November 17.

Geopolitics worsen

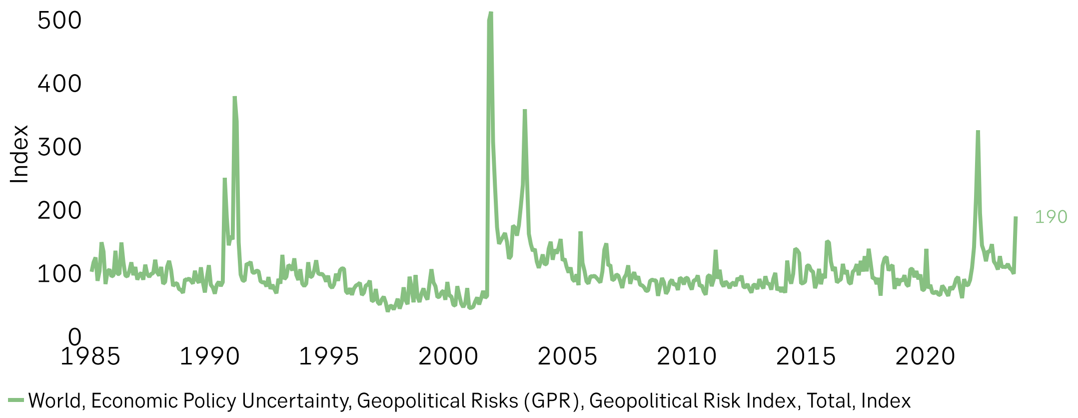
Geopolitical uncertainty has the potential to reduce global risk appetite, which would negatively impact risk assets. The recent events in the Middle East with the conflict between Israel and Hamas has substantially increased geopolitical risk premia. A widened and direct conflict between Iran and Israel could push oil prices well above USD 100/bl producing stagflationary tendencies (rising inflation but weaker growth). 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 risk assets. Additionally, the upcoming election in Taiwan next year could also lead to heightened uncertainty in markets. On top of this, a US Government shutdown deadline on the 17th of November, may trigger further uncertainty in sentiment and concerns of US government debt could stir up the bond market.

Figure 1: Tightening credit standard



Source: Macrobond, SEB

Figure 2: Rising geopolitical risks



Source: Macrobond, SEB

Return Estimates

Figure 1: 12 month forward looking return expectations

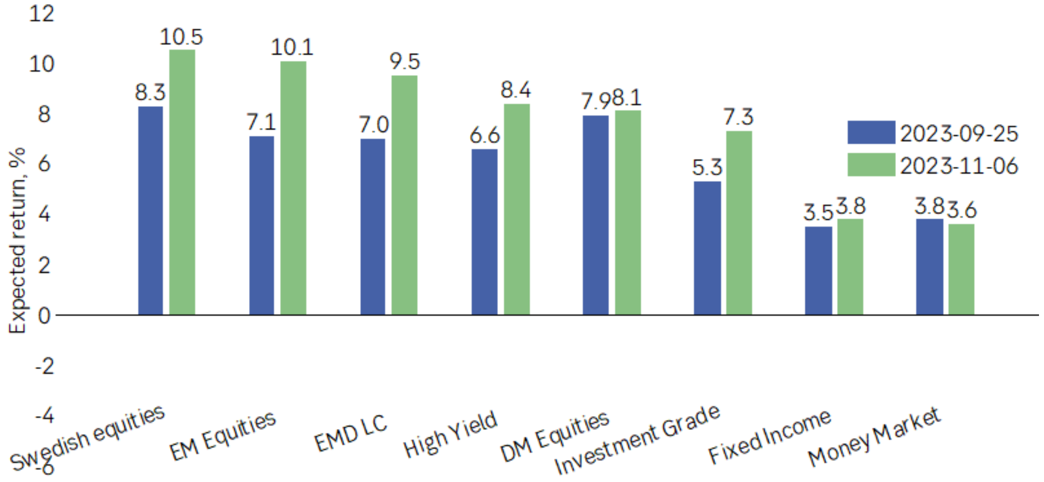


Figure 2: 12 month forward looking return expectations for equities and bonds

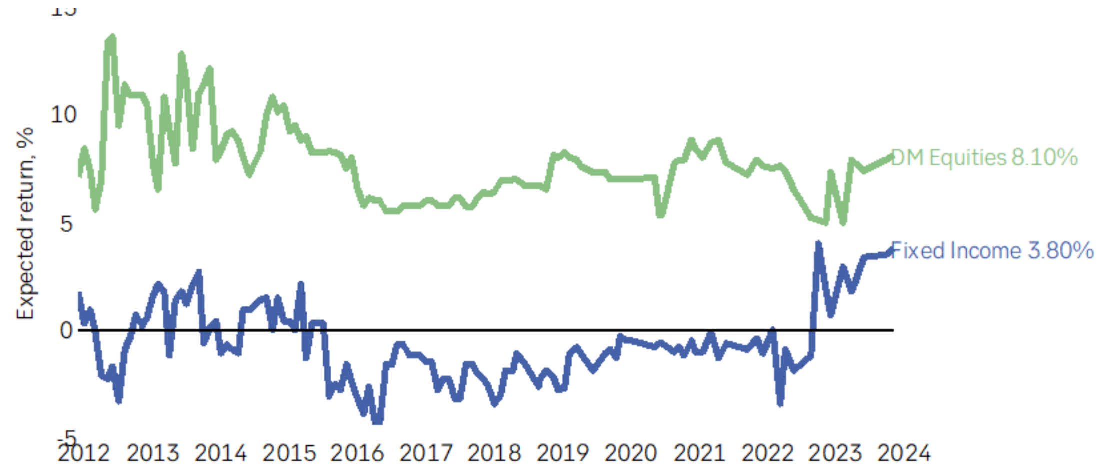


Figure 3: Absolute expected returns

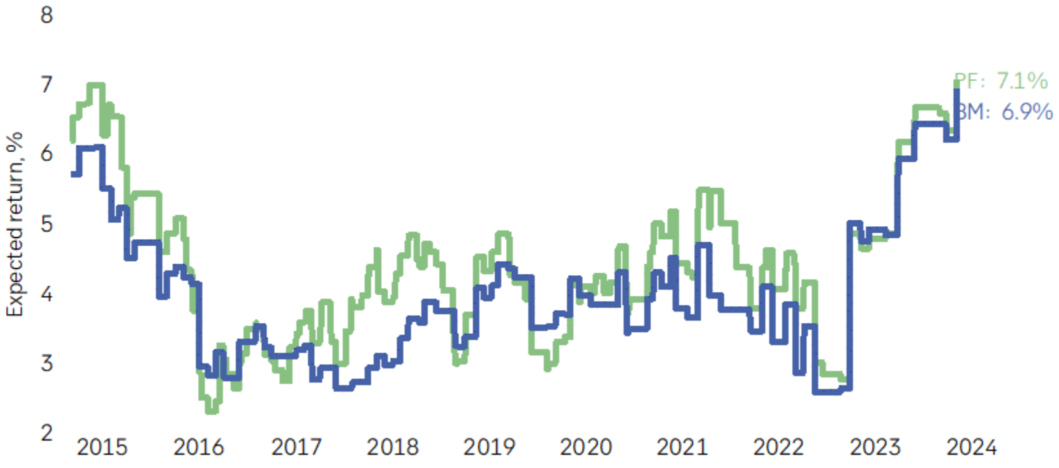
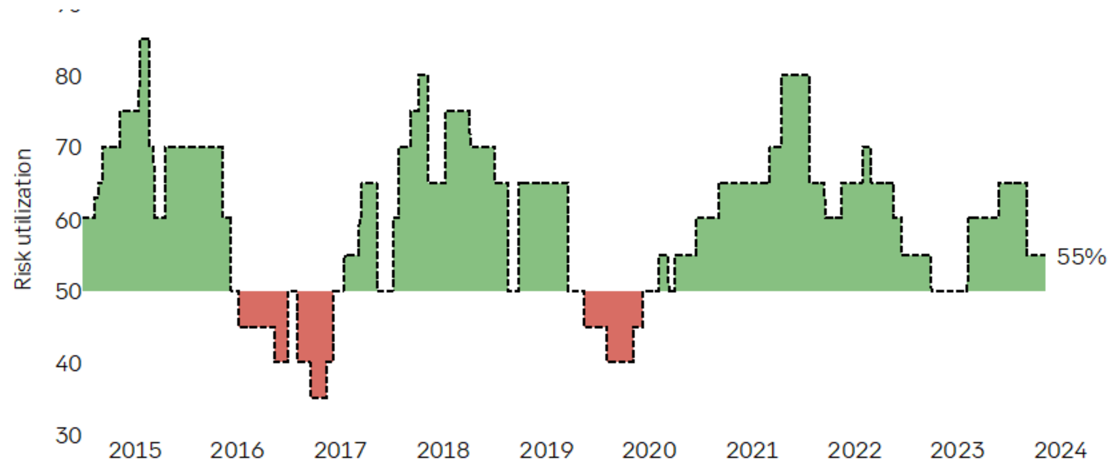


Figure 4: Risk utilization since inception



SEB

Historical House View Allocation

Figure 1: Equities

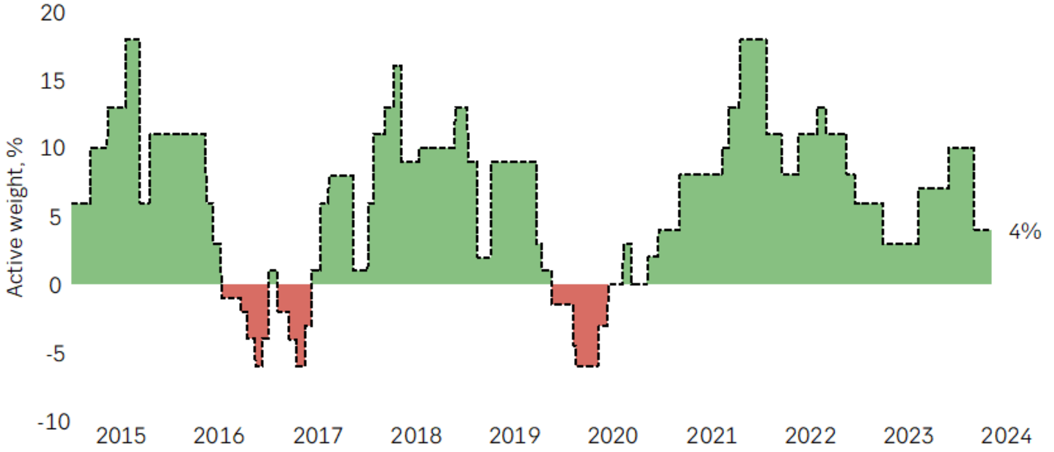


Figure 2: High Yield

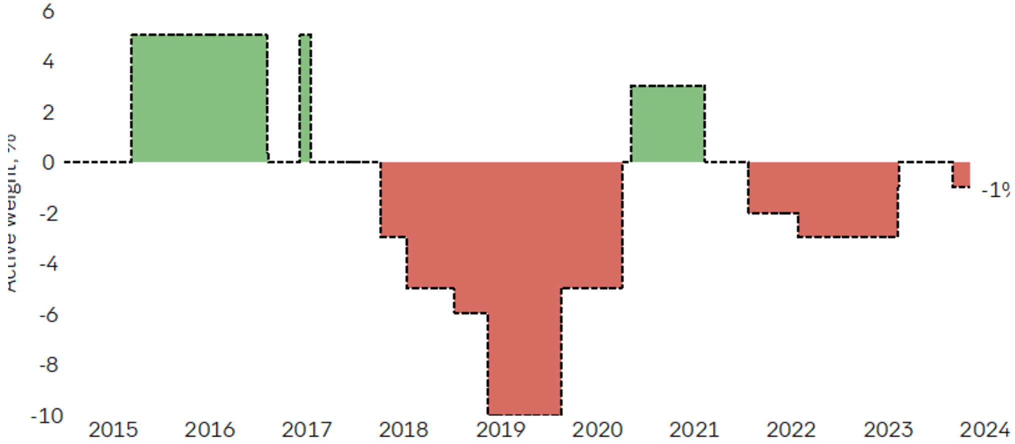


Figure 3: Emerging Market Debt

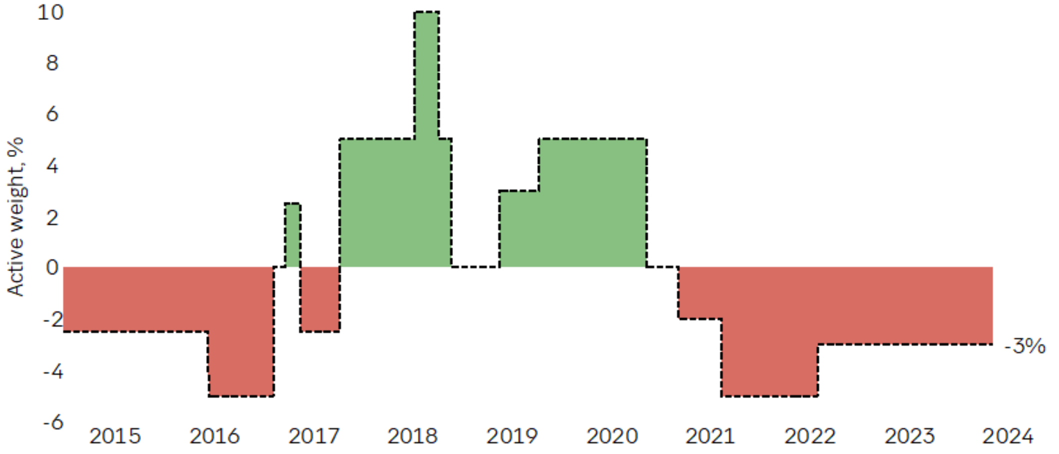
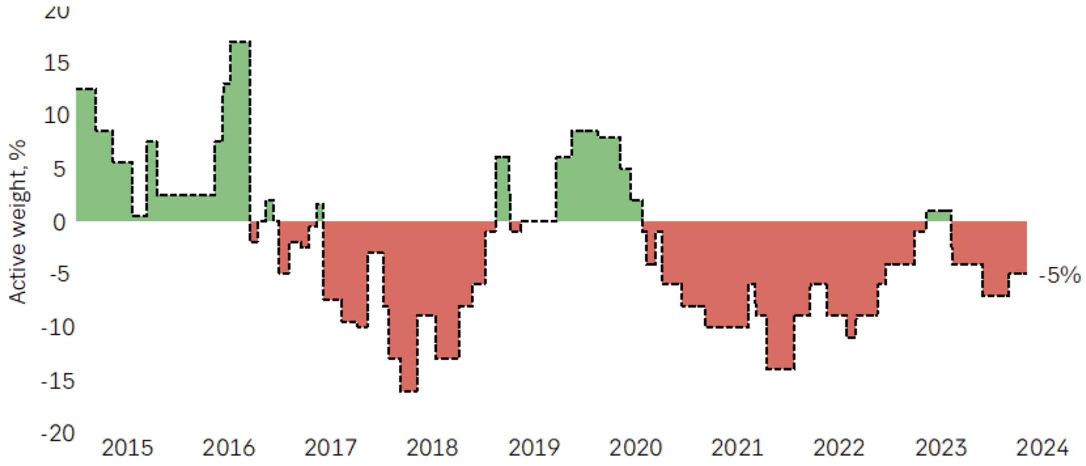
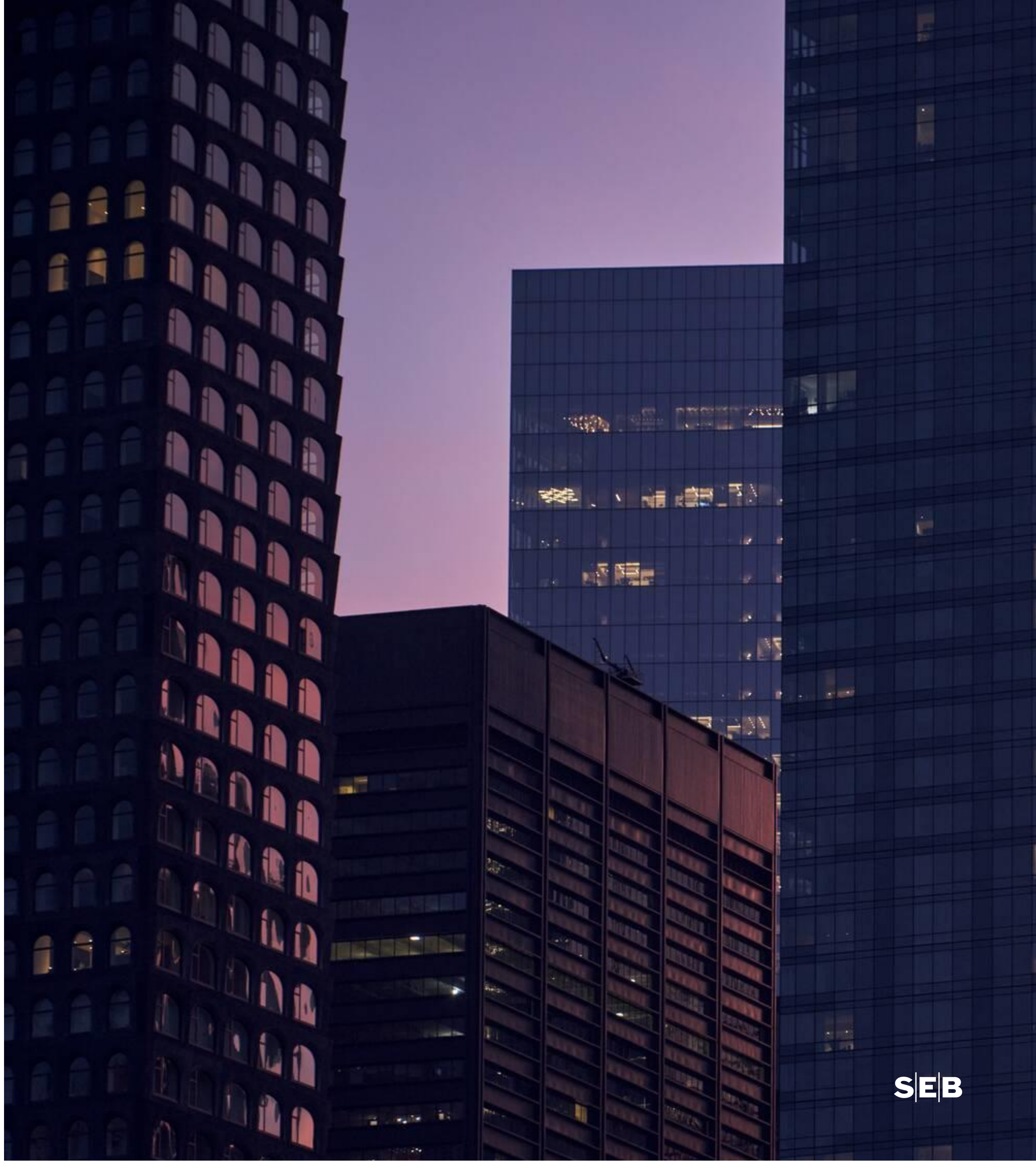


Figure 4: Fixed Income*



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

Agenda



House View decision variables

The macro outlook is one of the most important drivers for equities right now

- Q3 economic data from the US has surpassed expectations, but the macro outlook forward is a bit more cloudier
- Persistently strong growth has been a concern as markets worried about higher for longer rates
- But with the latest data from US PMIs and jobs data showing signs of weakness, there are some concerns regarding the depth of a slowdown in the economy
- In our view, our base case is a soft-landing, but we are monitoring closely incoming macro data
- Outside of the US, Europe and China are showing signs of economic slowdowns

Central banks are still pivotal for markets going forward and they have, in our view, turned slightly more positive as a factor for equities

- Last week, investor focus was on the Fed meeting and guidance forward and yields moved swiftly lower on the back of a more dovish interpretation from the press conference
- The moves in yields were reinforced by the weaker US data that was published last week, which signals that central banks could turn more positive for equities
- In Europe inflation is expected to fall and the ECB is expected to hold and cut rates by mid-2024
- The timing of global central banks pivoting to hiking/cutting will impact on market sentiment

Positioning has risen in importance as markets are moving swiftly on asymmetries

- Notably, last week we witnessed some strong moves as some parts of the investor community had been overly short during the last month and kept cash on the sidelines
- Moreover, some sectors of the markets which had a weak performance YTD, saw strong rallies

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

- Given the uncertain macro in the near term, we prefer to keep a relatively balanced portfolio as there is a lack of positive triggers for now
- Our base case is a soft-landing scenario, but we acknowledge the tail risk of a hard landing
- Therefore, we prefer to wait for more confirmation on the growth outlook before adding more risk

Figure 1: Macro and Central banks are the most important factors for equities right now, in our view

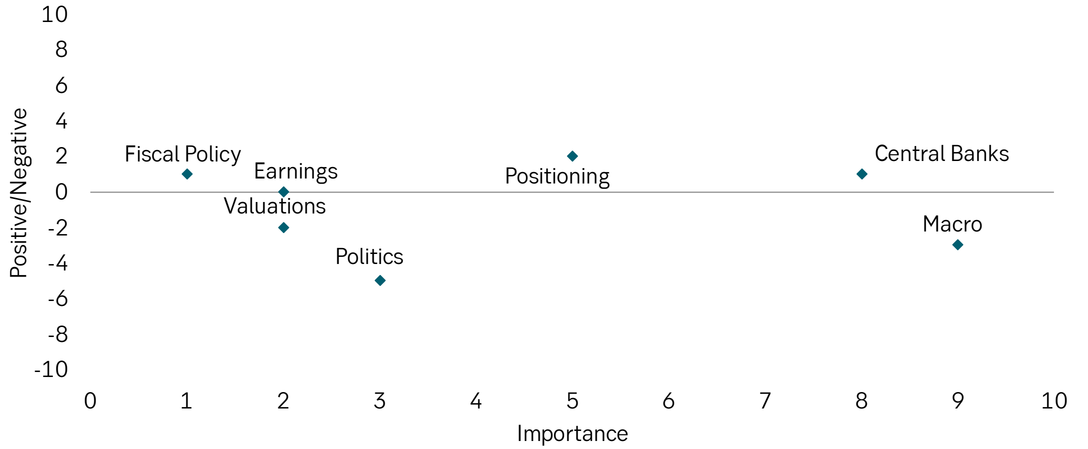
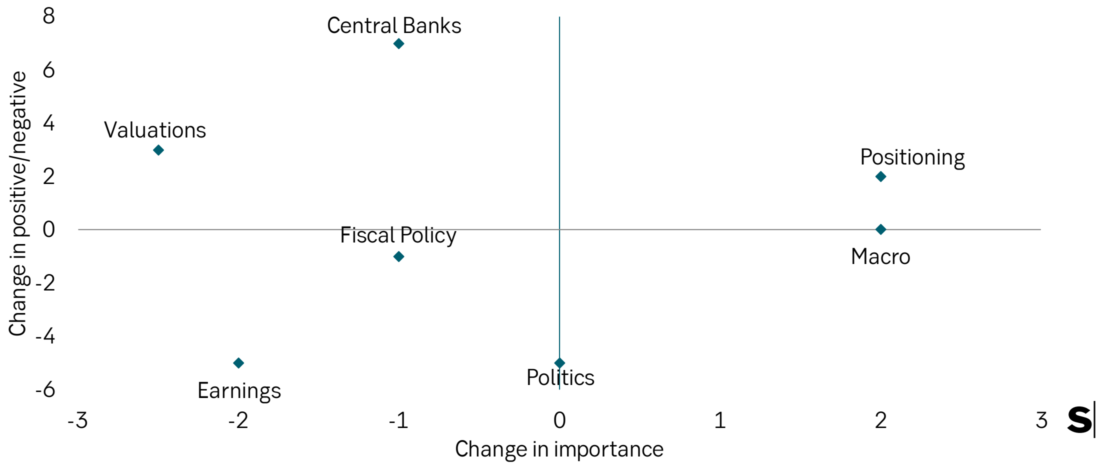
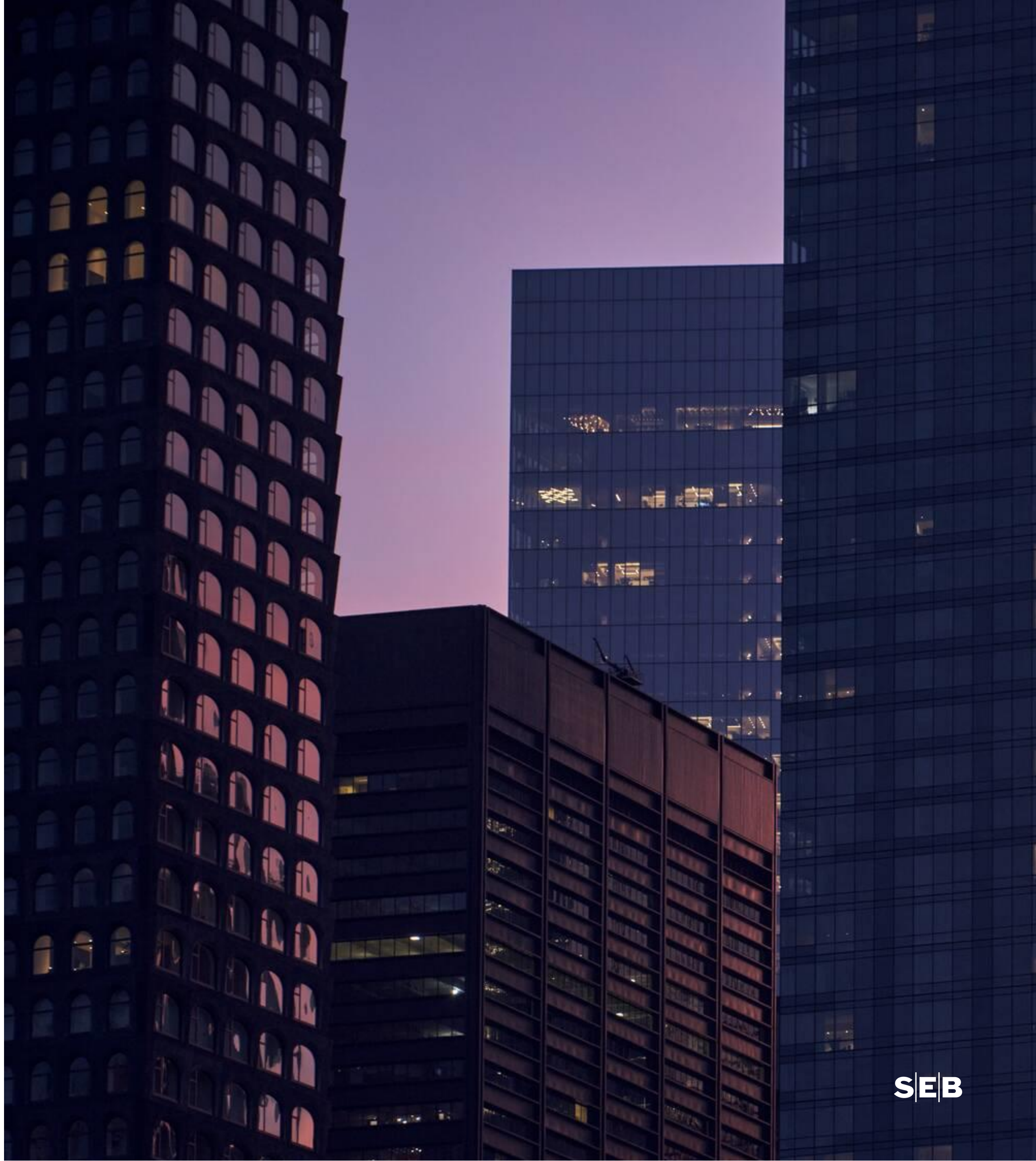


Figure 2: Central banks have in our view become a bit more positive as we are approaching the end of a hiking cycle. Macro remains on a binary position



Agenda

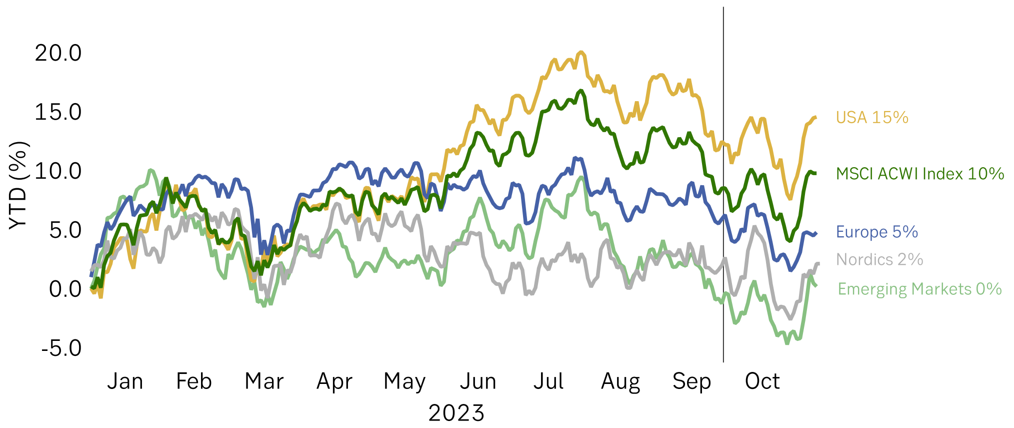


Developments in the Markets

Global equities have been volatile with bonds yields moving swiftly higher and lower

- Bond yields and Fed policy have been setting the tone for markets
- The rise in bond yields in October was driven by hawkish comments from the Fed as well as strong economic data from the US. Strong US GDP growth data and a tight labor market were the drivers behind higher yields as markets feared that the Fed may remain hawkish with tight financial conditions
- But after the Fed meeting in November, bond yields moved lower on the back of an expected rate hold as well as a dovish tone from the FED
- Apart from the Fed meeting, yields were driven lower due to a slow down in US Treasury refunding auctions, as well as weaker jobs data from the NFP and weaker data from the ISM which pointed towards a cooling of the economy
- Markets interpreted the Fed forward guidance as dovish and priced in a rate cut by summer 2024. But even though the Fed acknowledged that higher bond yields had helped in tightening financial conditions, the central bank maintained its narrative of higher for longer rates
- Third quarter earning reports were a bit of a mixed bag in the US with overall good earnings, but with some downside surprises in sales and some earnings revisions to the downside
- On the other hand, earnings reports in Europe were downbeat. European equities had moved lower not only on the back of higher yields, but also due to worsening macro data, which highlighted a challenging macro backdrop. The turnaround came after the Fed meeting, in which global equities saw a broad rebound, which also aided European equities
- Growth and quality stocks, which had been hit the hardest during the pullback in October, turned around after the Fed meeting and saw the strongest gains
- Equity and bond volatility were higher in October due to fears of sustained higher rates and concerns of an escalation in the Israel-Hamas war, but moved lower after the Fed meeting
- The US yield curve turned first flatter as long-term yields moved upwards over the month, but then turned more inverted as long-term yields moved lower
- At its policy meeting, the ECB kept rates unchanged signaling a potential peak in eurozone rates
- Chinese equities were generally unloved in October as risk-off sentiment continued
- Corporate credit spreads initially widened in October, but tightened after the Fed meeting

Figure 1: The Fed's tone from hawkish to dovish, as well as the swift moves in bond yields, put equities on a roller coaster ride. The outbreak of war in the Middle East added to the volatility



Source: Macrobond, SEB

Figure 2: The US 10Yyield rose during October but moved swiftly lower after the FEDs meeting in November. Most analysts expect the 10Y yield to fall over the course of 2024

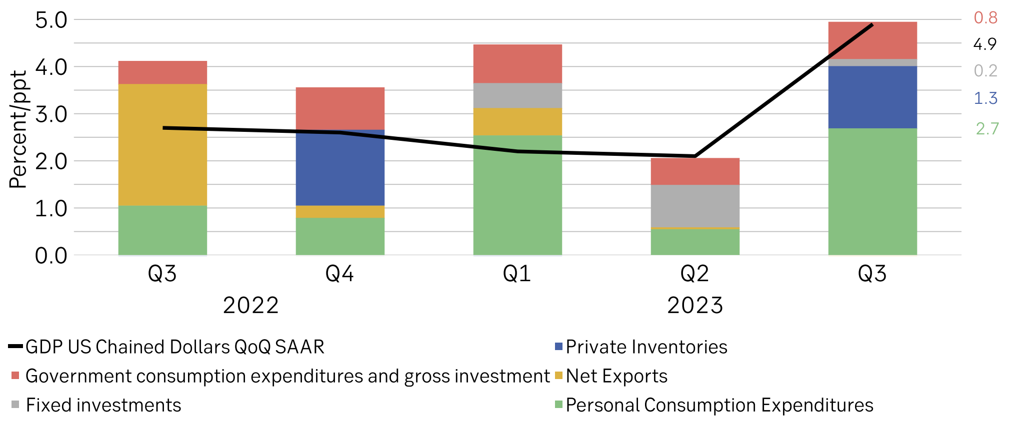
Source: Macrobond, SEB

Economy – Developed Markets

Both the Fed and ECB left rates unchanged in October, remaining in a 'wait-and-see' mode

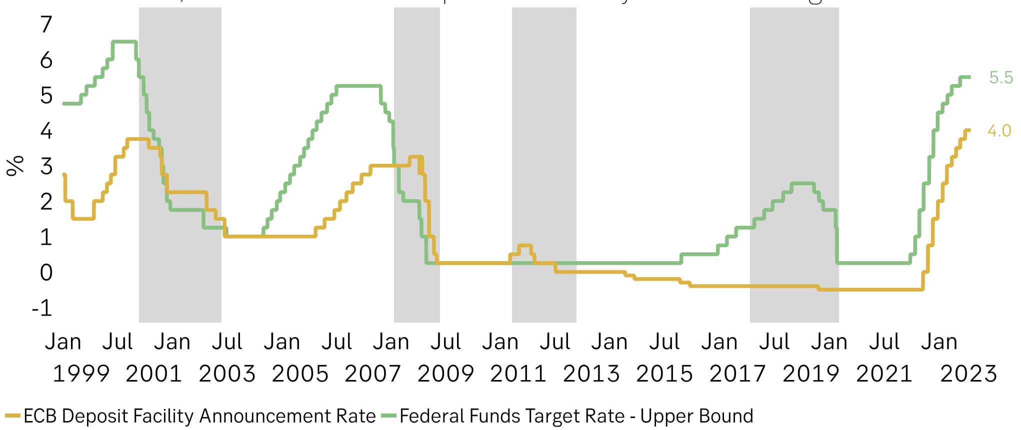
- US GDP growth came in at 4.9% in Q3, above expectations, boosted by strong consumer spending and tick up in inventories, which at the surface appear to confirm the strength of the US economy
  - That said, contributions to GDP from inventories were unusually large and are more likely to fade, and the surge in consumer spending is probably unsustainable with real after-tax incomes declining
  - Despite the strong headline number, business capital expenditures showed signs of fading, particularly in equipment, and few signs of improving due to weak capital spending plans from firms
  - We expect consumer spending growth to slow ahead because of student loan repayments , fading excess savings, falling wage growth and tightening financial conditions
  - Nevertheless, we expect GDP growth to slow, but remain slightly positive in the next quarters
- US core PCE inflation, the Fed's preferred inflation gauge, was in line with consensus last month, although it ticked up in September, which we believe was mostly driven by temporary factors
  - Core PCE inflation, which excludes food and energy, met market expectations, but rose to 0.3% month-over-month, while the year-over-year figure declined to 3.7%
  - Core services prices excluding shelter, which the Fed is most concerned about, was boosted by likely a temporary jump in airline fares and hotel room rates, as discretionary spending will likely fall
- The employment cost index, the Fed's preferred gauge for wage growth, unexpectedly accelerated in Q3, as a pickup in wages and salary components drove employment costs higher
- The Fed decided to keep rates unchanged, which was widely expected by economists, but more importantly, comments from chair Powell seemed to indicate that the Fed is done hiking rates
- Other central banks, such as BOE, RBA and BOC remained on hold stance
- The ECB held interest rates steady at its October meeting after 10 straight hikes since last July, as expected, while signaling its determination to keep rates restrictive to bring inflation down to 2%
  - We believe the ECB is done raising rates with inflation falling in the eurozone and increased recession risks following a contraction in the bloc's economy in Q3
  - That said, the ECB left the door open for more rate hikes, should inflation fall slower than expected or inflation begins to tick up again because of spiking oil prices due to escalating Israel/Hamas war
- Eurozone headline inflation dropped to 2.9% in October, below consensus and two-year low, while core inflation which excludes food, energy and tobacco, declined more modestly

Figure 1: US Q3 GDP growth got a boost from mostly personal spending and private inventories, but also government spending and investments



Source: Macrobond, SEB

Figure 2: The ECB and Fed decided to keep rates unchanged in October, while not closing the door to further hikes, should inflation tick up. We think they are done hiking rates.



Source: Macrobond, SEB

Economy – Emerging Markets

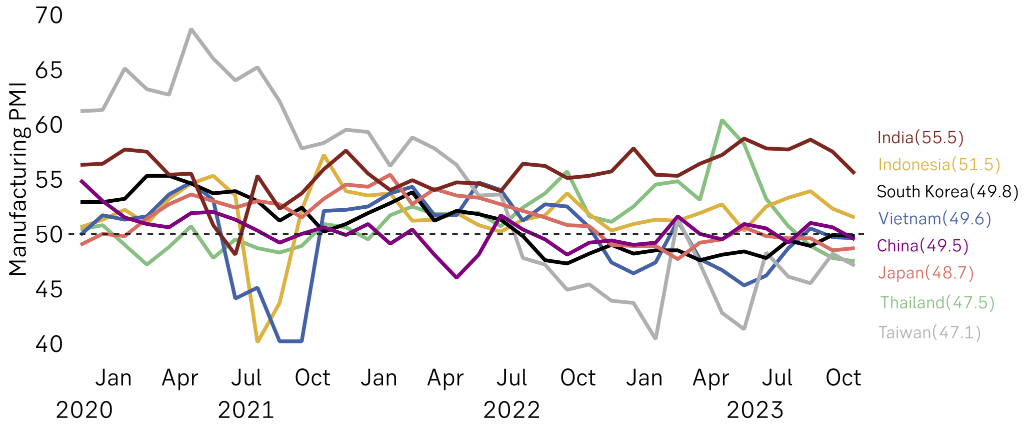
China stepped up support measures for its troubled economy as the housing crisis looms

- China's Q3 GDP growth surprised on the upside, reaching 4.9%, indicating signs of stabilization., however, the lingering issue is the struggling property sector which clouds the outlook
  - Chinese activity data for September showed improvement, with retail sales and industrial production surpassing estimates, boosting growth in the third quarter
  - However, China's troubled real estate sector continued to weigh on the economy – property investments fell in the first 9 months of the year and new housing construction plummeted
- Caixin's China manufacturing PMI unexpectedly slipped back into contraction territory in October after briefly expanding for two months, raising concerns about the fragility of its recovery
  - Official PMI figures also confirmed the contraction in manufacturing activity, indicating a softer economic momentum
- To ensure they meet the 5% growth target for the year, China's government recently announced additional support measures for the economy
  - This included issuing an additional 1 trillion yuan in sovereign debt while increasing the budget deficit ratio for 2023 from 3% to 3.8%
  - The PMI signal of a contraction in the manufacturing sector and housing crisis strengthen the case for further stimulus, we anticipate China to maintain accommodative policies to support growth
  - Potential monetary policy measures from the PBoC may involve reducing the reserve requirement ratio for lenders, cutting interest rates on loans, or injecting more liquidity into the financial system
- Across Asia, PMIs indicated shrinking manufacturing activity in October, amid cost pressures stemming from higher oil prices due to the Middle East conflict, lower output and fading demand
  - However, in contrast to the overall soft PMI readings in the region, there have been signs that the worst may be over for certain parts of the region
  - Recent data shows that exports for Taiwan and South Korea rose in September and October, respectively, marking the first positive trend in several months which add hopes for stabilization in global trade

Figure 1: Property market indicators in China have remained weak, putting the sustainability of the recovery into question which has prompted additional stimulus

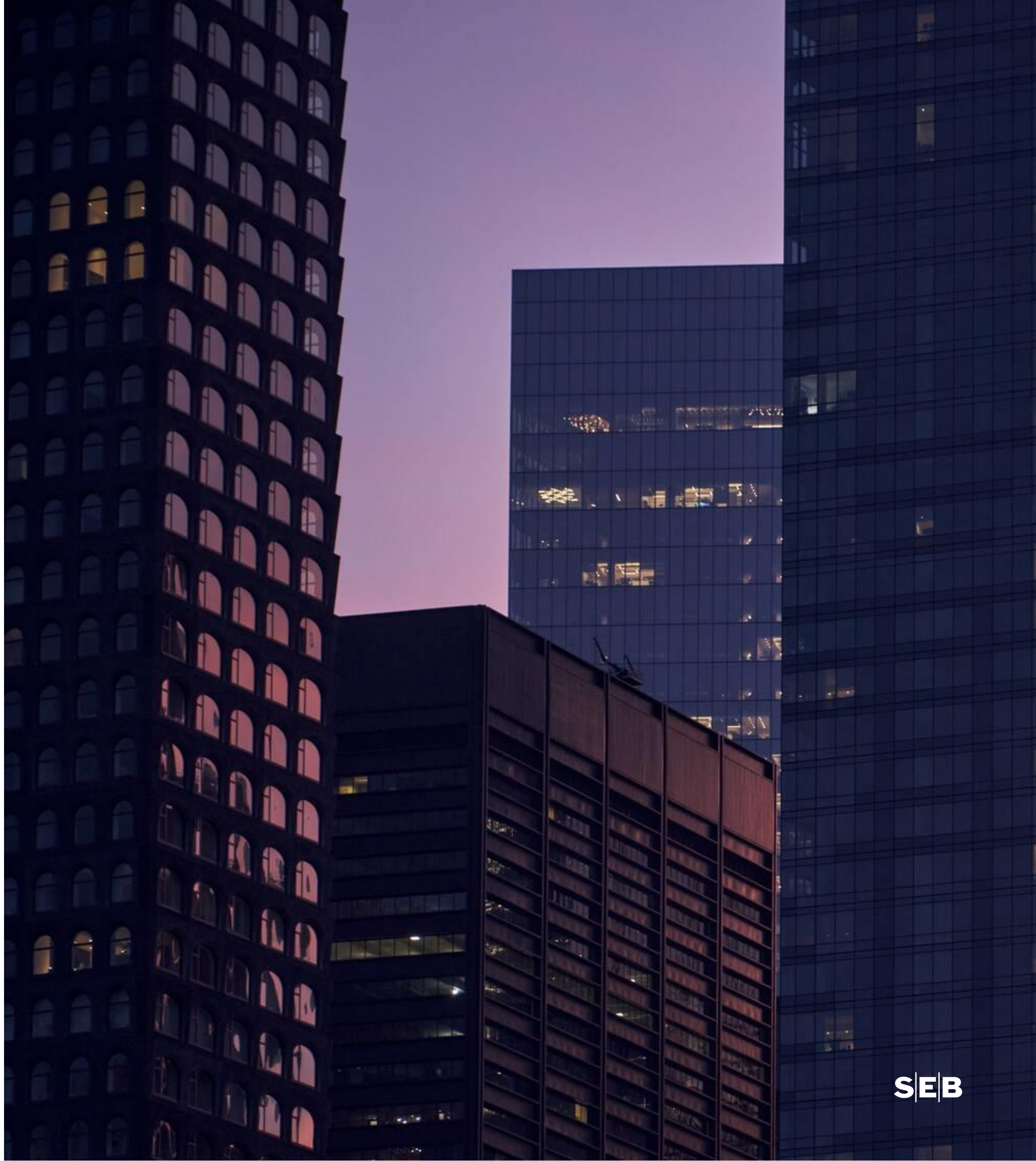
Source: Macrobond, SEB

Figure 2: October manufacturing activity in Asia has been on the softer side. Readings above 50 indicate an expansion in activity, while anything below signals a contraction.



Source: Macrobond, SEB

Agenda

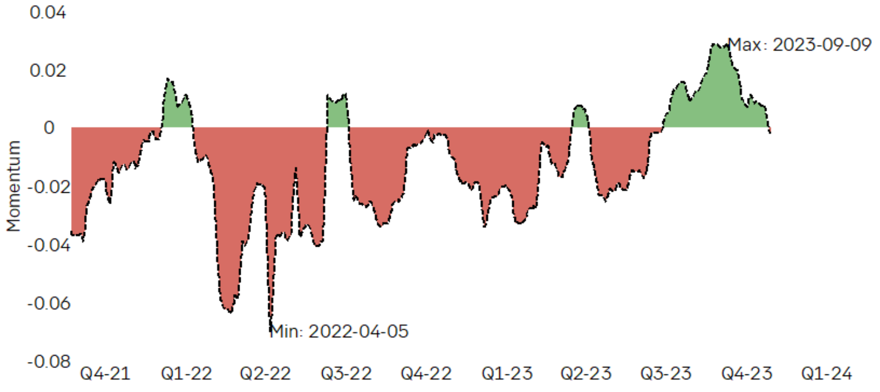


SEB House View – US Macro Status

US macro momentum appears to have turned negative according to our indicator, but this is more likely due to pessimistic soft data as hard economic data indicates a stronger economy

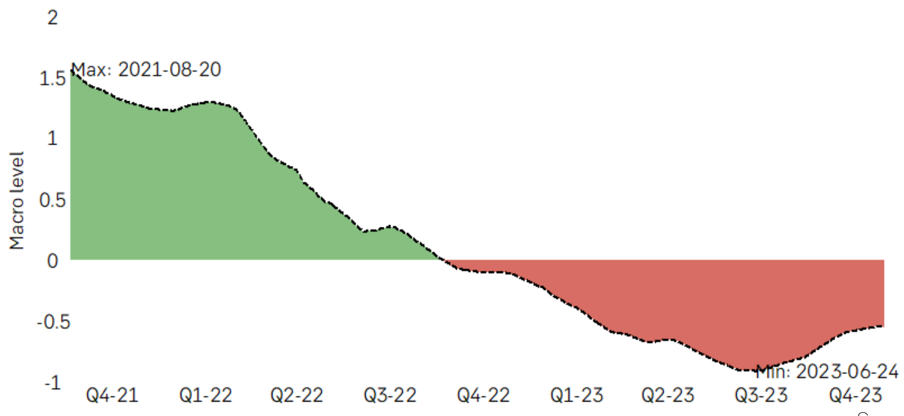
- Our surprise indicator turned negative as the Conference Board consumer confidence survey for September fell more than expected due to pessimism about the economy and job market
- Housing starts rose in September from the previous month, driven by multi-family construction, however, housing starts still came in lower than the consensus
  - The decline in building permits, which tends to lead new home construction, and low affordability amid rising borrowing costs and tighter financial conditions should weigh on future demand
- The Philly Fed index improved in October from the previous month due to stronger demand for new orders and shipments, but rose less than expected and remained in negative territory
  - We think the weak capex intentions in regional manufacturing surveys indicate lower fixed asset investments ahead, which should put downward pressure on growth and inflation going forward
- That said, our indicators understate the recent strength in US data, by construction, as they put more emphasis on soft data which has been much weaker than the hard or actual data
  - Nevertheless, we expect US growth momentum to roll over due to tightening financial conditions

Figure 1: Macro momentum turned negative due to more pessimistic business surveys from the Conference Board and Philly Fed – we expect weaker momentum ahead



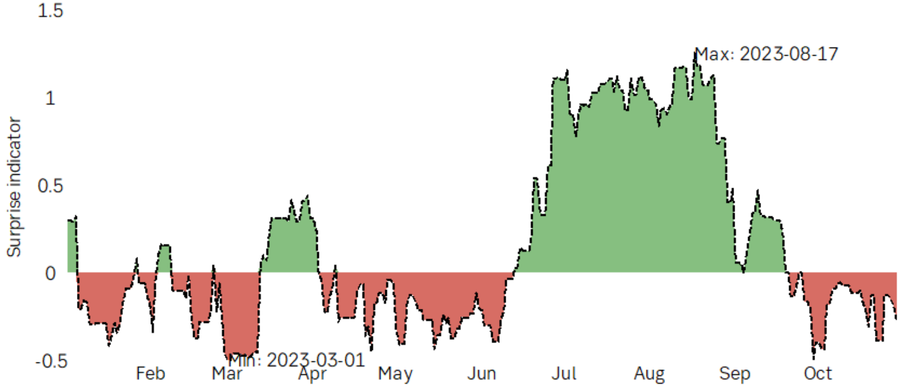
Source: SEB House View

Figure 2: The US macro level remains negative, that is below its five-year trend, mostly due to weak business survey indicators



Source: SEB House View

Figure 3: Our surprise indicator turned negative in October, as recent data for consumer confidence, housing starts, and the Philly Fed index surprised to the downside



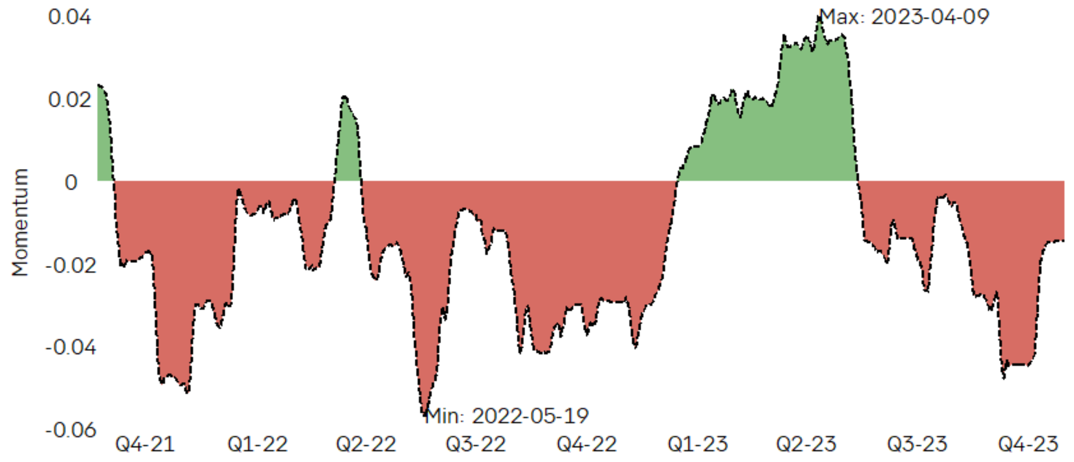
Source: SEB House View

SEB House View – EU Macro Status

Our surprise indicator remained negative as PMI data showed broad-based downturn in October

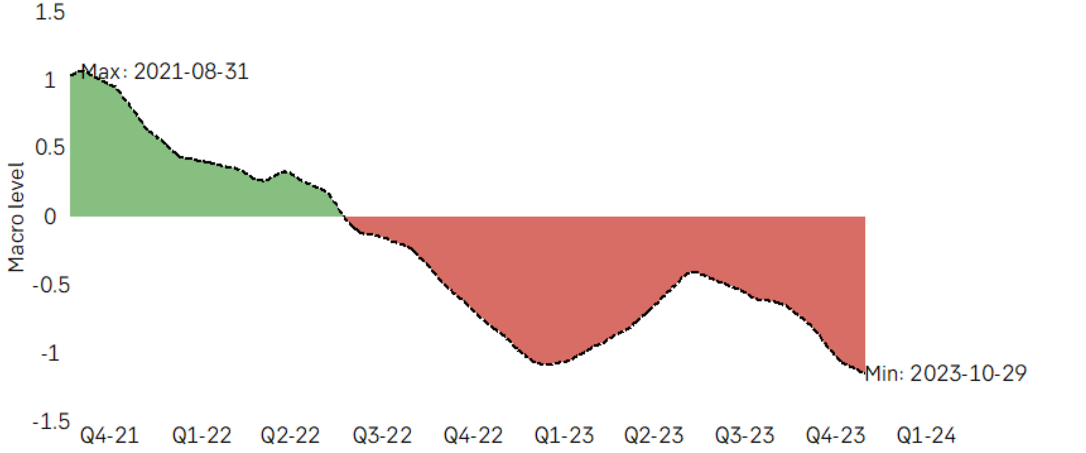
- France Manufacturing PMI shrank into deeper contractionary territory in October and came in below forecasts, due to significant weakness in demand as new orders and foreign sales fell
- German Services PMI dropped below expectations in October, due to a decline in new business activity, which was attributed to cautious spending because of tighter financial conditions
- Eurozone Services PMI also surprised on the downside in October, due to a decline in new business and near-stalling hiring, as the post-pandemic spending on travel and recreation slowed
  - We expect economic growth in the eurozone will slow down in the coming months due to tightening in credit standards and financial conditions
  - Despite more downside risks to growth in the eurozone, we do not anticipate the ECB to cut interest rates in the near-term as inflation is still too high, even though it has improved recently
- German retail sales unexpectedly fell in September, missing market forecasts and signaling continued weakness in consumer activity amid persistently high inflation
- German Gfk consumer confidence likely fell in November to a seven-month low due to reduced purchasing power from rising food and energy prices and increased propensity to save money

Figure 1: Momentum has remained negative as business activity in France and Germany slumped in October due to weaker demand...



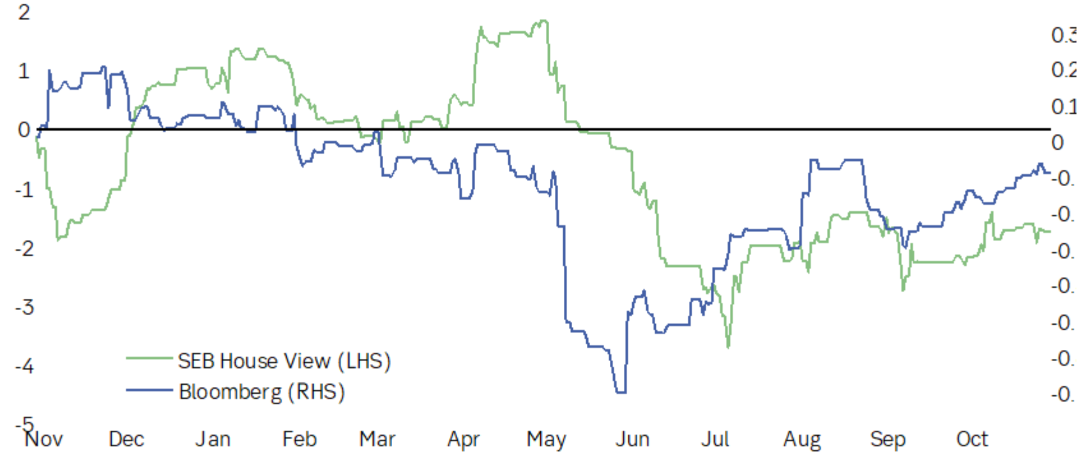
Source: SEB House View

Figure 2: Our macro level indicator has fallen to a new YTD low, as both business and consumer confidence have weakened across the board in the eurozone



Source: SEB House View

Figure 3: Our surprise indicator remained in negative territory in October as recent PMI data signaled a broad-based downturn in business activity in the eurozone



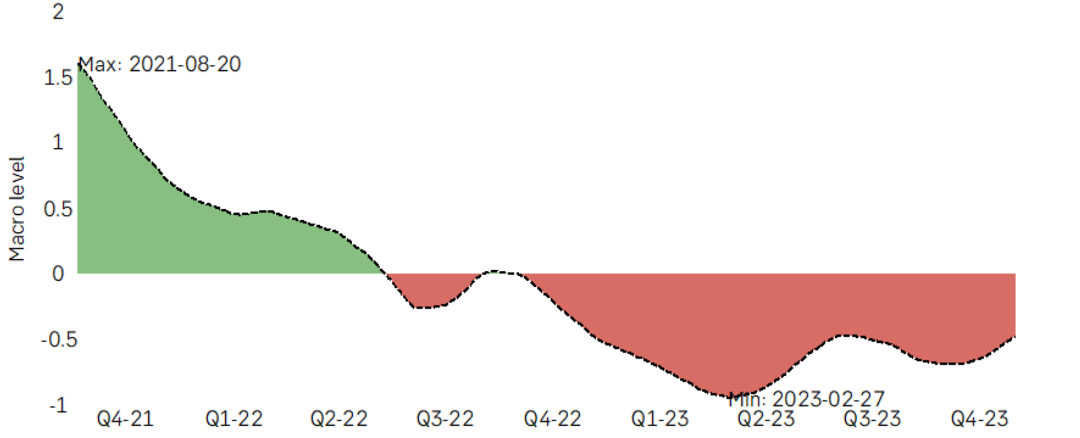
Source: SEB House View

SEB House View – EM Macro Status

Macro data surprised to the upside in October amid signs of a recovery in global trade

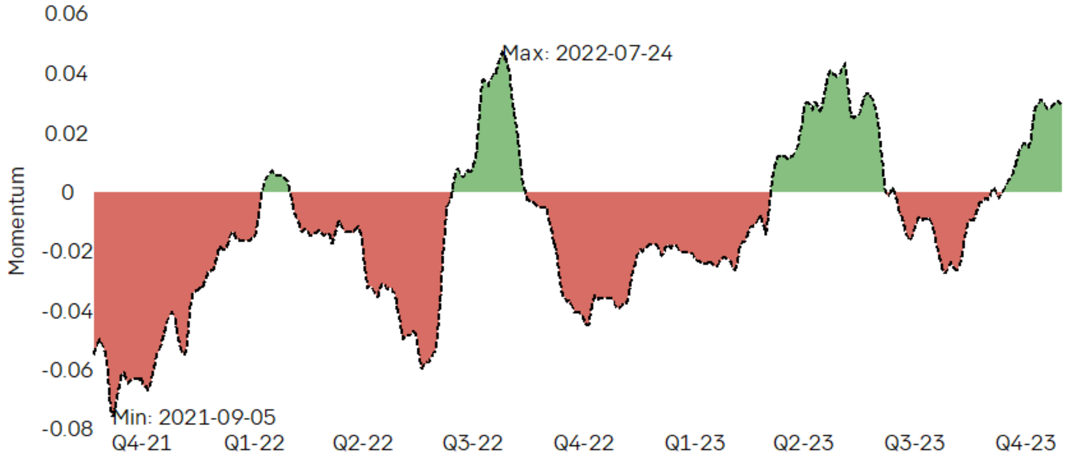
- The slump in South Korean exports eased for a second straight month in September, topping forecasts, as exports to the US, Europe and China rose monthly
- Taiwan's exports unexpectedly grew year-over- in September, for the first time in over a year, due to rising tech and non-tech exports, fueled by robust demand for AI-related technologies
  - Despite signs of a potential rebound in global exports, downside risks to global growth from rising interest rates and energy costs and the housing crisis in China further add uncertainty to the outlook
- Brazilian retail sales dipped slightly in August due to reduced sales of furniture, appliances, and household items, but beat overall expectations because of higher sales of food and beverages, aided by declining food inflation
- China retail sales for September rose more than expected, which also contributed positively to our surprise indicator, as consumer spending on restaurants, food, apparel, and cars improved
  - Despite recent improvements in Chinese macro data, weakness in property indicators remains a concern as it can weigh on overall demand and prevent a sustainable pick-up in growth momentum

Figure 2: The EM macro level remains negative, that is below its five-year trend, but has recently risen amid better exports and retail sales data in the region



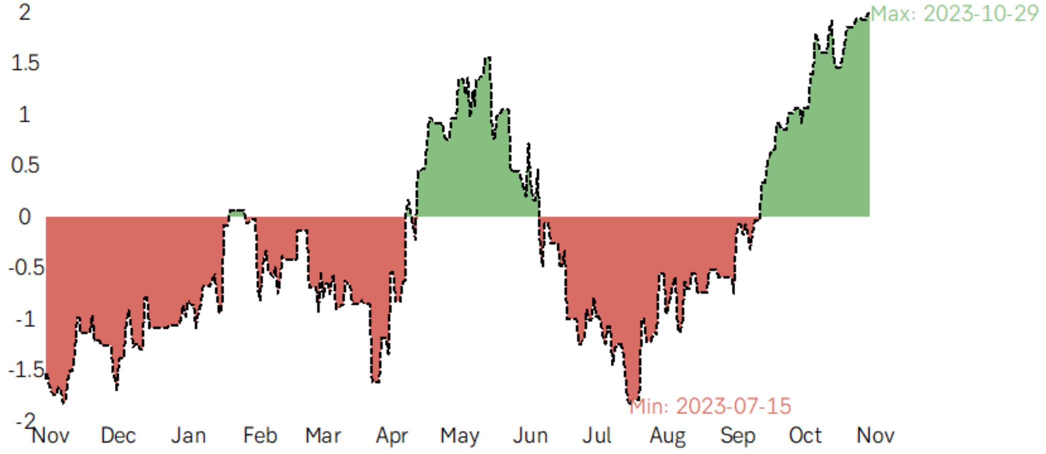
Source: SEB House View

Figure 1: Growth momentum turned positive in October amid signs of a potential recovery in global trade and improvements in Chinese macro data



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



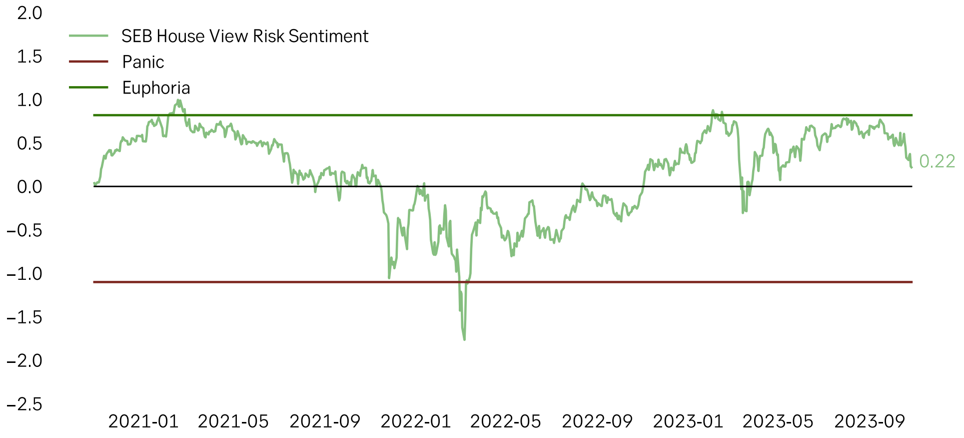
Source: SEB House View

SEB House View – Risk Indicator

Our risk indicator declined amid concerns about higher-for-longer rates and geopolitical risks

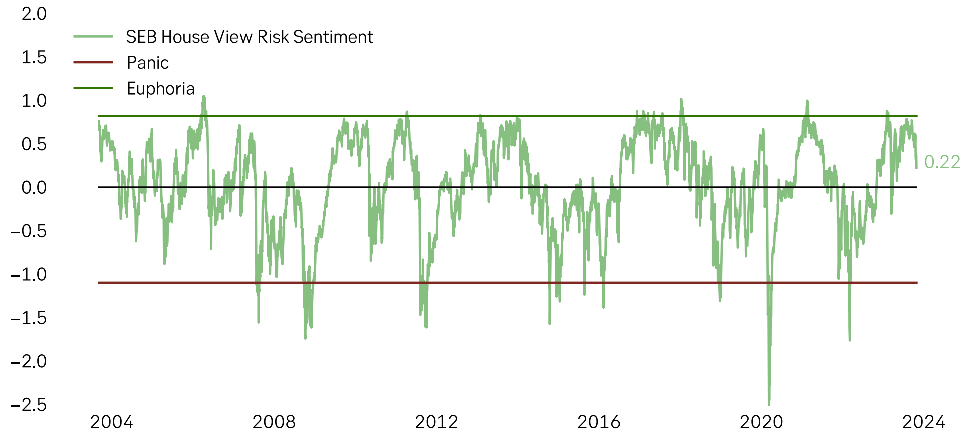
- Our risk indicator has shown that risk appetite has continued to decline, but remaining in shallow positive territory, see figure 1 and 2
- This decline in risk appetite has been driven by several factors, including the rapid increase in long-term treasury yields, risk-off sentiment for equity markets and uptick in market volatility
- The heightened risk off mood can be largely attributed to worries about higher-for-longer interest rates and growing concerns about an escalating conflict in the Middle East
- Recent mixed earnings reports from mega-cap tech companies have also contributed to the decline in market sentiment
- Looking forward, we anticipate that long-term bond yields may soon peak due to central banks nearing the end of their hiking cycles, which could potentially boost market sentiment
- However, there is also potential for lower risk appetite as macro surprises fade and growth concerns grow, along with the risk of a regional escalation in the Israel-Hamas war or a potential US government shutdown in November

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



Source: SEB House View

Figure 1: SEB House View Risk Indicator

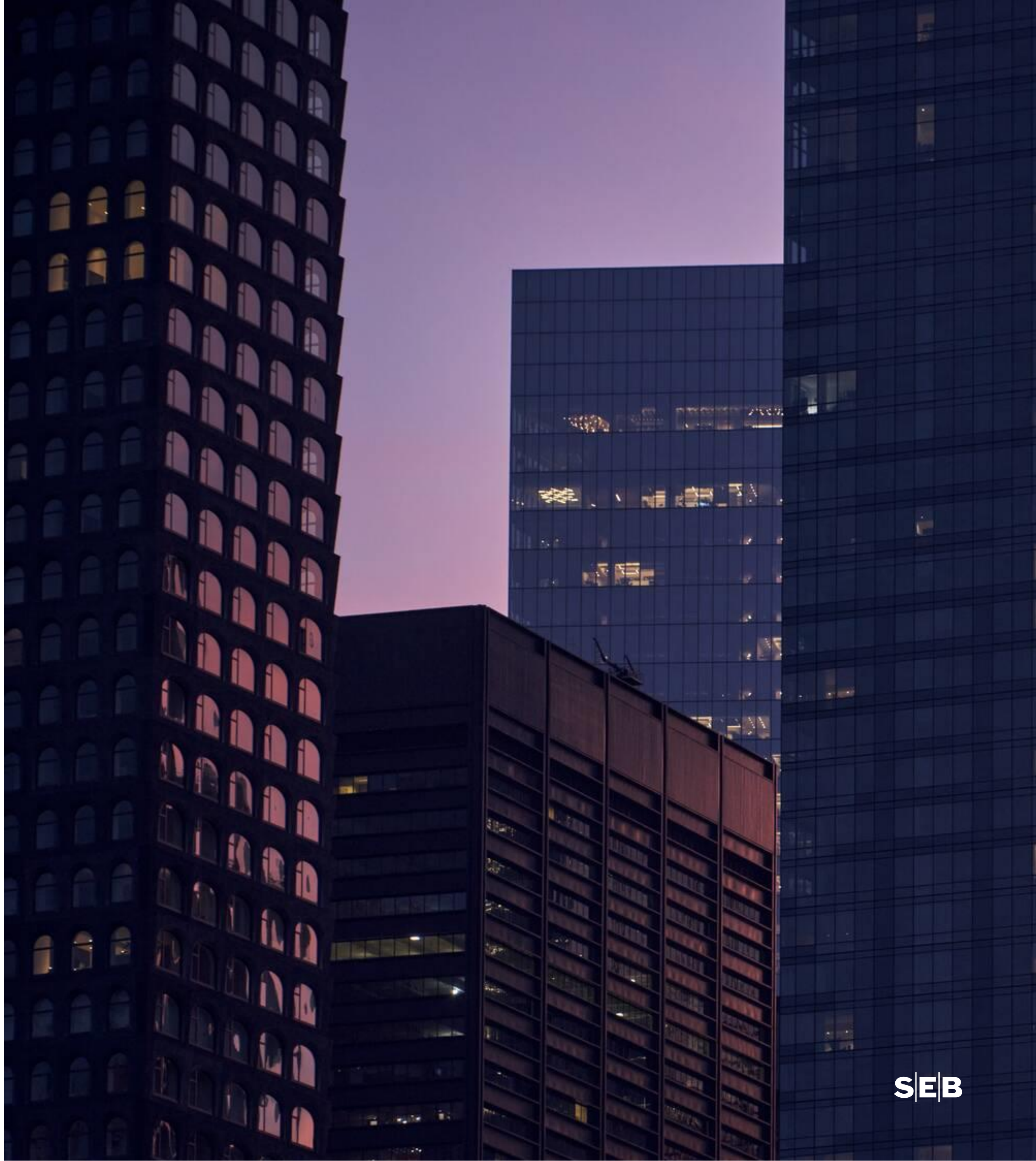


Source: SEB House View

Figure 3: Extreme states plotted on SP500

Source: SEB House View

Agenda

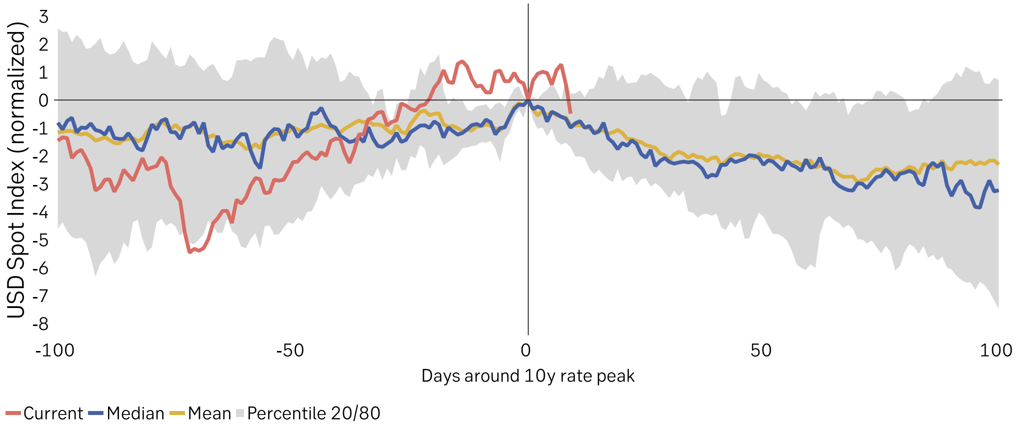


In Focus: The US 10Y yield peak and leading indicators

By looking at historical US 10Y yield peaks and other leading indicators we see that there are some correlations which can indicate that markets are now closing in on a peak for the 10Y yield

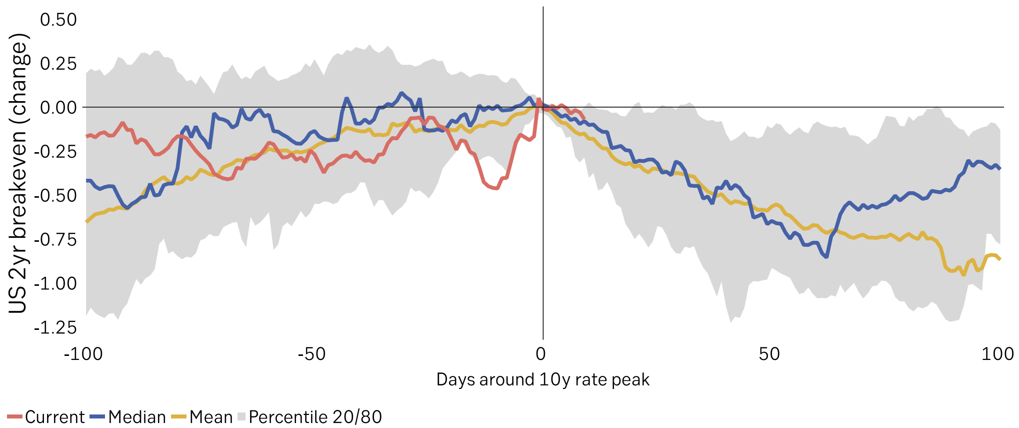
- Historically, breakevens tend to fall after US 10Y yields peak
  - Breakevens are still high in comparison to pre-pandemic levels, but we expect these to moderately decline as inflation continues to decline
- The dollar has had a strong year, but we expect it to weaken as we approach the US 10Y yield peak
  - With a change in monetary policy we may also see a peak in the dollar. Historically, after a peak in yields, the dollar tends to move lower
- Corporate bonds may be at risk of seeing some widening in spreads after a peak in yields
  - As the end of rising bond yields is near, the volatility in the bond market rises in the run-up to a 10Y yield peak and afterwards spreads are at risk of widening

Figure 1: The US dollar tends to weaken after a peak in the 10Y yield



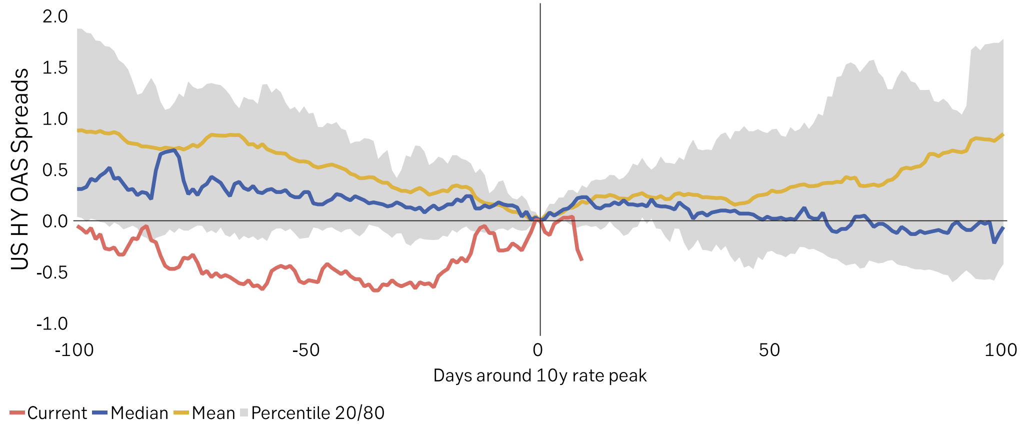
Source: Macrobond, SEB

Figure 2: The US2yr breakeven normally declines after a 10Y rate peak



Source: Macrobond, SEB

Figure 3: High yield spreads tend to slightly widen after a 10Y rate peak

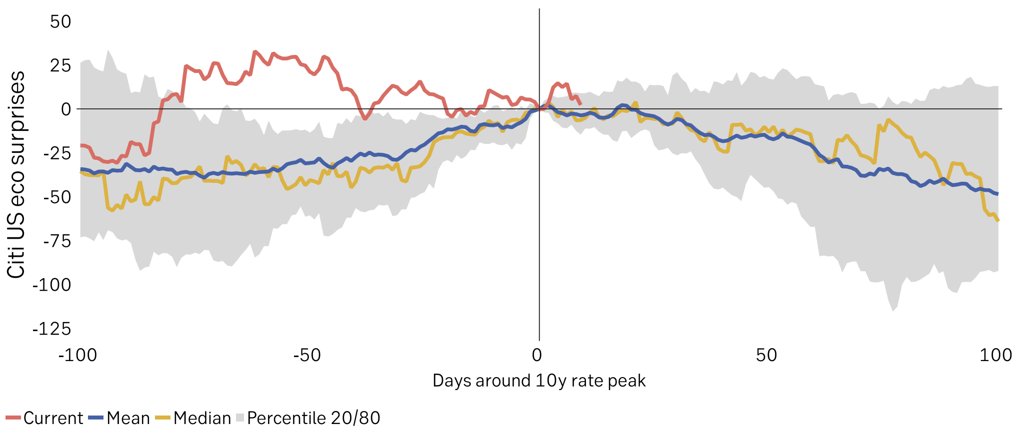


Source: Macrobond, SEB

In Focus: The US 10Y yield peak and leading indicators

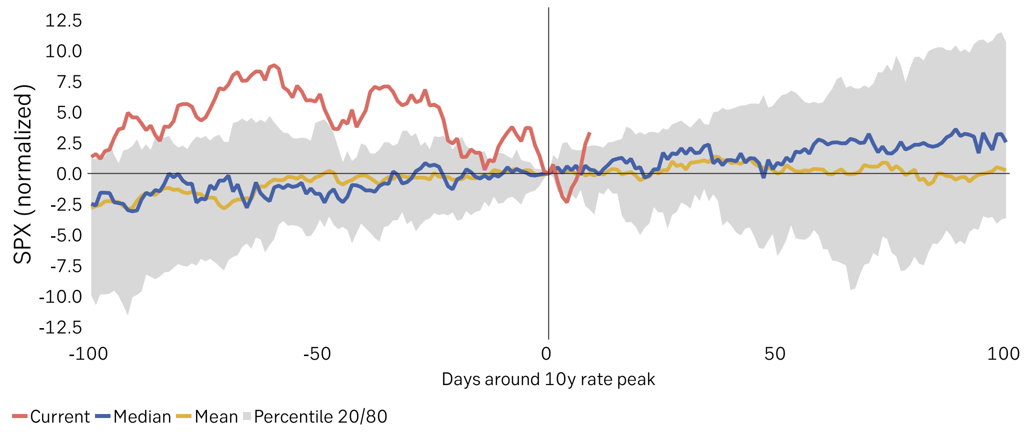
- Historically, there is no clear direction for the S&P500 as the US 10Y yield rises, nor is there a strong correlation after the peak
  - The fact that the S&P500 can rise or fall after a yield peak indicates that there are other factors that are in play
- Economic surprises tend to be positive in the run-up of a 10Y yield peak as the economy remains resilient
  - But as economic data starts to surprise on the downside, the 10Y yield starts to move lower
  - This time around, economic surprises seem to be leading the 10Y yield peak with 50 days
- Oil prices tend to rise as the 10Y yield rises
  - It seems that oil prices have significant explanatory power of predicting bond yields
  - However, oil prices fluctuate strongly also on the back of geopolitics

Figure 1: Economic surprises tend to rise but then fall after a 10Y rate peak



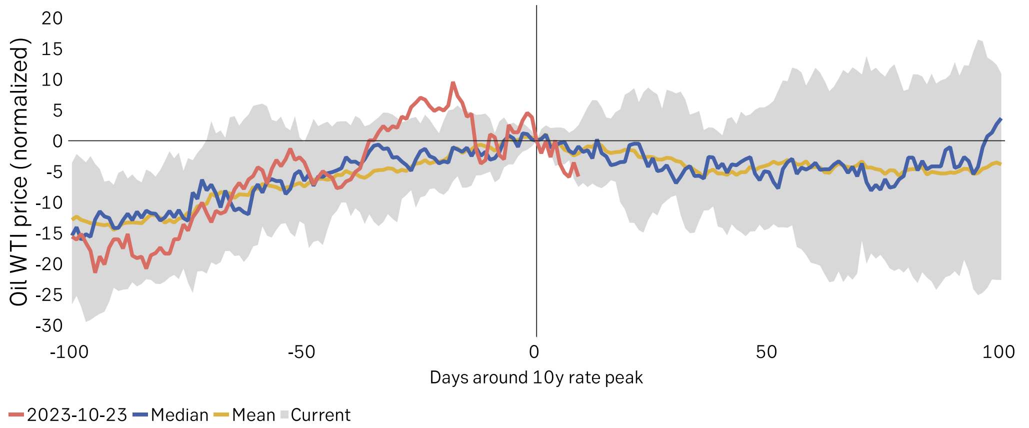
Source: Macrobond, SEB

Figure 2: The direction of the SPX index is not strongly correlated with the rise and fall of the US 10Y yield – there's no strong direction



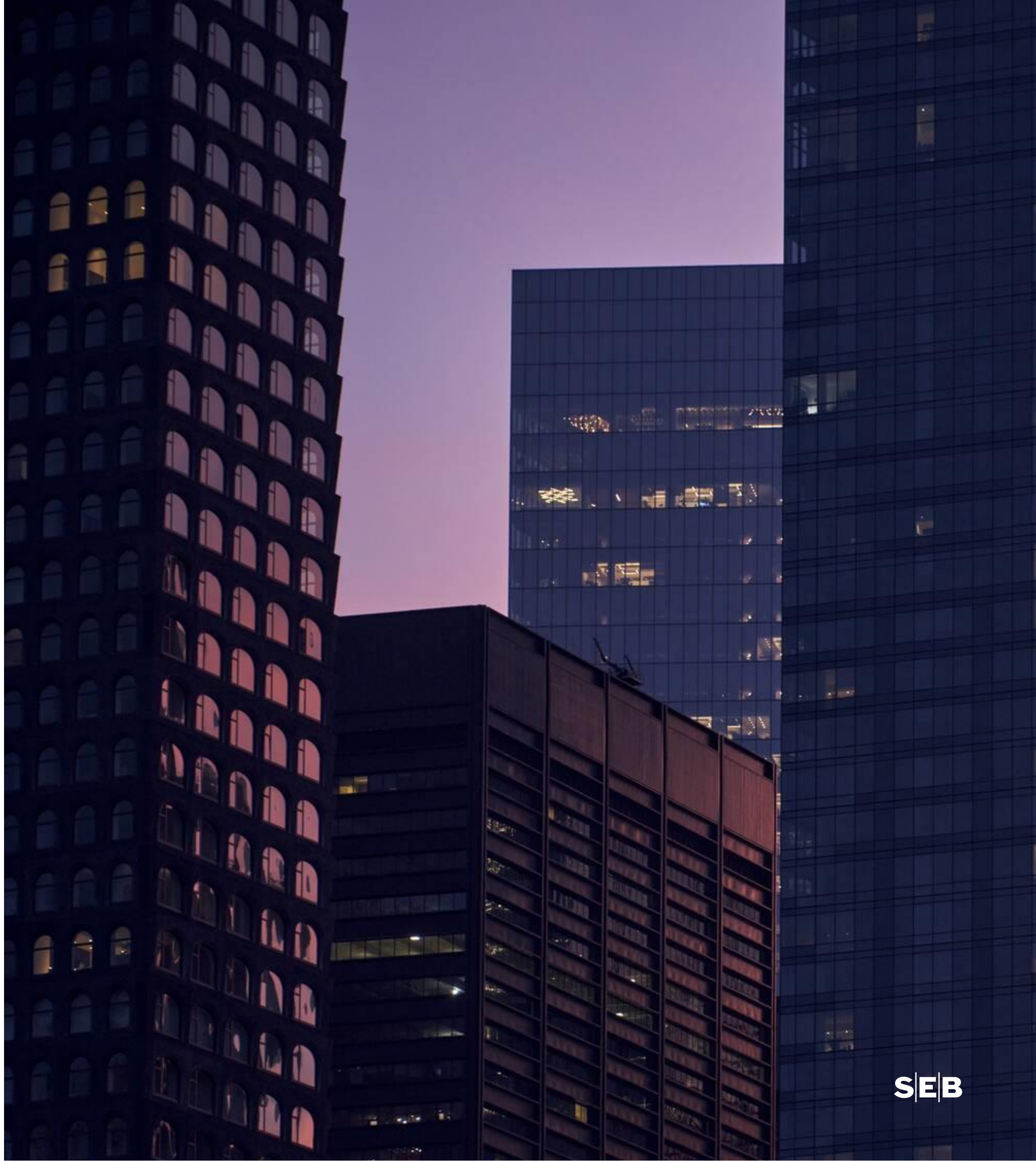
Source: Macrobond, SEB

Figure 3: The oil price is closely correlated with the 10Y yield



Source: Macrobond, SEB

Agenda



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 markets central banks are likely nearing the end of their tightening cycles. Central banks have signaled 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 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 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.

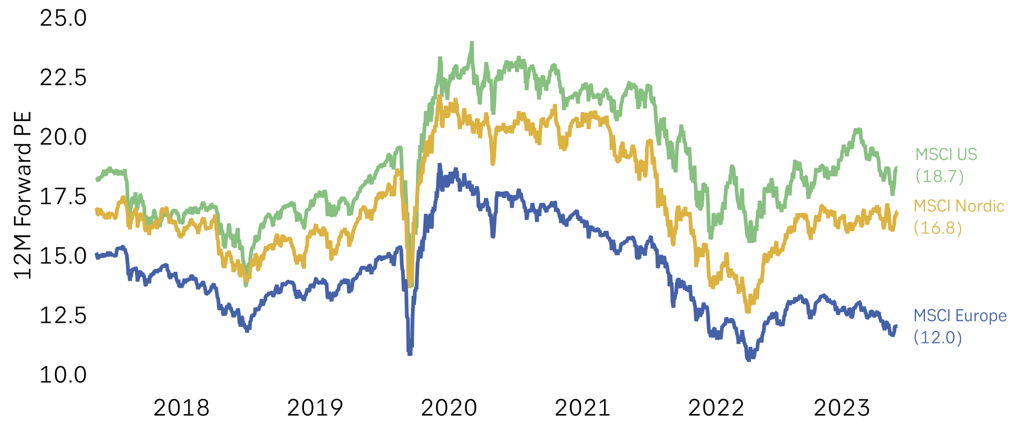
2024 earnings growth in the US may outperform 2024 earnings growth in Europe

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

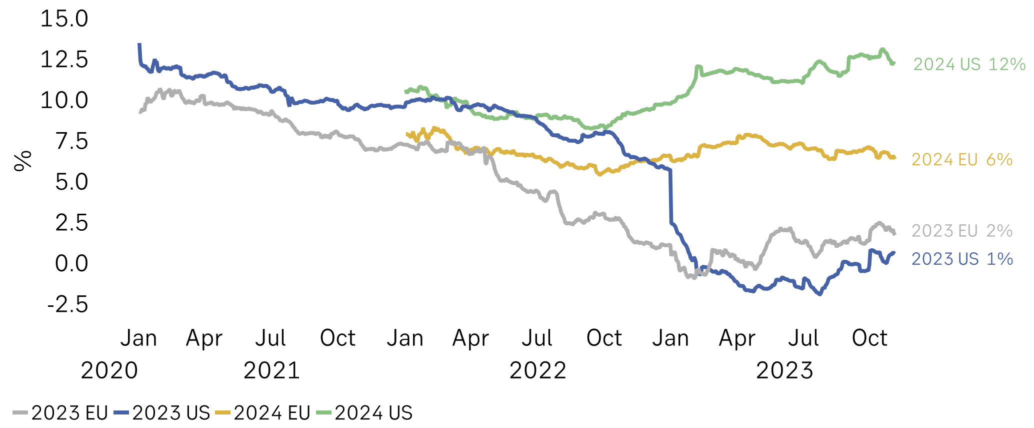
Small-cap stocks have underperformed large-cap stocks this year and appear attractive due to their inexpensive valuations. Therefore, small-caps may be poised for outperformance when central banks initiate rate cuts. These stocks generally benefit in rate-cutting cycles.

Figure 1: The FED's tightening cycle is probably close to ending. Valuations are lower, but we expect the asset class to re-rate once the Fed starts to loosen monetary policy



Source: Macrobond, SEB

Figure 2: SPX bottom-up EPS growth is expected to improve in 2024 after a dismal 2023. SPX Index earnings growth for 2024 is expected to outperform the STOXX index



Source: Macrobond, SEB

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

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

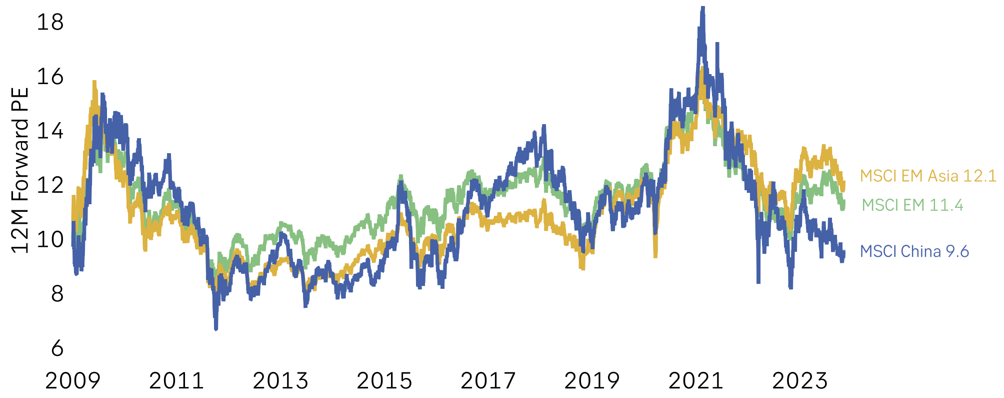
Investors have turned bearish on China due to economic disappointments, a declining property market, and geopolitical challenges, leading to a de-rating of Chinese equities. China's economic and demographic challenges draw comparisons to Japan's so called 'Lost decade', characterized by low growth, deflation, 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

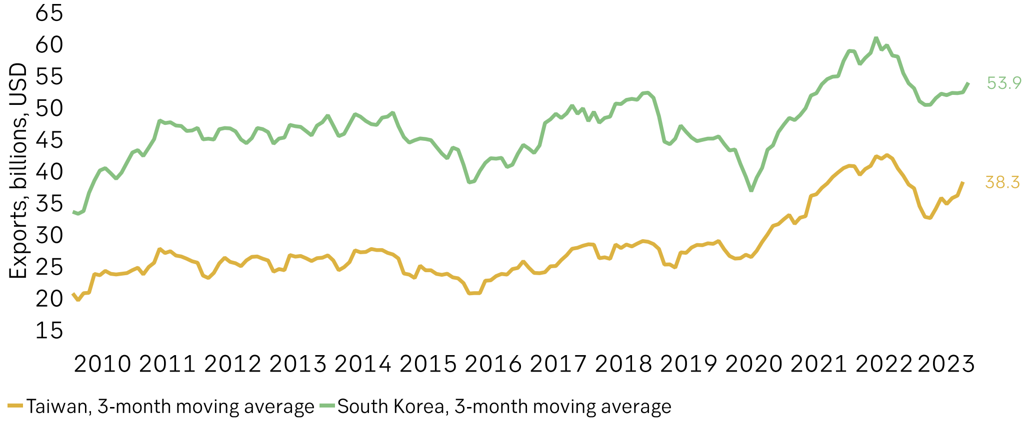
The USD has seen upward moves and appreciated amid heightened recession fears and tightening US monetary policy. However, we think the USD should weaken as recession fears fade due to resilient US hard data. Moreover, the Fed is nearing the end of its tightening cycle and will eventually begin to shift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

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 can outperform their IG counterparts as spreads are more attractive

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.

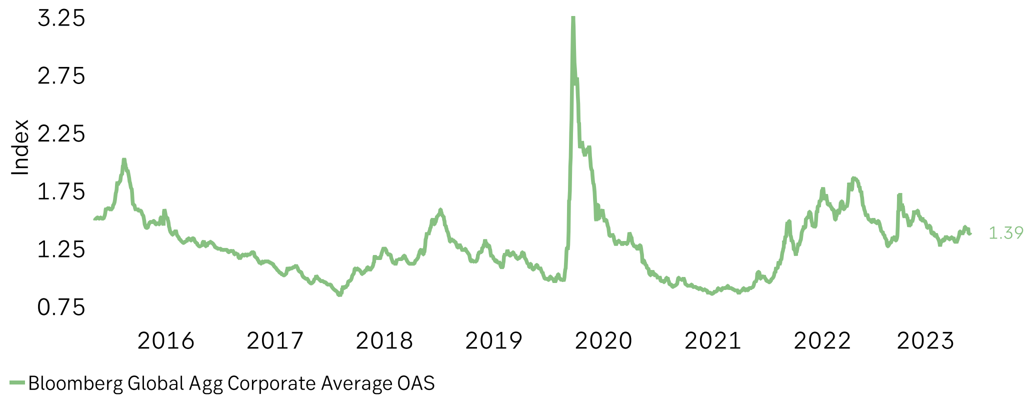
Downside risks to our 12-month outlook

Having said that, the uncertainty for the next 12 months is 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 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

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.

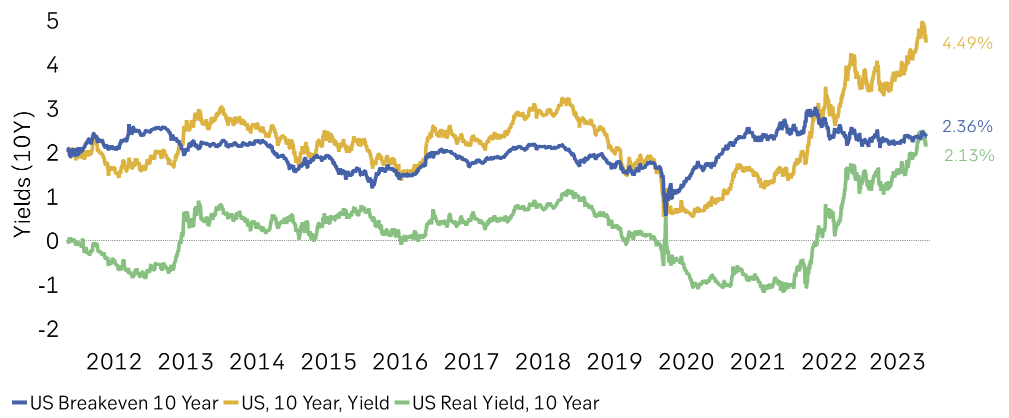
Given that bond yields are at elevated levels we have not seen since 2007, there is plenty of room for a positive rally in case of several rate cuts

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

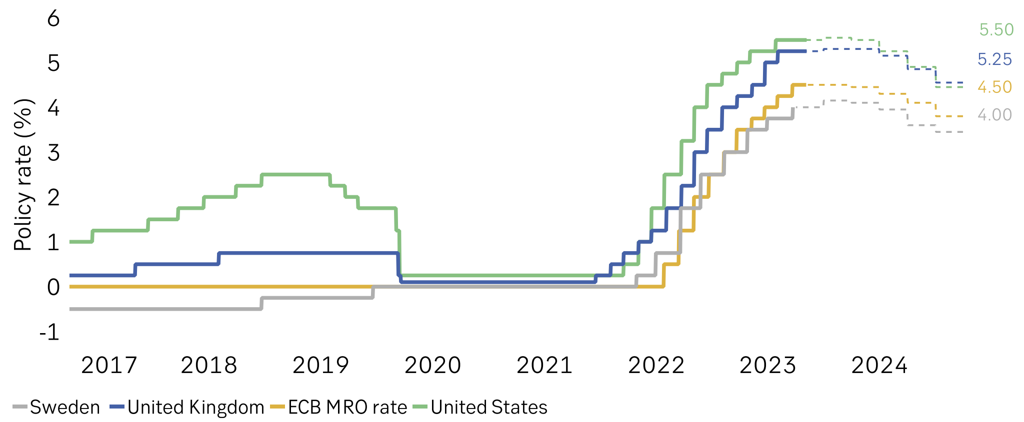
However, there are many scenarios and factors that could prevent or postpone a bond rally. Persistent strength in US consumer spending and labor markets could sustain core inflation, which might compel the Fed to tighten further, driving bond yields upwards. Actions like OPEC further tightening the oil 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

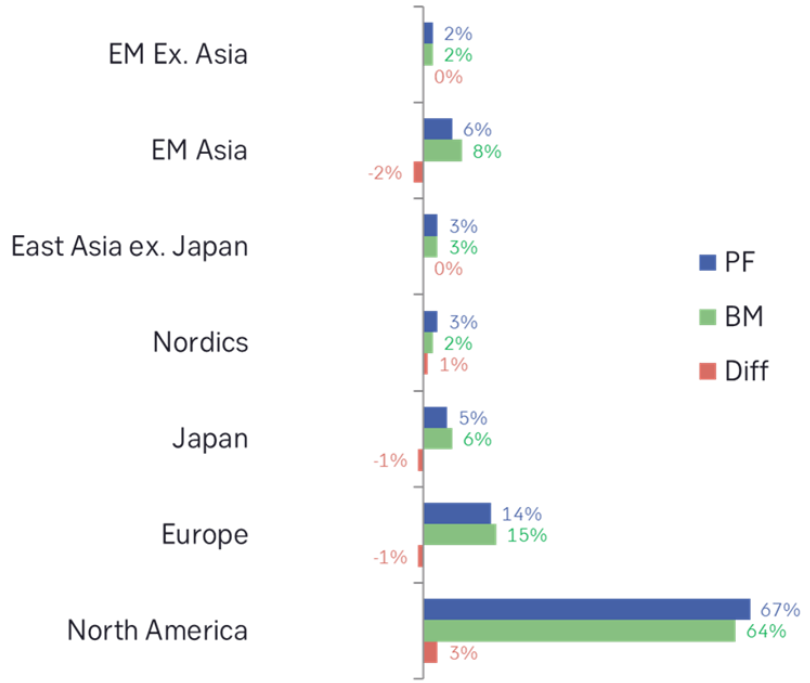
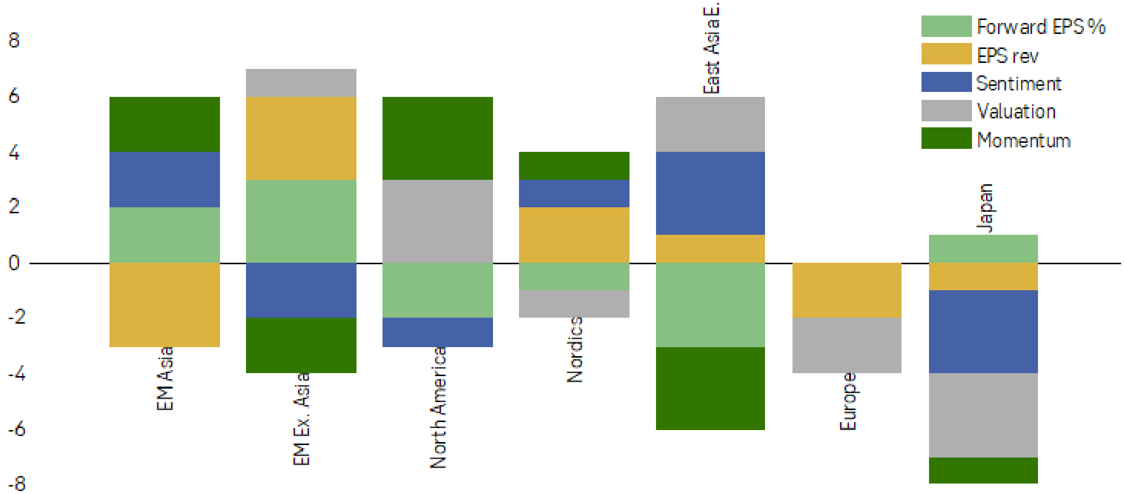


Figure 1: SEB House View region score*



* Ranked by total score with highest score starting from left

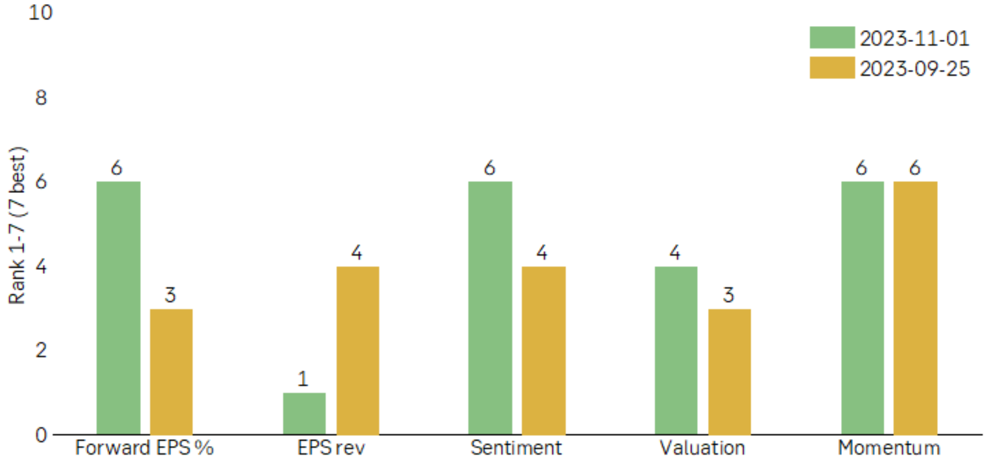
SEB

EM Asia – Underweight

We stay underweight to EM Asia equities due to China's uncertain growth outlook, property market concerns and geopolitical risks

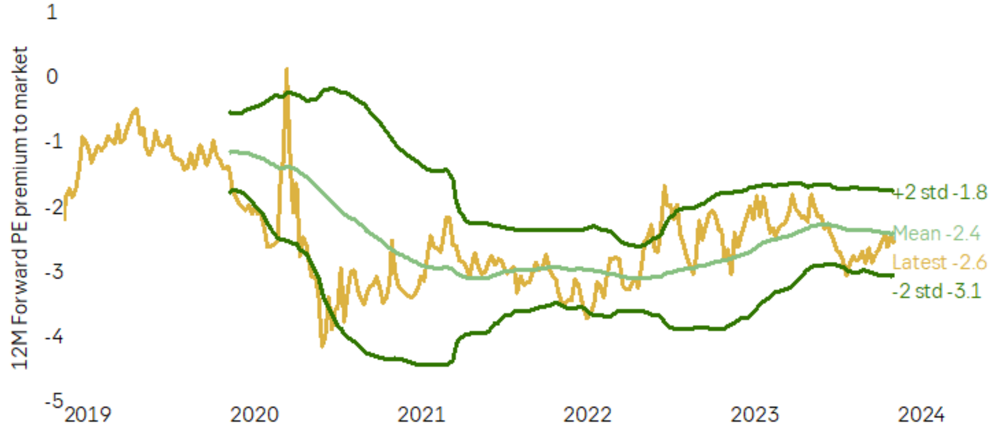
- While China Q3 GDP and activity data were better-than-expected, official and non-official October PMIs revealed a contraction in factory activity, posing a challenge to its recovery
- On the upside, China's central government has taken steps to support its economy by lifting the budget deficit and increasing debt issuance
  - Additional fiscal stimulus measures are anticipated from China, but their effectiveness for boosting domestic demand and stabilizing its fragile property market remains uncertain
- Geopolitical uncertainties are also on the horizon, particularly concerning the 2024 Taiwan election, which has the potential to dampen investor risk appetite for equities in the region
- While there are signs of overselling in Chinese equities, the stock market may not reach its bottom until clear indications emerge that its real estate sector has started to stabilize
- Due to signs of weaker growth momentum in China and challenges from its ongoing property crisis, we maintain our underweight to EM Asia, as the outlook remains uncertain

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

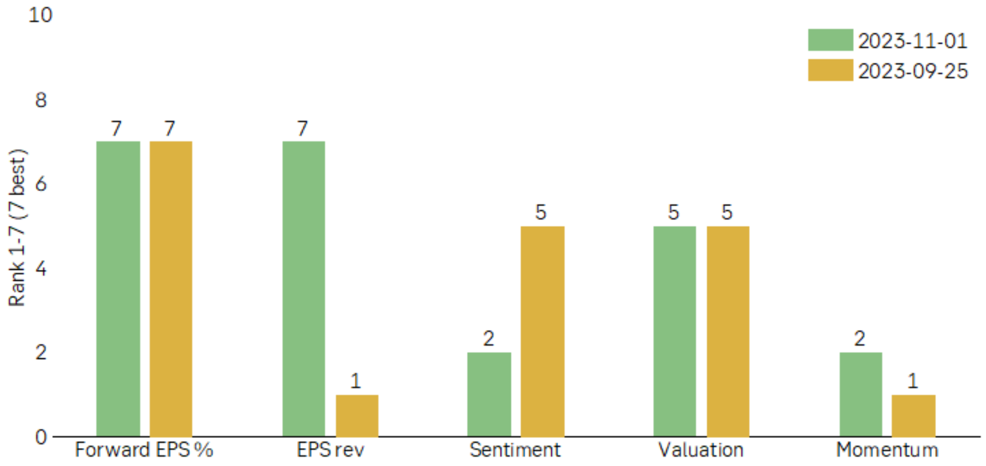
Source: SEB House View

EM Ex Asia – Neutral

We maintain our neutral stance on Em Ex Asia amid growth challenges in the region and geopolitical uncertainty

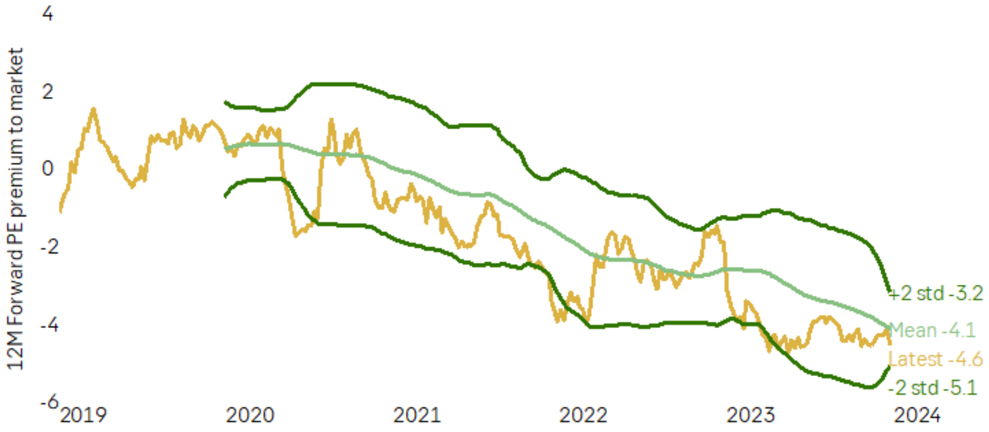
- According to the IMF, Latin America is experiencing a slowdown in economic growth due to tighter monetary policies and a weaker external environment
- China's weakened economy, a major consumer of the region's raw materials, elevated policy rates and high public debt adds to economic challenges in region
- That said, slower inflation and growth should provide room for LatAm central banks to gradually ease their tight monetary policies, potentially supporting regional economic momentum
- Additionally, we anticipate a weaker USD ahead as the Fed has signaled a peak in rates, which should benefit equities in the region
- However, at the moment, we believe that high beta/cyclical plays, such as EM, should fall out of favor in the near-term, given heightened uncertainty amid the rising tensions in the Middle East

Figure 1: Contribution to House View Region Score



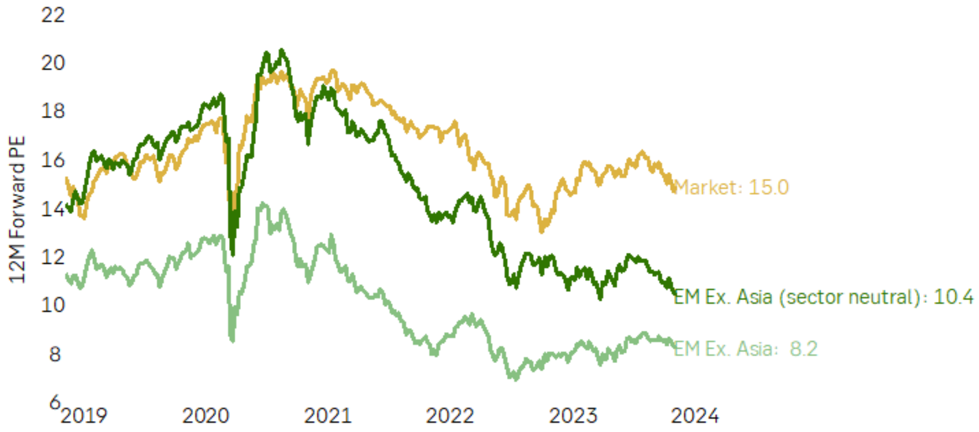
Source: SEB House View

Figure 2: Standardized relative valuation – Current constituents



Source: SEB House View

Figure 3: Absolute valuations – Current constituents



Source: SEB House View

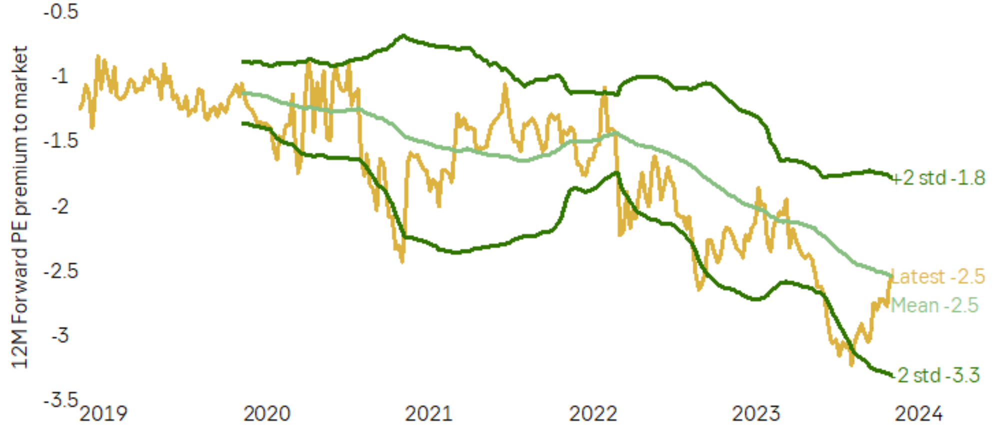
SEB

Europe – Underweight

We keep our underweight to Europe as recession risks have increased and we continue to see a lack of positive catalysts in the near term

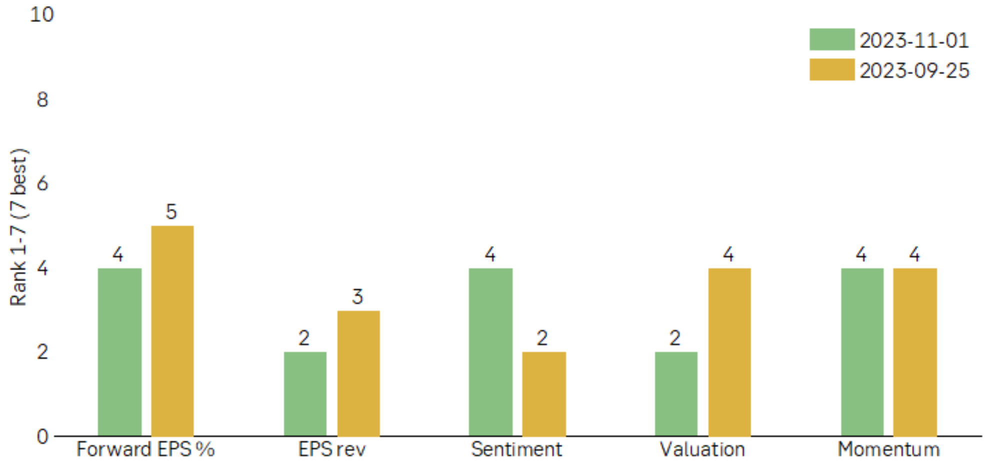
- Recession risks in the region have increased as eurozone GDP slightly contacted in Q3 while October PMIs signaled that the economic downturn accelerated at the start of Q4
- Details in the PMI data showed a broad-based weakening across the region and that both manufacturing and services contracted at an accelerating rate due to weaker demand
  – The continued decline in the new orders index does not signal an immediate turnaround in the manufacturing PMI, historically a stabilization in new orders has been required for a recovery
- Consumer activity also appeared to be weakening amid pressures from tightening credit and financial conditions against a backdrop of still elevated inflation
- On the upside, October headline inflation dropped to a two-year low, but the progress in core inflation is more modest which could keep the ECB to maintain their restrictive stance for longer
- **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**

Figure 2: Standardized relative valuation – Current constituents



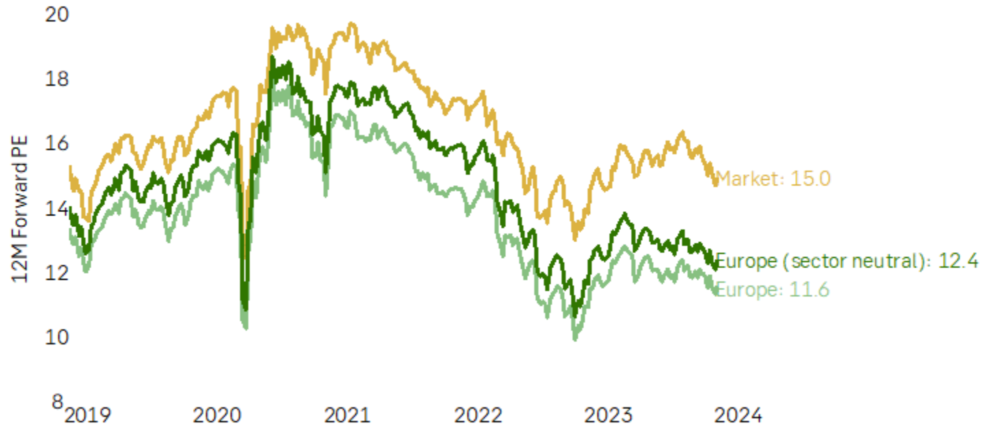
Source: SEB House View

Figure 1: Contribution to House View Region Score



Source: SEB House View

Figure 3: Absolute valuations – Current constituents



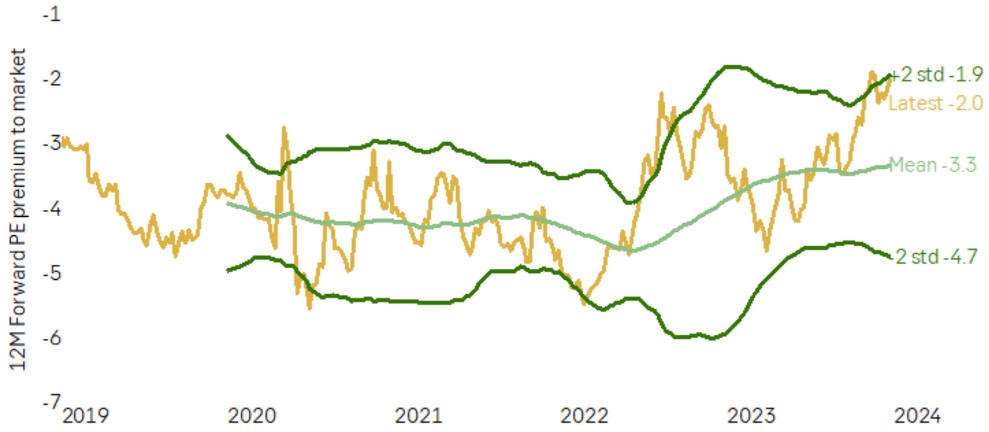
Source: SEB House View

Japan – Underweight

We remain underweight to Japanese equities due earnings downgrades, crowded positioning and a new phase of higher rates ahead

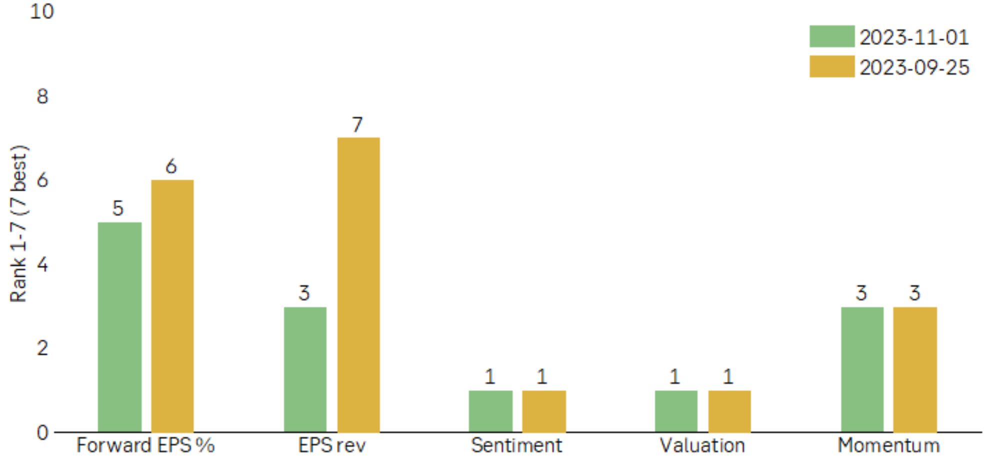
- Economic data has surprised on the upside, but Japanese manufacturing PMI remained in contractionary territory, signaling negative growth momentum ahead
- Kishida's government has announced new fiscal stimulus with tax cuts and checks for low-income households aimed to support consumer spending and economic growth amid rising inflation
- While the EPS outlook appears solid, concerns arise from increasingly negative earnings revisions which potentially indicates a weakening profit outlook
- **October saw strong inflows to Japanese stocks, but positioning is becoming crowed and less supportive in our view; investors are now very long relative to history**
- Japan's ultra-loose monetary policy remains favorable for valuation multiples; however, challenges loom as gradually higher interest rates and a stronger yen should weigh on Japanese equities

Figure 2: Standardized relative valuation – Current constituents



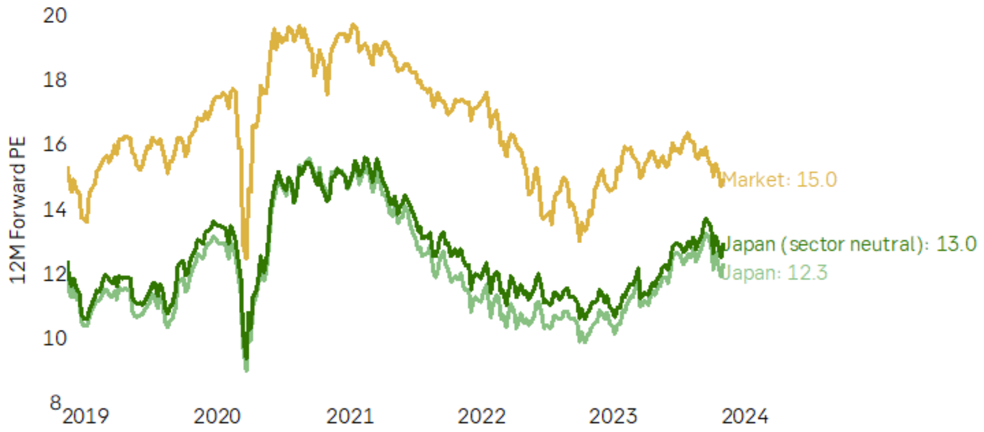
Source: SEB House View

Figure 1: Contribution to House View Region Score



Source: SEB House View

Figure 3: Absolute valuations – Current constituents



Source: SEB House View

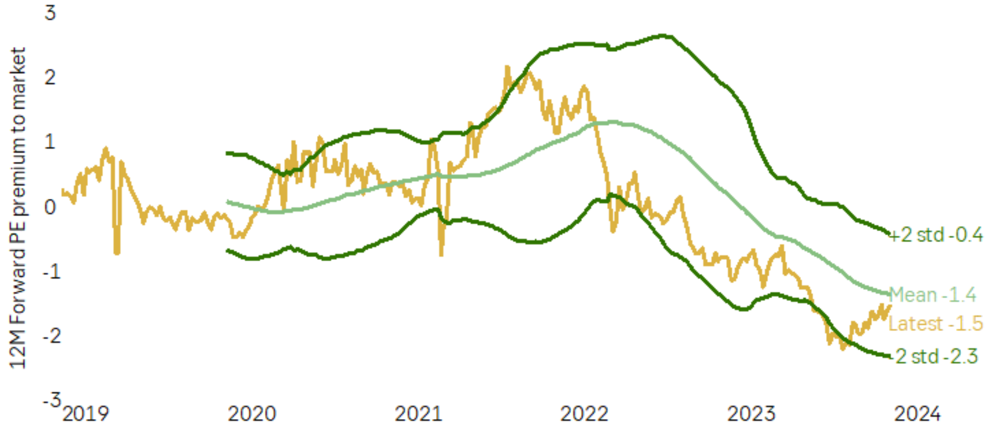
SEB

Nordics – Overweight

We maintain our overweight position in the Nordics, anticipating that Swedish equities will benefit from peaking interest rates and a stronger SEK

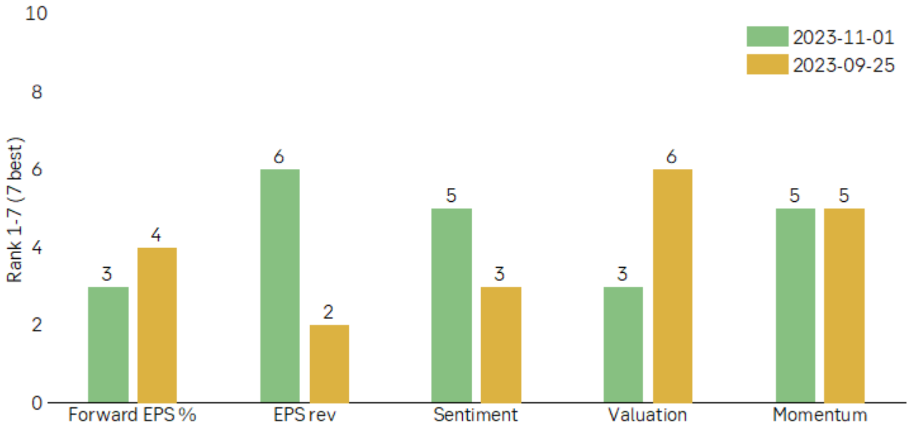
- Markets currently price in a 50% probability of a rate hike by the Riksbank later this month, following a widely expected 25-basis-point increase in September
- Nevertheless, we believe the Riksbank is nearing the end of its rate-hiking cycle, which should support valuation multiples for Swedish equities
  - However, as inflation remains elevated in Sweden, the Riksbank has signaled its willingness to raise interest rates further if needed to curb inflation
- We anticipate the SEK to strengthen due to its historically low valuations compared to other major currencies, and the indications from the Fed and ECB regarding potential rate peaks
- Furthermore, we expect a stronger SEK to benefit Swedish equities, which are currently trading at historically attractive valuations
  - A stronger Swedish krona would translate into higher returns for dollar- or euro-based investors, making Swedish stocks more attractive to foreign investors

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

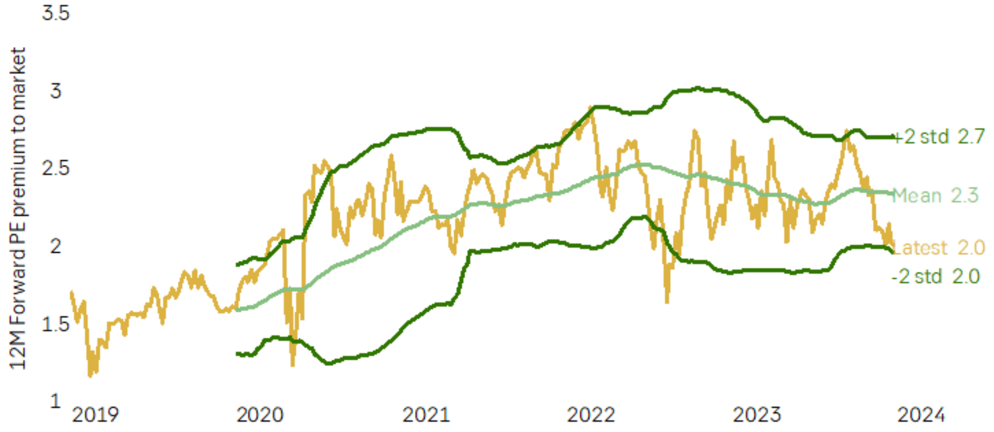
Source: SEB House View

North America – Overweight

We maintain our overweight position in US equities, poised to outperform amidst heightened global uncertainty, declining inflation and a soft landing

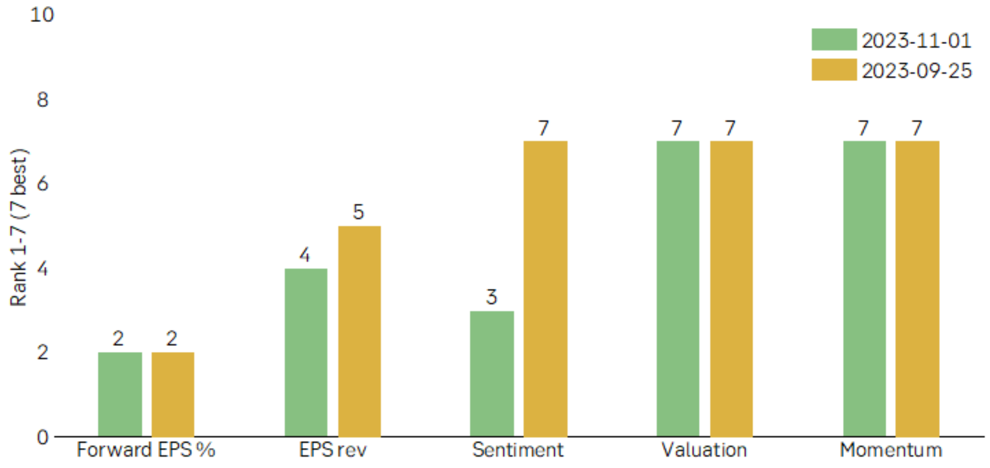
- Due to their 'safe haven' status and defensive characteristics, US equities are likely poised to benefit from the economic and geopolitical uncertainties in the Middle East, China and Europe
- Despite a higher September core PCE reading, underlying inflation is slowing, strengthening the case for the Fed to maintain its current stance, helping to stabilize treasury yields
- Furthermore, the tightening of financial conditions, driven by rising treasury yields, has likely reached a point where it reduces the need for further rate hikes, potentially supporting US equities
- We anticipate a soft landing, suggesting that the US economy is expected to shift to a more sustainable growth rate without experiencing a recession, which should benefit US equities
- After a lackluster 2023 marked by subdued earnings growth, we anticipate improved earnings growth driving US equities next year, potentially resulting in their outperformance

Figure 2: Standardized relative valuation – Current constituents



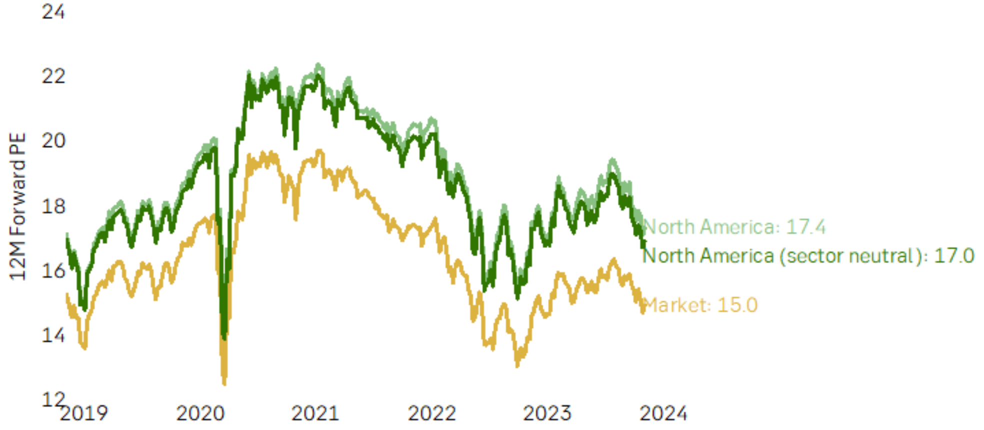
Source: SEB House View

Figure 1: Contribution to House View Region Score



Source: SEB House View

Figure 3: Absolute valuations – Current constituents

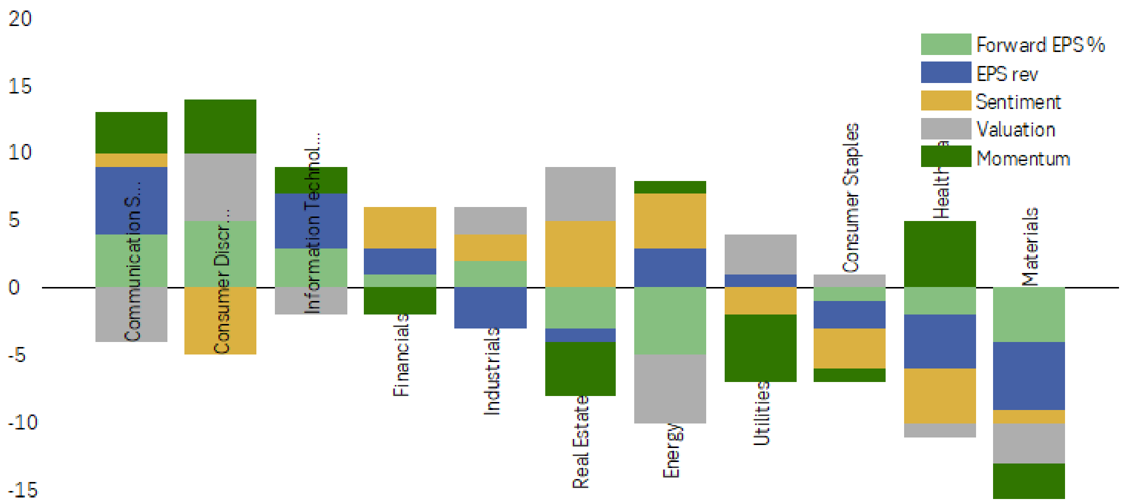


Source: SEB House View

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		

Figure 1: SEB House View sector score



Source: SEB House View

* 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.

Overweight – Consumer Discretionary, IT and Industrials

We remain overweight in Consumer Discretionary

- The earnings outlook for the sector remains attractive and from a valuation perspective the sector is historically cheap
- The low risk of a US recession, US durable goods have been stronger than expected and elevated inflation will likely support corporate earnings, which should lead to higher returns for consumer discretionary

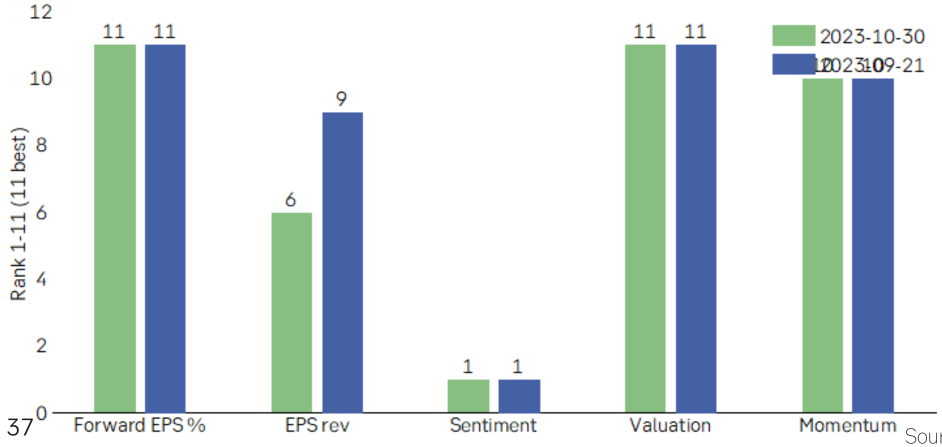
We keep our overweight in Info Tech as we expect the recent AI trend to continue

- 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

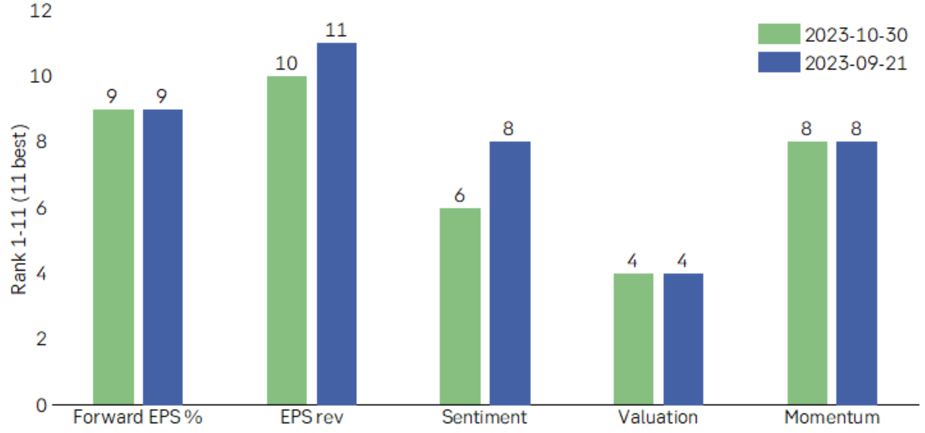
- Earnings surprised positively in the latest quarterly report and valuation remains attractive
- Furthermore, industrials should benefit from investments in renewable energy

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



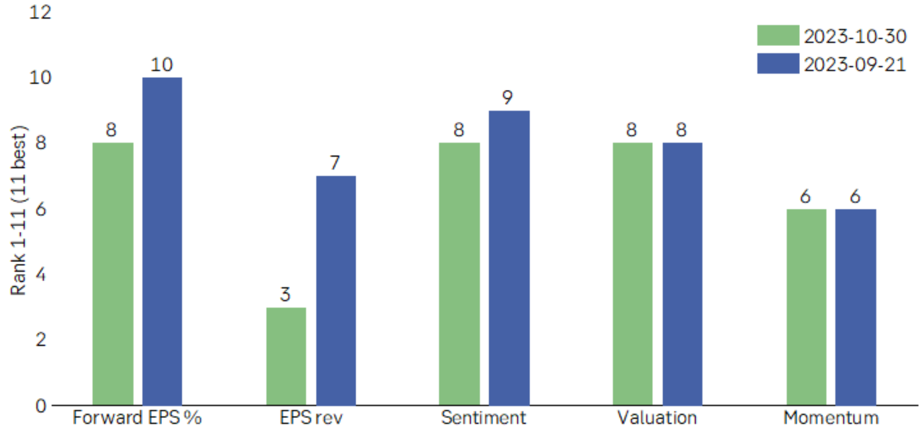
Source: SEB House View

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



Source: SEB House View

Figure 3: The earnings outlook for Industrials remains solid



Source: SEB House View

Underweight – Consumer Staples and Utilities

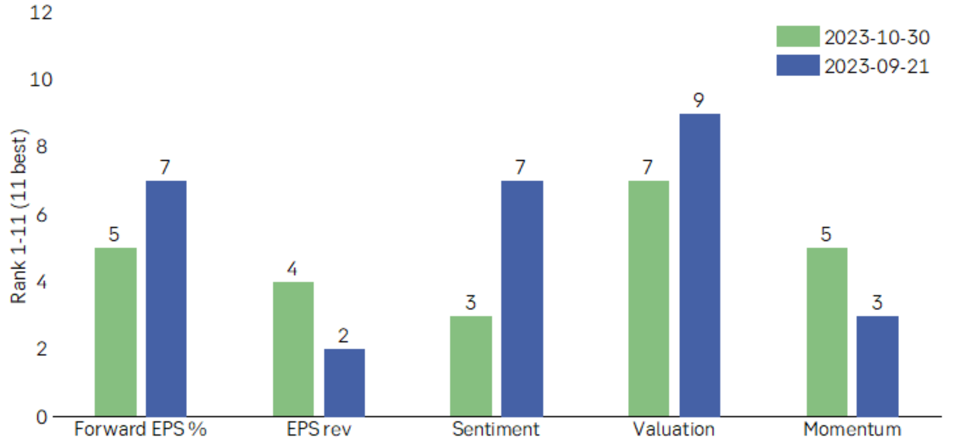
We remain underweight in Consumer Staples

- We expect this year's underperformance in 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

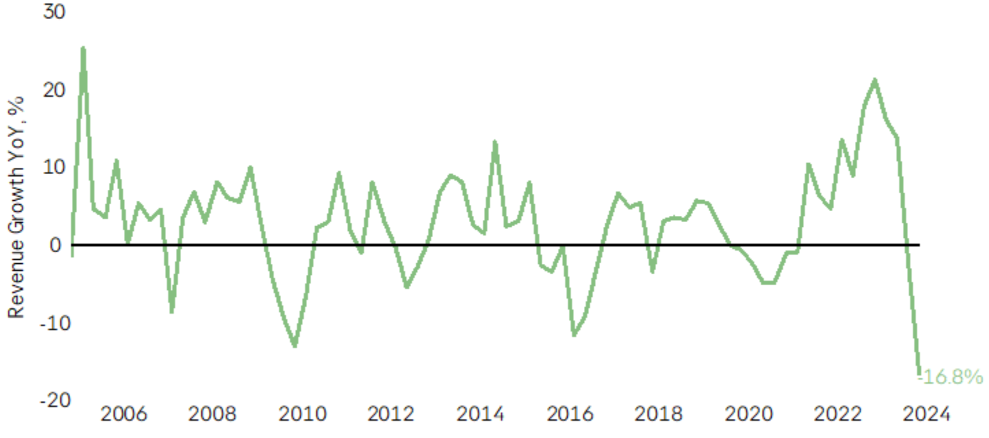
- Utilities are less attractive as stock volatility is low, interest rates are high, and a severe downturn is less likely in our view
- We expect to see more outflows from utilities as investors rotate out sectors to unloved/cheap cyclical sectors, following this year's tech rally

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



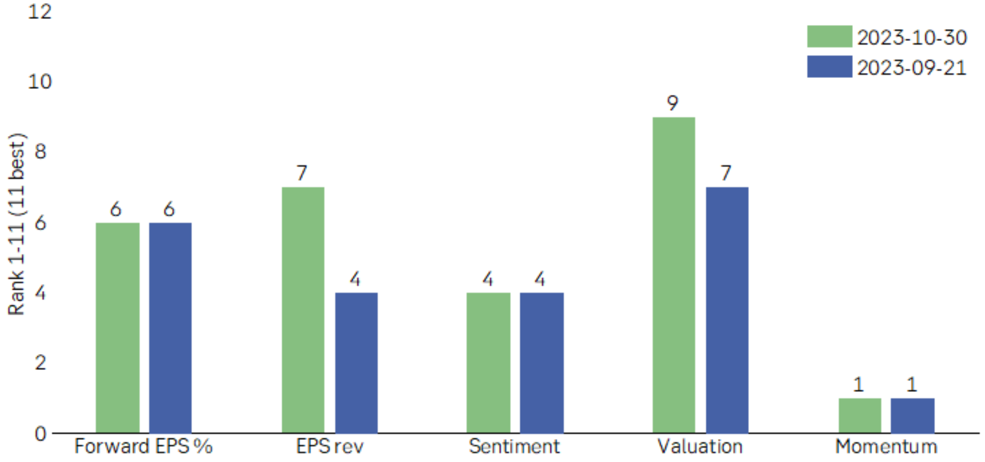
Source: SEB House View

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



Source: SEB House View

Figure 3: Utilities has a low earnings outlook in comparison to other sectors



Source: SEB House View

SEB

Appendix – Inflation Heatmap

US Inflation Indicators

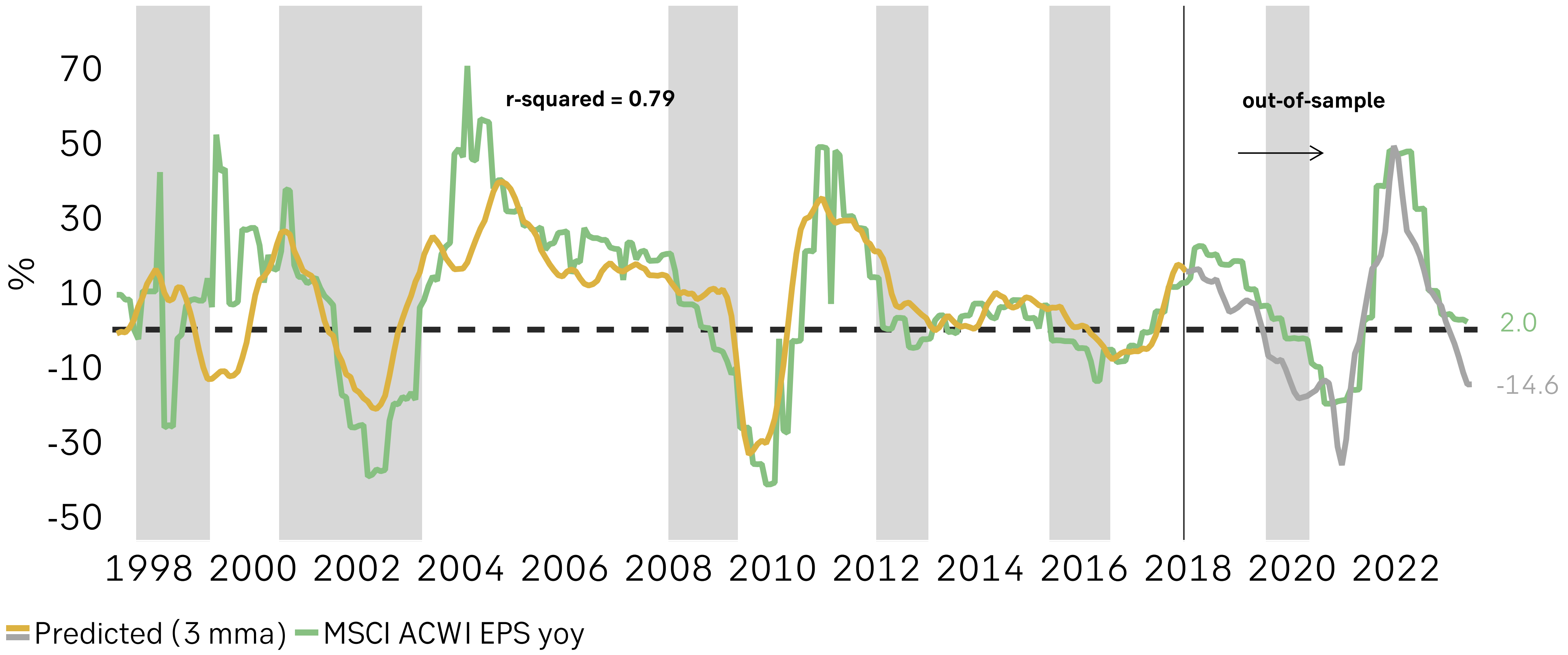
Heatmap based on rolling 10-year Z-scores. Actual data releases are shown below.

	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	11/2021
Economic Measures																									
Cleveland Fed Trimmed-Mean CPI Y/Y %			4,3	4,5	4,8	6,05	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	4,6
Core CPI Y/Y %			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	4,9
Core PCE Y/Y %			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	5,0
CPI Y/Y %			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	6,8
PPI Y/Y %			2,5	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	13,3
Sentiment																									
Michigan Expected Inflation 12M		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	6,8
Conf Board Expected Inflation 12M		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	7,3
ISM Services Prices Paid		58,6	58,9	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
ISM Manufacturing Prices Paid		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	82,4
ISM Manufacturing Supplier Deliveries		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	72,3
NFIB Higher Prices			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	59,0
Commodities																									
CRB Raw Industrials Y/Y %	-4,0	-3,0	-5,0	-7,5	-9,7	-16,5	-18,1	-18,4	-15,2	-10,8	-12,1	-10,4	-14,8	-9,7	-4,6	-2,9	0,7	9,8	16,8	21,8	20,0	20,3	26,2	31,4	37,5
Lumber Y/Y %							-65,9	-61,6	-74,3	-53,3	-67,9	-56,3	-28,2	-32,7	-9,8	-12,6	-13,2	-51,5	-35,4	-4,7	49,3	16,0	26,8	33,6	11,0
Metals Y/Y %	-9,0	-6,6	-0,9	-5,3	-6,6	-23,2	-20,7	-26,5	-24,6	-6,2	-5,4	3,7	-9,7	-11,1	-9,9	-3,9	-2,9	17,7	22,3	50,0	46,3	35,8	27,3	21,2	33,6
Agriculture Y/Y %	-5,2	-6,7	-2,1	2,0	0,8	-12,7	-12,8	-6,2	-9,1	5,8	9,0	9,1	16,2	18,3	19,8	12,4	15,9	24,7	27,6	42,5	44,3	29,0	26,6	40,1	41,4
Energy Y/Y %	-26,7	-22,9	-30,9	-30,6	-37,3	-48,9	-46,4	-27,3	-20,2	-11,1	22,7	53,0	32,9	28,1	70,6	77,5	68,7	118,3	101,9	87,7	74,2	64,7	55,7	47,7	83,6
Wages																									
Weekly Wages Y/Y %		3,4	3,8	4,3	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
Hourly Wages Y/Y %		4,1	4,3	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	5,4
Atlanta Fed High Skill Wages Y/Y %			6,1	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
Atlanta Fed Low Skill Wages Y/Y%			6,0	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
NFIB Small Business Wages		36,0	36,0	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
Inflation components																									
Shelter CPI Y/Y %			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	3,5
Electricity CPI Y/Y %			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	6,5
Education CPI Y/Y %			1,9	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
Car Rental CPI Y/Y %			-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	37,1
Recreation CPI Y/Y %			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	2,8
Drugs CPI Y/Y %			4,0	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
Market indicators																									
US 5Y Breakeven	2,3	2,2	2,2	2,3	2,2	2,2	2,2	2,5	2,8	2,3	2,3	2,6	2,5	2,2	2,6	2,7	2,6	3,1	3,2	3,4	3,2	2,8	3,0	2,8	2,9
US 5Y/5Y Breakeven	2,5	2,5	2,3	2,5	2,2	2,2	2,2	2,2	2,3	2,2	2,2	2,3	2,2	2,1	2,3	2,3	2,1	2,4	2,4	2,4	2,3	2,1	2,3	2,1	2,2
10Y - 2Y Yield Spread	-27,0	-35,9	-70,4	-70,8	-108,5	-81,5	-47,1	-55,6	-90,9	-77,0	-63,5	-78,8	-57,3	-47,9	-20,6	-36,7	4,5	27,5	18,5	-8,0	30,6	63,3	85,6	75,0	113,2
Germany 10Y Breakeven	2,2	2,3	2,3	2,4	2,3	2,3	2,3	2,4	2,7	2,2	2,3	2,3	2,4	2,0	2,3	2,2	2,0	2,4	2,9	2,7	2,3	1,8	1,8	1,7	1,7
Japan 10Y Breakeven	1,4	1,2	1,1	1,2	1,0	0,9	0,8	0,7	0,7	0,7	0,8	0,8	0,9	0,9	0,9	0,8	0,9	1,0	1,0	0,8	0,7	0,5	0,4	0,4	0,4

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

SEB

Appendix – Global EPS Growth



Source: Macrobond, SEB

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.