Global Outlook

January 2017

The interconnectivity of the global economy means significant local or regional economic change is quickly transmitted across borders. No one country is more influential than the United States. In this edition of Global Outlook, we consider the implications for investors of the incoming US President Donald Trump.

This document is intended for institutional investors and investment professionals only and should not be distributed to or relied upon by retail clients.

House View

The following asset allocation is based upon a global investor with access to all the major asset classes.

	January 2017 House View	
Risk	The Global Investment Group retains a cautious medium-term outlook, as a variety of political and economic drivers point to higher levels of financial market volatility. While there are particular areas of value, investors should be highly selective in asset allocation decisions.	NEUTRAL
Government Bonds		
US Treasuries	While market stress and safe-haven flows support Treasuries, tighter labour markets and the upward trend in wages give the Federal Reserve the rationale to continue hiking rates throughout 2017.	LIGHT
European Bonds	Bonds are supported by an environment of low inflation, modest economic growth, further QE and negative rates. Political pressures could periodically affect peripheral bond markets, requiring a quick ECB response.	NEUTRAL
UK Gilts	The Bank of England has delivered significant easing measures as uncertainty related to the EU referendum outcome is expected to cause the economy to slow. However, valuations are expensive.	NEUTRAL
Japanese Bonds	The introduction of yield curve control alongside negative interest rates and quantitative easing is the central bank's latest attempt to reflate the economy. The absence of yield makes this asset class relatively unattractive.	MOVED TO LIGHT
Global Inflation-Linked Debt	Inflationary conditions are globally subdued but markets may react to a rise in headline inflation due to expansionary US fiscal policy. Meanwhile, commodity prices are starting to move higher once again.	NEUTRAL
Global Emerging Market Debt	We prefer dollar denominated to local currency debt, both on valuation grounds and on expected dollar movement. On a selective basis, higher yields are attractive in an environment of easier monetary policy.	HEAVY
Corporate Bonds		
Investment Grade	QE supports UK bonds, but has driven European yields to unattractive levels. US credit spreads are less attractive as Treasury yields increase, and riskier assets are preferred.	MOVED TO NEUTRAL
High Yield Debt	The hunt for yield is driving more investors to this asset class, although overcrowding remains a risk in some sectors, especially in the US when monetary policy is being tightened.	HEAVY
Equities		
US Equities	Equities are buoyant on the back of promised fiscal easing from President-elect Trump; while dividends and share buybacks are still supportive, valuations have become less attractive.	MOVED TO VERY HEAVY
European Equities	Corporate earnings may be adversely affected by the uncertainty shock from the Brexit process and other political events. Concerns remain over some banking systems and a lack of strong credit growth.	NEUTRAL
Japanese Equities	The market looks more attractive as easy monetary policy and fiscal stimulus for 2017 are helped by a cheaper yen driving forward corporate earnings and business investment.	NEUTRAL
UK Equities	The UK economy has remained resilient post-EU referendum but the uncertainty remains surrounding its future relationship with the EU. Sterling remains the primary driver of the relative attractiveness of UK companies with overseas exposure.	NEUTRAL
Developed Asian Equities	The macroeconomic improvement in emerging markets will have a positive feed through due to trade linkages, but expected US interest rate rises and protectionist policies may offset this effect.	NEUTRAL
Emerging Market Equities	The outlook for Asia is dependent on US trade policy and the degree of monetary tightening. Those emerging markets that can benefit from higher oil prices are attractive after the change of policy by OPEC.	MOVED TO NEUTRAL
Real Estate		
UK	The referendum fallout continues to affect liquidity and cause capital depreciation. Income remains attractive versus other asset classes although risks are elevated should conditions turn recessionary or political uncertainty persists.	LIGHT
Europe	Core markets continue to offer attractive relative value in light of the low interest rate environment supported by QE, while recovery plays are showing consistent capital value growth.	VERY HEAVY
North America	The US market should benefit from an improvement in economic growth, although some Canadian property faces headwinds from an interest-rate sensitive consumer and significant office construction.	MOVED TO HEAVY
Asia Pacific	An attractive yield margin remains, but markets are divergent. Returns are driven by rental and capital value growth in Japan and Australia, but weakening elsewhere. Emerging Asia markets are risky.	NEUTRAL
Other Assets		
Foreign Exchange	The US dollar has rallied following the US election but will benefit from a steady tightening of monetary policy; Europe looks less well placed than Japan to cope with the next phase of currency pressures; sterling acts as a shock absorber after the EU referendum.	HEAVY $, NEUTRAL ¥ & £, LIGHT €
Global Commodities	Different drivers, such as US dollar appreciation, Chinese demand, Middle East tensions and climatic conditions, influence the outlook for different commodities.	NEUTRAL
Cash		
	The US election result may mean a faster pace of rate rises is necessary should fiscal policy expansion lead to inflationary pressures. Easy policy is still expected in Europe, Japan and the UK to revive economic activity.	MOVED TO LIGHT

Foreword

Editor

Govinda Finn
Senior Japan Analyst, Global Strategy

The inauguration of Donald Trump as the 45th president of the United States on 20 January 2017 will represent a significant event both for the US and for the rest of the world. In this edition of Global Outlook, we consider the implications for investors of the electoral success of Trump and the Republican Party. Jeremy Lawson, Chief Economist, examines the President-elect's plans to embark on a potentially highly unusual approach to macroeconomic policy. This includes unleashing a stimulative fiscal package, despite the fact the labour market is tightening and the economy is growing above trend. He outlines the key decisions that Trump will need to make in the first 100 days of his presidency, and their potential consequences.

Katy Forbes, Investment Director, Inflation-Linked Bonds, picks up the narrative in inflation markets and examines how they might respond to a more reflationary policy approach. She highlights the central role that the US is playing in challenging the market consensus on the ability of policymakers to generate price pressures, before considering whether the hard data will keep up with recent market movements. Katy also looks at how other inflation markets are responding to idiosyncratic events elsewhere in the world, including Brexit in the UK and the change in sentiment witnessed in European inflation markets.

Meanwhile, Ken Dickson, Investment Director, Currency, considers why currency carry trades have become so popular among investors. He shares a comprehensive analysis of the performance of carry trades since 2000 and draws some conclusions about the most rewarding macro backdrop for these strategies. Ken concludes by considering how these strategies might perform in the future. He warns that the fate of the US dollar may have a much more pervasive impact on these types of strategies than is widely believed.

Finally, Andrew Paisley, Investment Director, Smaller Companies, examines the secrets of Germany's successful medium-sized, or 'Mittelstand', businesses. He identifies some key common characteristics that have enabled them to flourish, including long-term investment horizons, significant founder involvement and a focused approach. Andrew highlights some 'best in class' examples from the Mittelstand and shows how they should continue to be a source of attractive investment returns over the longer term.

Economic Outlook

Regime change

The policy choices of incoming US President-elect Donald Trump are likely to reverberate far beyond the country's borders and demand close attention.

Jeremy Lawson
Chief Economist

The surprise election of Donald Trump has the potential to reshape the domestic policy landscape in the US and the country's relationship with the world. However, before we examine the possible economic implications of a Trump presidency, it is first necessary to identify the trajectory that global growth, inflation and policy were on before his election.

Vital signs

Our first observation is that there was increasing evidence that global activity was finally on the up after two years of decelerating growth. Global manufacturing sentiment troughed in the first half of 2016, and global industrial production has modestly improved (see Chart 1). At a regional level, stronger growth has been most clearly evident in the US, those emerging markets (EM) that experienced the deepest recessions and trade-sensitive European economies, such as Germany. Underlying activity has also been edging up in China. This is mainly because the Chinese authorities have been happy to revert to credit and fiscal stimulus measures to prop up growth, while pushing the rebalancing the economy requires further out.

This improving real economic outlook has been matched by rising headline and producer price inflation. The pick-up is due to both a partial rebound in commodity prices and the base effects from their pre-February falls washing out of the inflation numbers. However, signs of stronger underlying inflation are more difficult to come by. Wage growth and core inflation are on a gradual upward trajectory in the US, and will also rise in the UK due to the collapse in sterling. However, in places like the Eurozone, Japan, Australia and Sweden there is scant evidence from either wages or the details of inflation data that underlying inflation is moving back towards central bank targets (see Chart 2).

This improving global growth and headline inflation environment implies that we are probably past the maximum monetary policy impulse. The Federal Reserve (Fed) will want to follow December's rate hike with further increases in 2017, should economic data and market conditions allow. Meanwhile, the European Central Bank (ECB) and Bank of Japan seem more intent on increasing the sustainability of their existing policies than adding significant new stimulus. However, it will be hard for either to disengage from unconventional policies altogether.

Stronger nominal growth also means a return to positive corporate profit growth. Falling commodity prices, the stronger dollar, and decelerating real and nominal growth were important drivers of the sharp decline in corporate profits over the past two years, with the biggest drops occurring in EM and major commodity-producing countries. With these factors beginning to turn around, corporate profit growth and margins are likely to improve over the next 12 months.

The Trump effect

There are four main decisions that that will determine whether President-elect Trump's first year in office amplifies these pre-election trends or changes them altogether. The first decision is whether to work with Congress to aggressively loosen fiscal policy. The second is how much of Obama's domestic policy agenda to dismantle. The third is whether to pursue a mercantilist approach to trade policy. And finally, he will need to decide how to put into practice his desire to reorient US foreign policy.

Amid this uncertainty, some loosening of fiscal policy seems the safest bet. Both Trump and House Republicans have placed large individual income and corporate tax cuts at the heart of their policy agendas. They would like to follow through on this before the end of 2017, although Senate Republicans seem more cautious about the large implied increase in the budget deficit. Defence spending and infrastructure investment should also increase, although spokespeople for the Trump campaign have hinted that most of the financing for the latter will come from the private sector. Cuts to Medicaid spending and some discretionary programmes are likely, but we do not expect them to be large enough to offset the tax cuts and increased spending in other areas. Taken together, a raw fiscal stimulus equivalent to more than 1% of GDP in 2018 is possible, which could lift growth a touch above 3%. This is almost a percentage higher than our forecast if no stimulus is implemented. In turn, stronger US growth would have knock-on benefits for import demand from the rest of the world.

Many investors will welcome a surge in growth after such a disappointing recovery from the financial crisis. Nevertheless, a fiscal package along the lines we have outlined is not ideal from a macroeconomic standpoint. Given the long-term budget challenges facing the US, permanent income tax cuts that do not pay for themselves and mostly accrue to the highest income earners will worsen the fiscal position and provide only a short-term economic gain. Moreover, a large fiscal stimulus at this point in the economic cycle is highly unusual, and may ultimately serve to shorten the current cycle if imbalances build up more quickly and the Fed tightens policy more aggressively.

Greater infrastructure spending is more welcome, although there is a strong case for that to be publicly funded. Corporate tax reform is also a good idea. The high statutory corporate tax rate combined with the narrow corporate tax base, the 'worldwide tax system' in which corporations pay tax on profits regardless of where they are earned while only paying taxes on foreign earnings once they are repatriated, and the proliferation of 'flow-through' entities that are taxed according to the individual tax code, create myriad effective tax rates. It also renders the US tax system uncompetitive in a world of internationally mobile capital (see Chart 3). However, it would be better to reform the system within a more revenue-neutral fiscal package.

Trade policy tail risks

The biggest macro and market downside risks from a Trump presidency arguably derive from his trade agenda. Among his pledges are to withdraw from the Trans-Pacific Partnership, as well as declare China a currency manipulator (potentially as a prelude to implementing targeted tariffs on Chinese imports). He has also said he will punish firms that offshore production, investment and jobs, and more generally pursue 'fair trade'.

The President-elect's anti-trade rhetoric comes at a time when globalisation has already been slowing down. Goods trade integration is reaching natural limits now that the integration of China and other EM into global supply chains is nearly complete. Meanwhile, outside of agriculture, tariff barriers to goods trade had reached very low levels. Multilateral trade liberalisation hit a brick wall in the Doha round of negotiations. As a result, the elasticity of trade growth with respect to global growth has declined substantially since the crisis, and the global economy has lost one of its major engines of growth.

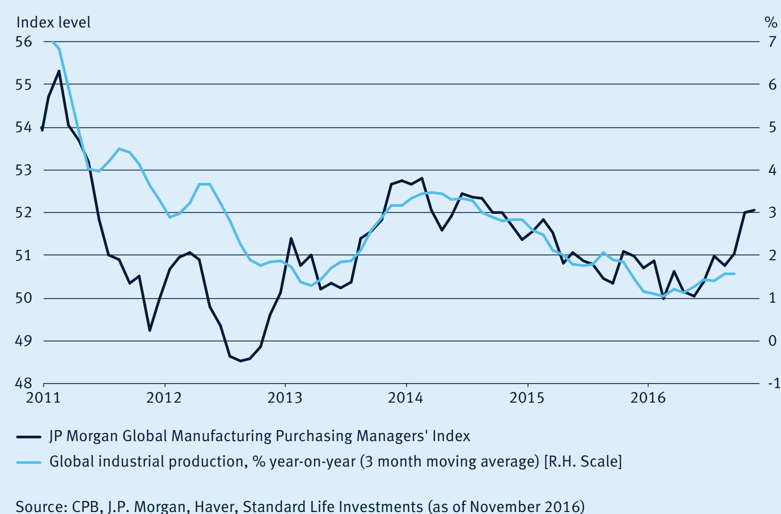
A stalling in globalisation is negative for the global economy and will help to trap us in a world of lower numbers. But stalling is better than going backwards, hence the focus on what Trump's real intentions are as president. The scenario that appears to be priced into markets is that he uses heightened rhetoric to secure better access to foreign markets for US firms, while offering additional incentives for US firms to locate more production at home within the scope of existing trade arrangements. Under this scenario, anti-trade rhetoric may remain elevated for some time, but this approach to policy would result in a modest, rather than large, increase in protectionism.

However, a much more negative outcome is also possible. Using existing legislation, together with the regular executive powers of the presidency, President Trump could pursue an aggressively protectionist strategy within our investment timeframe. For example, a president need only give six months' notice to leave the North America Free Trade Agreement. He could then invoke other statutes to substantially lift tariffs on some, or all, of the US's trading partners. This scenario would likely lead to retaliatory action from trading partners, lawsuits with companies, tighter labour supply, and chaos within Congress. Business investment would fall and a recession would likely ensue, leading to stagflation as import price inflation rose significantly even as the unemployment rate increased.

A pivotal year for Europe

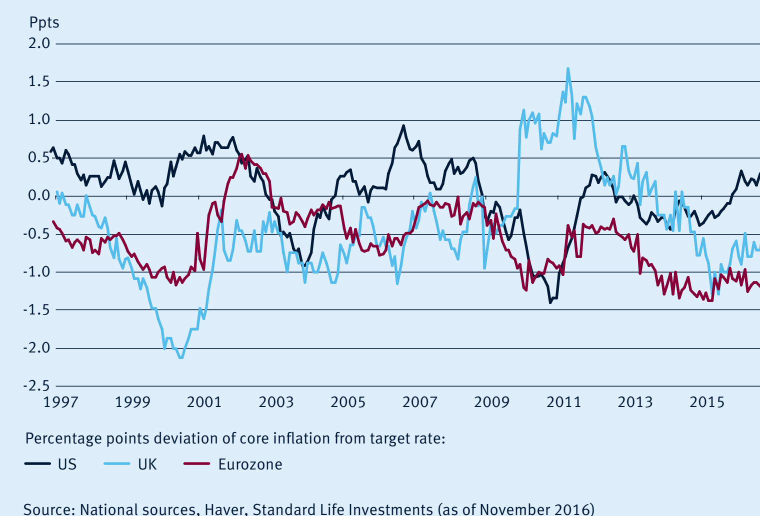
The US is not the only source of political risk for the global economy. Europe faces a number of political challenges over the coming year. The Renzi-instigated Italian constitutional referendum did not pass, further clouding the outlook for the country's economy and banks. The French presidential elections will take place through April and May and, while a centre-right victory is the most likely outcome, a victory for Marine Le Pen cannot be ruled out. Article 50 will probably be triggered by the UK government before the end of March in an environment in which UK and EU 'red lines' look increasingly difficult to reconcile. Destabilising outcomes could reinforce the peripheral European spread widening that has taken place in recent months amid speculation that the ECB 'backstop' has become more equivocal. However, we doubt policymakers would stand still in the face of market movements that threatened to undermine four years of policy and economic repair.

Chart 1
Global indicators pointing upwards



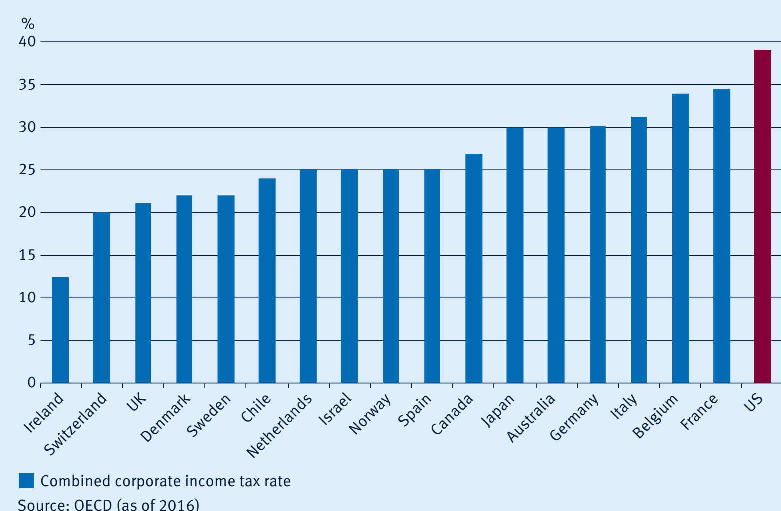
Source: CPB, J.P. Morgan, Haver, Standard Life Investments (as of November 2016)

Chart 2
Spread around target



Source: National sources, Haver, Standard Life Investments (as of November 2016)

Chart 3
An uncompetitive US tax rate



Source: OECD (as of 2016)

Inflation-Linked Bonds

Political shocks kick-start inflation?

Political events have dominated markets recently and the prospect of more co-ordinated monetary and fiscal policy has put the theme of reflation in the spotlight.

Katy Forbes
Investment Director, Inflation-Linked Bonds

Chart 1
Rising inflation expectations

Source: Bloomberg, Standard Life Investments (as of 31 December 2016)

'Trumped-up' prices

The economic impact of Brexit and Donald Trump's election victory is highly uncertain, as policy details are extremely limited. However, inflation market reactions have been notable in recent months. The question is whether the moves witnessed in markets, and the rhetoric of governments and policymakers, will be justified by a shift in the hard data.

The US has been the centre of much of the inflation debate this quarter, initially as a result of the rebound in commodity prices since their January lows, but latterly as a consequence of the presidential election result and the anticipated shift in economic policy. The forthcoming Trump administration is expected to deliver a fiscal 'shot in the arm' to the US economy. The new administration will place much greater emphasis on unfunded tax cuts and greater defence and infrastructure spending, without the degree of caution previous regimes have shown towards levels of debt and budget deficits. To take advantage of this policy mix, we are positioned to benefit from the higher levels of inflation in the medium-to-longer term that had effectively been priced out of the market, holding US 5-year forward 25-year inflation swaps.

Term premium, compensation for interest-rate uncertainty in the future, had gradually been eroded from the inflation curve as investors seemed complacent about the ability of central banks to generate almost any form of price pressure. However, the emergence of US fiscal loosening has seen a significant reversal of this assumption. Of course, a Trump presidency may not prove universally positive for prices. A reduction in environmental regulation and restrictions on commodity extraction and emissions could increase supply and dampen global commodity prices. Alternatively, any move to increase trade barriers might prove inflationary as these are passed on to end consumers. All things considered, we expect the balance of policy to be expansionary and, therefore, believe inflation expectations can continue to increase towards the levels last seen in 2013 (see Chart 1).

Brexit uncertainties

Prior to the US presidential election, the inflation market that grabbed most of the limelight was the UK, following its EU referendum decision. Trade-weighted sterling dropped over 16% between the result and mid-October, while growth forecasts have been cut drastically in anticipation of lower consumption and reduced investment. The impact of Brexit is highly uncertain, but investors have reacted to the depreciation of the pound with a significant jump in inflation expectations, particularly in the near term, thereby compressing term premium. Long-term prospects could be undermined by a 'hard Brexit' and the consumer is likely to suffer a significant squeeze on real incomes. However, much of this bad news appears to be priced into the inflation curve and we feel there should be more inflation term premium priced in, as the Bank of England is likely to look through currency-induced inflation pressure in the near term. We are positioned to benefit from a steepening of the curve both at the medium and super-long end of the curve.

One area that seems to have been driven by sentiment rather than a change in economic fundamentals has been the European inflation market. While a technical rebound in headline inflation may be ahead as a result of commodity base effects and the depreciation of the euro relative to the US dollar, the barriers that have supressed inflation in recent years still remain. Consequently, a sustained increase in inflation driven by demand-induced pressures seems a distant prospect. That said, the potential for drastic political changes in Italy, France and Germany in the coming months could elicit a more far-reaching response than we have become accustomed to in Europe. Our central case remains that the degree of economic slack across the continent will prevent any persistent move higher in prices, and that the market has largely priced this opinion into the inflation curve. However, the fluidity of the political environment is such that this view is subject to frequent review.

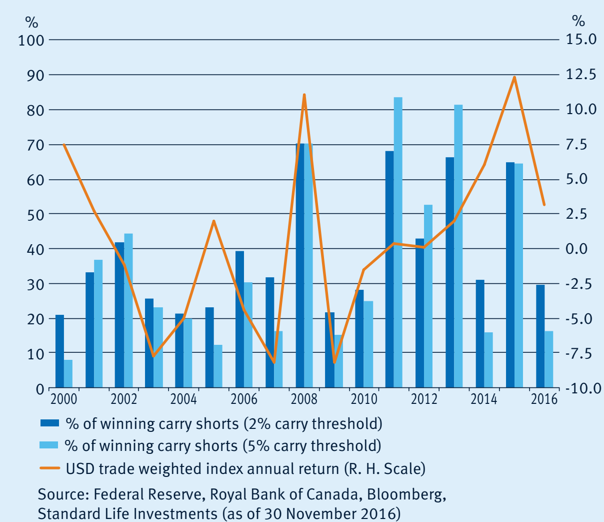
Currency

Keep calm and carry on?

Carry trades are popular in FX but investors have to be careful about when and where they use them.

Ken Dickson
Investment Director, Currency

Chart 1
The costs of carry



Source: Federal Reserve, Royal Bank of Canada, Bloomberg, Standard Life Investments (as of 30 November 2016)

What are carry trades?

Carry trades are one of the more popular currency strategies undertaken by institutional investors. The approach challenges a condition known as uncovered interest rate parity (UIP). UIP states that it should not be possible to profit from investing in currencies with a high interest rate while funding that investment in a low interest rate currency. This is because the difference in interest rates is equal to the expected change in exchange rates between the countries' currencies.

The popularity of carry trades in part reflects strong empirical evidence that UIP does not hold, i.e. currencies that pay a higher interest rate did not subsequently, on average, depreciate by an equal amount. It also reflects the potential for positive spot returns in addition to the carry returns. So what's the catch? Carry trades are sometimes described as 'picking up pennies in front of a steamroller'. While it may be attractive in the short term, sudden movements in currencies, especially during periods of elevated risk aversion, can lead to investors who are short a low-interest rate currency getting squashed. To get a better understanding of these risks, we have carried out a systematic evaluation of returns from carry strategies.

In the period from 2000 until end-November 2016, a G10 FX carry strategy (buying three high interest rate currencies/ selling three low interest rate currencies) achieved an average annual return of 4.3%. The associated risk with such trades as measured by the annual average standard deviation was 9.8%, producing a risk-adjusted return, or Sharpe ratio, of 0.44. However, breaking the dataset down into two discrete periods reveals a more nuanced pattern of returns. The same strategy test measured until the end of 2007 produced annual returns of 8.4%, risk of 7.3% and a Sharpe ratio of 1.15. However, from 2008 to the current date the strategy only achieved a 0.74% return on average, with an elevated 11.62% risk – yielding a poor Sharpe ratio of 0.06.

To carry or not to carry

Although there are many cases where carry trades are rewarding, the entry and exit points are particularly crucial to successful carry investment. Using the most liquid emerging and developed currencies, we created a universe of 253 currency pair trades and then on an annual basis calculated the proportion of carry trades that made a negative total return (see Chart 1). We constrained the universe in two ways – the first captured trades with an interest rate differential of at least 2% (dark blue bars); the second used a 5% threshold (light blue bars).

The results show that carry strategies were on average successful in 10 of the 16 calendar years in the study. However, the proportion of successful trades over the period was just 60% and varied significantly across time. In particular, successful negative carry trades have been more common in the period since the financial crisis. Moreover, there is also a clear relationship between the rewards from carry trades and the underlying US dollar regime. When the US dollar is weakening on a trade-weighted basis, carry trades tend to do well (US dollar funding for risk trades); but the opposite occurs when the US dollar is performing well, in part due to the dollar's safe-haven status. In some years, negative carry trade success has also coincided with increases in the equity Volatility Index, though the US dollar relationship is more robust over time.

Implications for currency strategy

Looking ahead to the next 12 months, our current economic and policy views suggest a mixed outlook for carry trades. While the likelihood of further US monetary policy divergence should support the dollar and potentially undermine average carry trade returns, the prospect of a stronger year for global economic growth, including in higher-yielding emerging markets, may act in the opposite direction. Instead, we recommend looking carefully at the macro fundamentals of each prospective carry trade, and avoiding those countries and currencies that are most vulnerable to Fed policy tightening or where current interest rate differentials do not provide adequate compensation for the underlying inflation and financial risks.

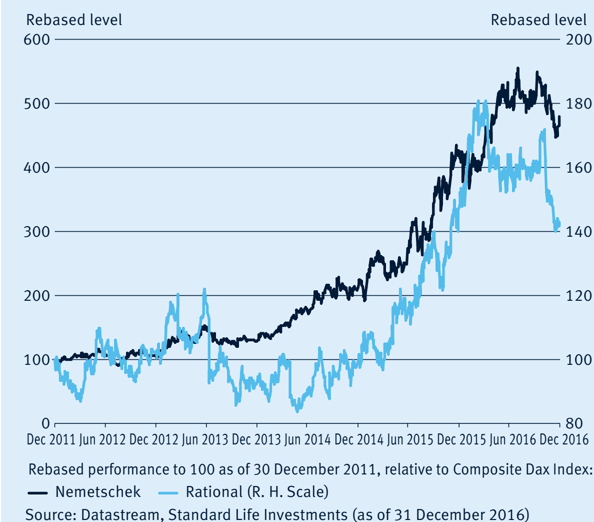
European Smaller Companies

Success of the German 'Mittelstand'

German medium-sized companies display a number of common attributes that will allow them to continue to succeed in the global economy despite the increased risk to globalisation.

Andrew Paisley
Investment Director, Smaller Companies

Chart 1
Rational stock picks



Rebased performance to 100 as of 30 December 2011, relative to Composite Dax Index:
— Nemetschek — Rational (R. H. Scale)
Source: Datastream, Standard Life Investments (as of 31 December 2016)

The global success of industrial Germany has attracted plaudits and critics alike. On the one hand, German firms have been heralded as highly innovative. On the other, the country has been criticised for allowing its current account surplus to swell to record levels at the expense of GDP elsewhere in the world. We think the country's success in part reflects its dynamic medium-sized sector, or 'Mittelstand' businesses. Many of these businesses exhibit characteristics that are likely to prove highly successful over the medium-to-long term.

So why are these companies so well positioned to succeed compared to small and medium-sized firms elsewhere? We think there are a few common characteristics. Firstly, the founders of the business retain an involvement with the company both in terms of a significant shareholding and in some kind of management capacity. This can provide benefits in terms of stability of management, consistency of strategy and execution, and economic alignment of management interests with those of external shareholders. Secondly, the business will typically have a clear product and market focus, which can help it to excel in its particular area. Because of this, it will usually have a world-class product that can be sold domestically and, importantly, across the globe. This global export potential can provide a company with many years of potential growth, which is something that we like to see in our investments. Furthermore, the successful Mittelstand business will typically have a high return on capital and be financed in a conservative fashion. Finally, the existence of a sizeable long-term shareholder helps management to resist short-termism and make investment decisions for the long-term benefit of the company.

The enduring value of Germany's medium-sized companies has helped the country retain its position as the 'engine room' of the European economy. The Mittelstand has also proven a fertile source of ideas for our *Focus on Change* investment philosophy. By combining this with our proprietary stock screening tool 'The Matrix', we have identified a number of Mittelstand businesses as potentially attractive long-term investments. One in which we invest is Nemetschek, which was founded in 1963 by Professor Georg Nemetschek (see Chart 1). He recognised the potential for greater use of software within the architecture, engineering and construction industries. In particular, the use of so-called 'building information modelling' enables the transfer of building-relevant information through all stages of the creation of a building and its operation. This reduces the scope for costly errors, and improves functional quality and on-time delivery. Having started in Germany, the business is now expanding globally, particularly in North America, which has the potential to provide strong growth for a number of years. Professor Nemetschek retains an involvement in the business as deputy chairman of the supervisory board and has a substantial shareholding, ensuring significant alignment of management and external shareholder interests.

Another highly successful Mittelstand business is Rational. Siegfried Meister co-founded Rational in 1973, and is both chairman of the supervisory board and the largest shareholder. The company has championed 'combi steamer' technology, which, as the names suggests, utilises steam as the primary method of cooking. Steaming is a versatile cooking medium and ideal for use in professional kitchens. The economic benefits for the customer are also significant: steaming saves on labour and space, and reduces waste (thereby improving productivity) without sacrificing the quality of the end-product. Having started in Germany, Rational has expanded geographically and now has a global client-base with strong growth potential in North America and Asia. Despite the recent rotation out of quality growth companies amid the year-end rally, our conviction remains high given the business has always invested for the long term with a clear economic alignment between the founders and external shareholders.

Despite the emergence of risks to the process of globalisation associated with the election of Donald Trump in the US, we continue to believe that the German Mittelstand model of long-term investment horizons, significant founder involvement and a focused approach will continue to be a highly successful formula in the global economy. We expect our *Focus on Change* investment philosophy to continue to identify a number of these high-quality companies as attractive long-term investment opportunities.

About Standard Life Investments

Standard Life Investments is one of the world's leading investment companies, offering global coverage of investment instruments and markets. We currently have global assets under management of approximately £269.0 billion – this equates to $359.6 billion, C$518.4 billion, A$483.0 billion and €323.6 billion (all figures as at 30 June 2016).

We are active fund managers, placing significant emphasis on research and teamwork. After in-depth analysis, our Global Investment Group (GIG) forms a view of where to allocate assets, based on the prevailing market drivers and on forecasts of future economic indicators. The GIG is made up of senior investment managers from the strategy and asset class teams and is responsible for providing the overall strategic focus to the investment process.

The House View delivers a consistent macroeconomic framework to our investment decisions. It generates the market and thematic opportunities for us to add value to our clients over the timescales they use to measure our success. It is formulated in such a way as to make timely investment decisions but to also allow all members of the investment teams to influence its conclusions.

Our industry-leading publications

Our global strategists combine valuable experience, thorough research and analysis to tackle major issues of the moment.
To provide first-hand insight into the issues that are currently driving markets, we produce a global series of flagship publications.

Publication	
Weekly Economic Briefing	A regular analysis of major cyclical developments and structural themes in leading advanced and emerging economies.
Global Outlook	A monthly publication which includes a series of articles that examine investment trends and developments in each of the major asset classes, rotating between macro, country and sector or company-specific insights.
Global Horizons	An occasional report that captures the in-depth research of longer-term themes that help to form our House View. We also periodically examine the major changes that are likely to influence financial markets in the coming years.

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