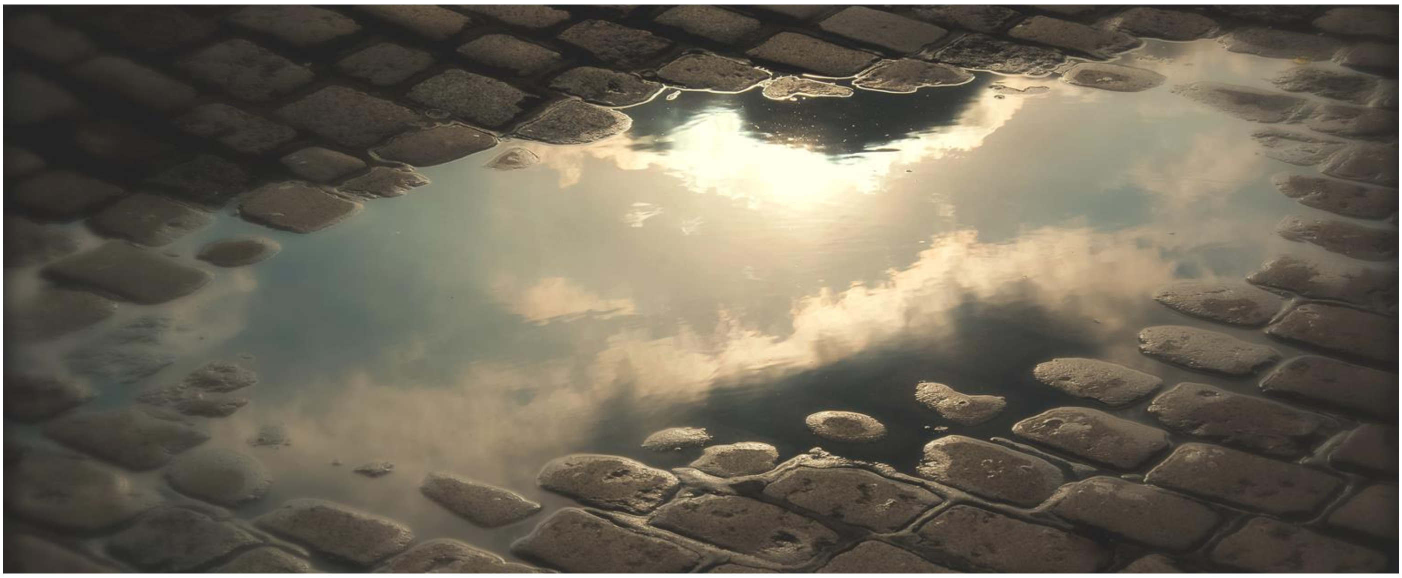
Quarterly
House Views

Bumps in the Road



Our economic scenario

The outlook for global growth has softened somewhat in recent months. Corporate confidence surveys had reached unsustainable highs and some levelling off was likely. Also, worries about tit-for-tat trade sanctions have dominated headlines. This being said, our core 2018 scenario is still quite bright – the US and the eurozone should register steady, above-potential growth; the extended transition period before Brexit has provided some clarity for UK businesses; China is expected to slow only gradually; and more constructive trade negotiations have commenced.

One of the initial triggers for the market sell-off in early February was inflation fears linked to US wage pressures. In addition, household and market expectations for higher prices have firmed. However, the pace of US wage increases has eased and central banks show little sign of worries about inflationary pressures – recent forecasts from the Federal Reserve (Fed) and the European Central Bank (ECB) suggest only moderately higher levels in coming years. All in all, we do not expect inflation to soar but to trend moderately higher at both headline and core levels.

As widely expected, the new Fed chair Jerome Powell hiked interest rates in March but signalled no change in direction. We expect two further increases this year – three if the Fed begins to see signs of fiscal-induced overheating – but this gradual normalization will still leave monetary policy at stimulative settings. The Bank of England looks set to hike rates again this year, following the Fed's pattern of a long pause before the second increase. And the ECB will complete asset purchases before considering higher rates, meaning no hikes before spring 2019 in our view.

All in all, momentum in global equity markets has stumbled, leading us to recommend scaling back exposure to more neutral levels in late February. This being said, the solid global growth outlook is likely to see corporate profits rise at double-digit rates this year. In addition, investor complacency has been shaken by the spike in volatility, often a prelude to better opportunities ahead.

How does this impact asset classes? Find out inside.

At the World Economic Forum gathering in late January, the International Monetary Fund upgraded its world growth forecasts for this year and next. However, its chief economist also observed that "… the overarching risk is complacency… we might be closer to a recession than you think". Why would he mention complacency? And why might it be a concern?

Stability leads to instability

In recent years, gross domestic product (GDP) growth has exhibited lower volatility than in previous decades – i.e. the changes from one year to the next have been much more muted.

American economist Hyman Minsky hypothesized in the early 1980s that such periods would lead to greater risk tolerance and to more leverage, leading in turn to an economic boom[1]. And booms tend to become unstable, leading in due course to busts. This insight achieved great prominence during the aftermath of the subprime lending crisis.

Measures of business or investor confidence – such as the global Purchasing Managers' Index or Germany's ZEW – are useful leading indicators of trends in economic growth. The PMI survey is designed so that levels above 50 points are indicative of expansion in output and those below 50 of contraction (recessions typically occur when the PMI dips below 45).

Throughout 2017, PMI confidence strengthened markedly across the board, reaching cycle highs in many major economies and suggesting that synchronized economic expansion would continue. However, such highs in optimism do not tend to last and, although recent surveys remain well above 50, they have suggested some softening in growth momentum.

Higher volatility should be no concern

Like the global economy, financial markets experienced an extended period of quiet trading. The MSCI World index of global equity prices made positive total returns each month from October 2016 to January 2018. This raised investors' animal spirits, with this January seeing the sharpest rise in prices in recent years. Since then, markets have corrected, penalizing momentum, a key component in our VaMoS framework. As we have suggested in recent monthly House Views, this warranted a reduction in exposure to global equities to a more neutral level.

One of the clearest signs of the bumpier road has been the spike in the S&P 500's VIX implied volatility index. This measures the cost of hedging via options on the index – higher costs suggest high risk aversion and low levels the opposite. The VIX fell to 11.1% on average in 2017, by far the lowest level recorded since the Global Financial Crisis. The sharp market corrections since early January 2018 have seen volatility spike again. Indeed, the 2018 year-to-date average of 17.2% is higher than the 2017 peak of 16.0%!

In our view, this return to higher volatility should not be a cause for concern. Rather, it should be viewed as a return to more normal market conditions. The 2018 year-to-date average is in fact lower than the average since 2007, which stands at 19.8%.

Market turmoil offers buying opportunities

The global economy has experienced an extended period of steady low-volatility growth in recent years, while global and US equities had an exceptionally long run of positive, low-volatility returns. In Minsky's framework, the shifts to more variability in leading economic indicators and to higher volatility in equity markets are the logical consequence of the preceding calm.

This reversal to more normal conditions has cured some of the complacency shown by investors, and global equities are now more attractively priced than at end-January. And given we expect the robust expansion to continue and to generate solid earnings growth, periodic spikes in volatility and sell-offs in equities are likely to provide buying opportunities.

[1] "*Stability leads to instability. The more stable things become and the longer things are stable, the more unstable they will be when the crisis hits.*" Hyman Minsky, The Financial Instability Hypothesis, 1982.

Our views summarized

EQUITIES	BONDS	ALTERN.

Here, we present our VaMoS investment approach, combining economic, valuation, momentum and sentiment signals that help us fine-tune our views on asset classes for the coming period. The signals below reflect the latest conclusions of our Global Investment Committee. Here's how to read them:

Least preferred Neutral Most preferred Upgrades in green, downgrades in red

EQUITIES		VA Valuation	VA Fundam.	VA Macro.	MO Momentum	MO Technicals	S Sentiment	S Risk
United States								
Eurozone								
UK								
Switzerland								
Japan								
Emerging								

BONDS – EUR	Global	VA	MO	S
Sovereign				
Inflation-linked				
Inv. Grade				
HY				
Duration*		Short		

USD	Global	VA	MO	S
Sovereign				
Inflation-linked				
Inv. Grade				
HY				
Duration*		Short		

GBP	Global	VA	MO	S
Sovereign				
Inflation-linked				
Inv. Grade				
HY				
Duration*		Short		

CURRENCIES	
EUR/USD	
GBP/USD	
USD/JPY	
EUR/CHF	
Emerging vs USD	

ALTERNATIVES	
Hedge funds	
Gold	
Oil	

Source: SG Private Banking, 29/03/2018, * Duration: short = 3 to 5 years, medium = 5 to 7 years, long = 7 to 10 years. HY = High Yield bonds (higher return but greater risks), Inv. Grade = Investment Grade bonds (higher quality but lower return)

In other words

EQUITIES*	United States	We remain slightly underweight within a global equity portfolio. Sector-wise, we keep our preference for Financials, Industrials and Energy. We are neutral on Technology – for now. Conversely, we are more cautious on defensive sectors.
	Europe	Corporate earnings will remain supported by the global economic recovery but gains will be slower. Softer growth and Brexit concerns will leave investors nervous.
	Eurozone	We stay neutral on eurozone equities. Sector-wise, we still prefer Financials and Technology. We are tactically neutral on cyclical sectors. We remain underweight on defensive sectors sensitive to interest rates.
	UK	The recent agreement on the Brexit transition phase may lead to greater investor optimism in the near term. However, uncertainty remains high and we would remain cautious on UK equities.
	Switzerland	Earnings forecasts were revised down in recent months and valuation is expensive in relative terms. Moreover, the Swiss market will derive little benefit from global growth given its heavy exposure to defensive stocks.
	Japan	Japanese equities benefit from a positive economic environment. The economy is growing above potential and inflation is well below the 2% target, allowing the Bank of Japan to keep its ultra-accommodative policy.
	Emerging	Profit margins and return-on-equity have also improved steadily since mid-2016. In addition, absolute and relative valuations remain attractive and a weak US dollar will again support emerging markets.
BONDS*	Sovereign	We remain defensive regarding US Treasury bonds with a preference for short maturities. Asset purchase cuts and strong economic growth will keep upward pressure on eurozone core bond yields.
	Duration	We still favour short maturities as yield curves may steepen or shift upwards.
	Inflation-linked	This bucket offers a good hedge against rising inflation.
	Investment Grade	We still prefer High Yield over Investment Grade bonds in euro-denominated portfolios.
	High Yield	We remain constructive on eurozone High Yield bonds. However, we are more cautious in the US.
	Emerging debt (in € and $)	Investors should favour countries with improving macro backdrops and limited refinancing needs. Local-currency debt may provide interesting diversification features.
CURRENCIES	EUR/USD	Although the euro should remain directionless in the short run, we remain constructive in the longer term.
	GBP/USD	Progress in Brexit talks helped the pound but clouds remain. Sterling looks fair-valued and we target around 1.40 in six months and 1.43 in a year.
	EUR/GBP	Although growth is weaker in the UK than in other developed markets, downside risks have eased.
	USD/JPY	Yen to strengthen as further inflation pressure calls for central bank action.
	EUR/CHF	We expect the franc to lose further ground against a buoyant single currency. However, its decline is likely to be gradual and interspersed with short spikes that will be fought by the central bank via market interventions.
	Emerging	Solid growth prospects and sound policy management are benefiting emerging currencies. Gradual Fed tightening will keep the dollar soft, helping the whole emerging currency spectrum. A full-blown trade war would leave currencies from export-oriented economies in difficulty.
ALTERNAT.	Hedge funds	Attractive opportunities for Event Driven funds to take advantage of Special Situations created by corporate restructuring and Merger activity. Stay Overweight.
	Gold	Despite headwinds, we continue to view gold as a good diversifier within portfolios, its safe-haven behaviour helping mitigate drawdowns and reduce volatility.
	Oil	Despite a stronger global economy, oil prices should be driven south by 1/ greater US shale output and exports, and 2/ rising world inventories.

Source: SG Private Banking, 29/03/2018, * Duration: short = 3 to 5 years, medium = 5 to 7 years, long = 7 to 10 years. HY = High Yield bonds (higher return but greater risks), Inv. Grade = Investment Grade bonds (higher quality but lower return)

Central banks

Monetary policy normalization – gradual but staggered

- The US Federal reserve (Fed) will hike rates further as price pressures increase.
- Stubbornly low inflation suggests the European Central Bank (ECB) should be in no hurry.
- The Bank of England (BoE) will keep it gradual.

Fed to hike further

"The tax reform will boost US growth this year"

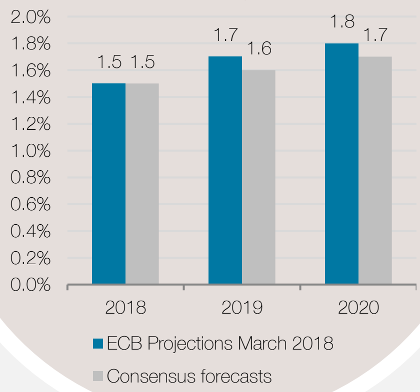
- Although deflation risks now seem a distant memory, the secular stagnation scenario still has some devotees. The slow response of inflation to buoyant growth highlights the absence of underlying price pressure – wages have barely increased despite unemployment falling below its long-term equilibrium level in several countries. Although cyclical factors are set to push inflation higher, structural forces are putting a brake on inflation worldwide.
- US Federal Reserve (Fed) – hiking again. After a widely expected rate hike in March, the Fed is likely to normalize policy further. The FOMC revised its inflation projections a little higher this month but this was not enough to shift its balance of views from two rate hikes to three this year as opinions remain split.
- Prefer short maturities. After a short-lived rally, US 10-year yields reversed course before hitting the 3% mark. Long-term inflation expectations are too well anchored to allow a steepening of the US yield curve. US bond yields could gain further ground this year but we wouldn't expect a sizeable move. Although markets fear an inversion of the yield curve (often perceived as an early signal of recession), we see little risk of a downturn at present.

ECB and BoE move slower

"We see no rate hike before 2019 in the eurozone"

- European Central Bank (ECB) – in slow motion. Inflation prints have continued to disappoint and the ECB's 2% target may not be reached before 2020. Persistent economic slack will prevent inflation from rising significantly. This will help the ECB delay the removal of quantitative easing, although some board members are keen to move faster. The timetable for halting asset purchases is still sketchy and we expect the ECB to provide more guidance by the end of the first half. Given the fears that further euro strength could weigh on growth and inflation, we expect the ECB will wait until December before stopping. Trade tensions may also slow economic activity. All in all, we do not expect a rate hike before H2 2019.
- Bank of England (BoE) – no change for now. The BoE hiked rates in late November 2017 but has been on hold since. Although statements have not very hawkish, a rate hike remains a possibility this year. The BoE is uncomfortable with sharply negative real yields with such a resilient economy. However, they will only move very slowly. Short-term yields are sensitive to rising global rates while receding domestic inflation will put a cap on long-term yields.

ECB does not plan to reach its 2% target in next three years



Sources: SGPB, Bloomberg, 29/03/2018. Past performance should not be seen as an indication of future performance. Investments may be subject to market fluctuations, and the price and value of investments and the income derived from them can go down as well as up. Your capital may be at risk and you may not get back the amount you invest.

Government bonds

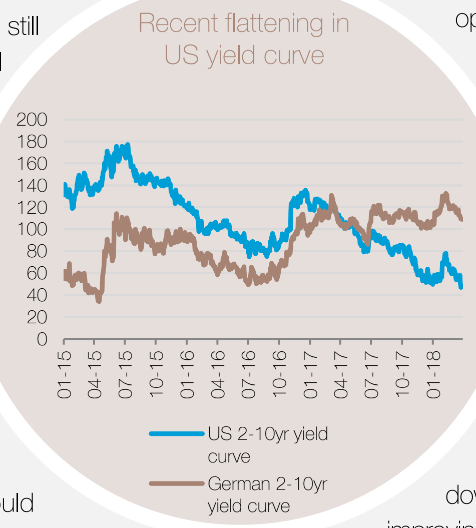
Brace for higher yields

- We remain defensive regarding US Treasury bonds with a preference for short maturities.
- Asset purchase cuts and strong economic growth will keep upward pressure on eurozone core bond yields.
- UK yields may move higher in sympathy with the US but upside risks will be limited by softer inflation.
- Emerging debt still offers better yields but investors should be selective and stick to short maturities with US yields rising.
- We still favour short maturities, inflation-linked bonds and peripheral debt.

Move on up

Bond yields will inevitably rise further

- Odds are in favour of higher yields across the board. Long-term bond yields remain below levels that their fundamentals would justify. Given the gradual increase in inflation, the term premium – the premium demanded by investors to compensate for the interest rate and inflation risk which comes with long-dated bonds – is set to grind higher. Also, cuts in asset purchases and higher debt issuance could push yields further north.
- US government bonds. Bond yields picked up in early 2018 as inflation fears returned. Concerns have ease somewhat since but risks are still tilted to the upside. The tax boost will keep growth above potential but it will entail much more debt issuance. We still favour inflation-linked bonds and short maturities to hedge against inflation surprises and rising yields. Overall, the upside in yields will be capped by the low chance of rate hikes in Europe and Japan, the wide gap in yields and skilful Fed communication.
- Eurozone government bonds. We would avoid core eurozone bonds given their unattractive yields and the repricing that is likely to come from the end of quantitative easing in late 2018. The ECB already cut its monthly asset purchases in half in early 2018, from €60bn to €30bn. Peripheral bonds should perform better thanks to solid growth, stronger fundamentals and attractive carry. Inflation-linked bonds remain a good diversification tool as well.



Emerging debt – still juicy

Carry and not spread compression will be the performance driver.

- UK government bonds. Growth prospects are dull but the risk of a cliff-edge exit in 2019 has decreased significantly since an agreement has been found on a transition period before full withdrawal from the European Union at end 2020. Inflation has finally started to recede. This could delay the next BoE rate hike although this remains highly uncertain, given that historically-low unemployment keeps wage pressure strong. Although higher global rates will put pressure on Gilt yields, domestic conditions are pushing in the opposite direction. All in all, we expect less upside in yields than in the US and eurozone core.
- Emerging debt. After a bout of tightening, emerging bond spreads have widened in reaction to the recent market sell-off. This move has been modest and we do not anticipate sustained widening. Global and domestic factors are still supportive. Global liquidity is abundant, the dollar remains on a downtrend, and macro fundamentals are improving in most emerging countries. After a strong 2017, 2018 is likely to be bumpier. Bouts of volatility may shake markets and rising US yields will reduce the gap between developed and emerging market yields. However, robust fundamentals and muted inflation means this asset class remains attractive. Investors should favour countries with improving macro backdrops and limited refinancing needs. Local-currency debt may provide interesting diversification features.

Sources: SGPB, Bloomberg, 03/04/2018. Past performance should not be seen as an indication of future performance. Investments may be subject to market fluctuations, and the price and value of investments and the income derived from them can go down as well as up. Your capital may be at risk and you may not get back the amount you invest.

Credit

More value than in government bonds

- Despite a disappointing Q1, we still expect credit to outperform sovereign bonds slightly in 2018.
- In the US, we still prefer Investment Grade (IG) to High Yield bonds (HY) and banks to non-financial corporate bonds.
- In the eurozone, we favour subordinated financial debt and corporate hybrids, and prefer HY to IG.
- In the UK, we expect credit to do better than sovereign bonds given the additional carry.

United States

“We still prefer IG bonds to HY and banks to non-financial corporate debt”

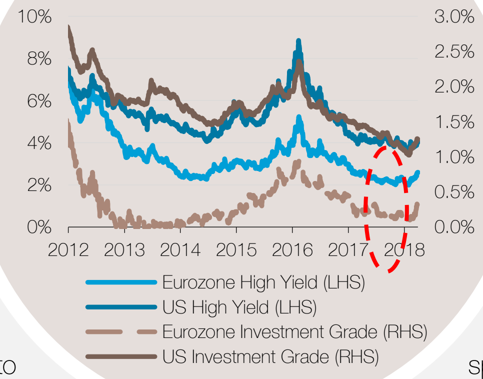
- After a strong start to the year with further spread compression and heavy issuance, credit markets have been hit by risk aversion. Spreads have widened back to levels last seen in Q3 2017 and last year's supports (economic recovery, abundant liquidity, accommodative monetary policies) are fading. Corporate metrics remain favourable with solid earnings growth and expectations for low default rates. However, the overall environment is turning less supportive.
- United States. Spread widening has been more pronounced for IG bonds than HY instruments, mostly because of heavy issuance and weaker risk appetite.
- Also, complacent investors have accepted weaker investor protection clauses, known as covenants. A new wave of mergers and acquisitions could worsen credit metrics and higher US rates are driving sovereign bond yields up, making diversification into corporate bonds a less compelling play for institutional investors.
- However, credit fundamentals remain solid overall. Strong earnings growth has kept leverage ratios under control although they have begun to creep up recently.
- We expect spreads to stabilize before ebbing again thanks to a favourable economic context, lower issuance and positive earnings momentum.

Eurozone & UK

“Corporate bonds should outperform sovereign bonds”

- Eurozone. Despite heavy buying from the ECB, corporate bonds have not resisted the market turmoil. Under upward pressure from US yields and trade war concerns, high yield spreads have widened back to levels last seen in spring 2017, while IG spreads have increased more moderately. We now expect spreads to narrow again.
- The credit market will lose some of its support as the ECB starts reducing its asset purchases. However, easy funding, stronger growth and mild corporate leverage should all help default rates move even further below their historical average. Against this backdrop, we continue to favour subordinated financial debt and corporate hybrids which are likely to benefit from more robust growth and a steeper yield curve.
- UK. The first quarter has seen spreads widen sharply. The market turmoil worldwide means US and eurozone market trends have reflected in UK corporate bonds, just as for Gilts. However, UK credit markets could be reassured by the recent efforts to achieve a soft Brexit and expectations for more stable growth. Also, the additional carry will help UK credit to outperform sovereign bonds.

Credit spreads have narrowed sharply in the US and eurozone



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Inflation – Playing catch-up

Although deflation fears appear to have been vanquished, inflation has remained surprisingly low. However, upward pressure is building gradually and price data may eventually surprise to the upside, especially in the US.

In a nutshell

- Despite stronger growth, inflation remains tame.
- However, price data could surprise on the upside, especially in the US.
- Getting exposed to inflation breakevens would help reduce the risk of taking a hit when yields grind higher.

Going global. Inflation is often considered a domestic phenomenon. However, the past decades have seen the growing influence of global factors (e.g. rising world trade, lower transport costs, market deregulation, offshoring, digitalization). With market competition going global, producers are always fighting to lower operating costs, helping keep a cap on goods prices. On the other hand, services prices – which are mostly produced and consumed domestically – have continued to creep up.

Wage pressure still missing. The fall in unemployment has failed to trigger as much wage pressure as in past economic upturns. In the US, the unemployment rate stands below its long-term equilibrium (measured by the non-accelerating rate of unemployment or NAIRU). This would normally lead to a faster rise in wages but there have been few signs of a pick-up. Academic surveys suggest that central banks' success in tackling inflation has led to more flexible labour markets.

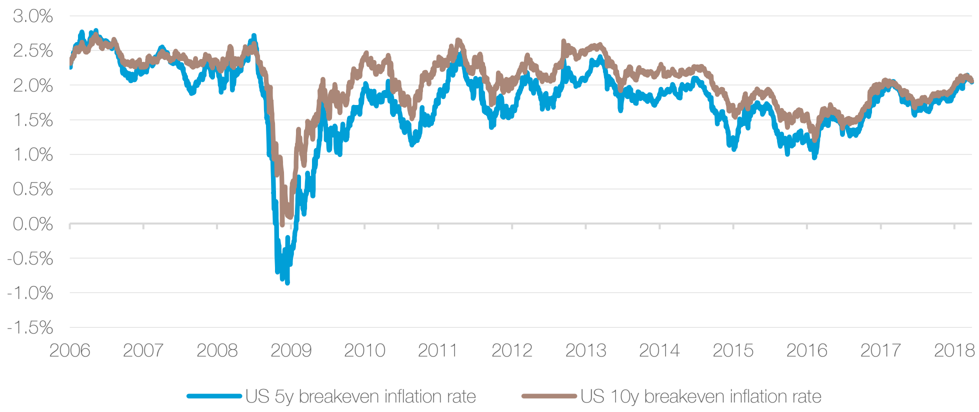
Get ready for inflation surprises. Inflation surprises have been infrequent despite stronger growth and high commodity prices. Oil has become a less powerful inflation driver in developed market economies thanks to efficiency gains and the emergence of substitutes. On the bond market, breakeven inflation rates (the yield gap between nominal and inflation-linked bonds) have remained well anchored, signalling limited inflation concern. Even the Fed does not seem particularly worried about inflation, expecting only a gradual rise in prices.

However, several factors should now push inflation higher, leading to upside surprises. The tax boost could lead to economic overheating and wage pressure as the labour market becomes even tighter. In addition, we expect dollar weakness to drive import prices up.

We recommend favouring short duration on bond markets. Investing in inflation breakevens would help reduce the risk of taking a hit when yields grind higher. We expect inflation to be higher than current expectations in 5 and 10 years

Market-derived inflation expectations are still too low

5- and 10-year yield gaps between nominal and inflation-linked bonds



Sources: Societe Generale Private Banking, Bloomberg, 30/03/2018.

Equities

Cloudy weather keeps us neutral on global equities

- After the early February sell-off, global equity markets took another tumble in March as overheating fears were superseded by concerns about global trade and some tech stocks.
- The market correction has helped reduce overvaluation. However, the continuing series of Fed rate hikes and softer economic momentum should keep volatility high, leaving equity markets choppy in the near term.
- Global growth will continue to expand at a slower but still solid pace in coming months, which should keep corporate profits on the rise and monetary policy tightening very gradual.

Slightly underweight in the US

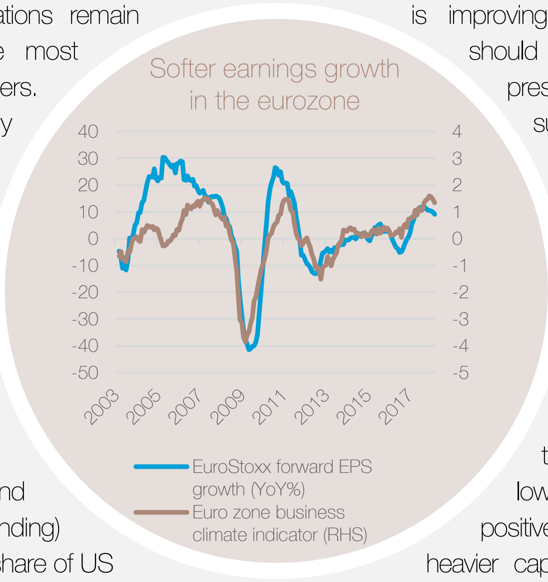
"High valuations will limit the benefits US equities will gain from strong earnings, boosted by tax cuts"

- US – slightly underweight. In the short term, tax cuts and a weaker dollar will help US firms record strong growth in earnings-per-share (EPS). The consensus forecast for 2018 has been upgraded sharply to nearly 20% vs 11.6% in 2017. However, upside will be limited in coming months – earnings forecasts are already high, margins are likely to be pressured by rising wages and financing conditions are less supportive given Fed rate hikes. Also, despite some improvement with the sell-off, valuations remain unattractive – the US is still the most expensive market compared to peers. Finally, investors are increasingly concerned by protectionism and tech stocks, the largest sector in the S&P 500. All in all, we remain slightly underweight within a global equity portfolio.
- Sector-wise, we keep our preference for Financials (rising interest rates will help improve net interest margins), Industrials (which will benefit from solid economic growth and greater capital and infrastructure spending) and Energy (rising oil prices, growing share of US shale oil in world supply). We are tactically neutral on Technology due to high valuation, stretched technicals and rising concerns about data privacy in some companies. However, in the longer term, the structural tailwinds from automation, digitalization and artificial intelligence remain strong. Conversely, we are more cautious on defensive sectors negatively impacted by rising rates (Telecoms, Utilities, Real Estate and Consumer Staples).

Still neutral in the eurozone

"Under the weight of euro strength and slipping business confidence, momentum in eurozone equities has reversed despite continued growth"

- Eurozone. Fading economic momentum and a stronger euro will lead to slower earnings growth this year (around 8% vs 12.4% in 2017 for the MSCI EMU). While trade war concerns could also weigh on business confidence, reducing visibility, equities should continue to benefit from robust growth in the eurozone and worldwide. With inflation still low, the ECB is unlikely to hike rates before mid-2019, keeping financing conditions loose. Profitability is improving slowly and margin expansion should continue thanks to muted wage pressures. Rising global rates will support Financials, the largest sector in European indices. All in all, we stay neutral on eurozone equities.
- We still prefer Financials (stronger private credit growth, higher rates) and Technology (growing IT spending & constant innovation). We are tactically neutral on cyclical sectors where the negatives of euro strength and lower business sentiment are offset by positives such as robust global growth, heavier capex (Industrials) and a bounce in eurozone consumer demand (Consumer Discretionary). We remain underweight on defensive sectors sensitive to interest rates (Telecoms, Utilities, Real Estate) given the expectations for higher global yields and slower EPS growth. Despite better margins and high profitability, Consumer Staples should record slower profit growth in 2018. EPS have been revised down while valuation remains high and relative price momentum is negative.



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Other equity markets

Brexit uncertainty remains high

The recent agreement on the Brexit transition phase may lead to greater investor optimism in the near term. However, uncertainty remains high

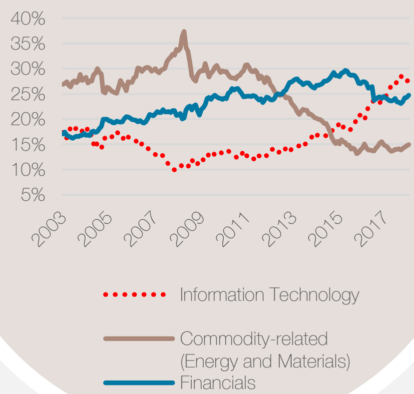
- Switzerland. The eurozone recovery, strong business sentiment and weak franc are all good news for SMI companies, which generate more than 70% of their revenues abroad. However, earnings forecasts were revised down in recent months and valuation is expensive in relative terms. Moreover, the Swiss market will derive little benefit from global growth given its heavy exposure to defensive stocks.
- UK. We still believe that UK equities will lag developed market peers. Economic weakness will weigh on corporate profit growth this year while recent sterling strength will hit exports and overseas revenues, which account for around 70% of FTSE 100 companies' sales. In addition, return on equity is depressed and price momentum is negative. The recent agreement on the Brexit transition phase may lead to greater investor optimism in the near term. However, uncertainty remains high and we would remain cautious on UK equities.
- Japan. In the short term, Japanese equities will continue to face headwinds, including a stronger yen, trade concerns and political risks. If Prime Minister Shinzo Abe were forced to resign, investors could question the ability of his successor to continue reforms. Five years into Abenomics, corporate governance has improved and companies have focused more on improving corporate profitability and returning earnings to shareholders. The return-on-equity of the MSCI Japan is close to 10%, its highest in a decade. In addition to these structural tailwinds and attractive valuation, Japanese equities also benefit from a positive economic environment. The economy is growing above potential and inflation is well below the 2% target, allowing the Bank of Japan to keep its ultra-accommodative policy.

Asian equities – tech concerns won't last

Despite the recent turmoil, the technology sector will continue to benefit from the growing automation and digitalization of the world economy

- Emerging markets. The economic context will turn a little less supportive in the short term because of a mild slowdown in China, Fed rate hikes, rising global yields in the wake of inflation, and investor concerns about protectionism. However, global trade growth will remain solid thanks to the ongoing expansion in developed economies. In addition, oil prices have bounced back these last two years, helping commodity producers and large countries such as Brazil and Russia recover from recession.
- Despite the recent turmoil, the technology sector (which accounts for a significant share of the EM Asia index) will continue to benefit from the growing automation and digitalization of the world economy.
- After a strong 2017, corporate profits are expected to grow at a slower but still elevated pace this year (15% vs 23% in 2017 according to the IBES consensus). Profit margins and return-on-equity have also improved steadily since mid-2016. In addition, absolute and relative valuations remain attractive and a weak US dollar will again support emerging markets.

Growing weight of IT in Asia-led MSCI EM



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Artificial Intelligence: from fiction to reality

> In a nutshell
>
> - China may well become the largest digital economy and overtake the United States this year
> - Worldwide spending on cognitive and AI is expected to rise from $12bn in 2017 to $57.6bn in 2021.
> - Outside technology, AI growth is more contained but good progress has been made in nearly every sector

Artificial Intelligence (AI) is nothing new – it was born 70 years ago. However, it is only recently that the most significant breakthroughs have been recorded, with the advent of cloud computing, big data, high-powered computing, machine learning and deep learning.

Little by little, machines are learning from humans and we are reaching a point where they are capable of thinking faster than us (Google), recognizing our friends and family (Facebook), taking orders (Apple's Siri), anticipating our needs (Amazon) and driving our cars (Tesla), among other things. And the more information we provide via the data generated by devices, the more algorithms can learn and the stronger AI contributions will be next time.

The development of deep-learning algorithms implies that the countries with the most successful coders, best data analysts and largest populations will take the lead. With 1.4bn citizens generating masses of data daily, China may well become the largest digital economy and overtake the United States this year, a recent Statista study says. The country has already passed the US in the ranking of new patent applications and licensing, according to the Wuzhen Institute. To attempt to keep up, French president Emmanuel Macron announced on 29 March a €1.5bn plan over the next five years to boost data sharing and AI development in Europe.

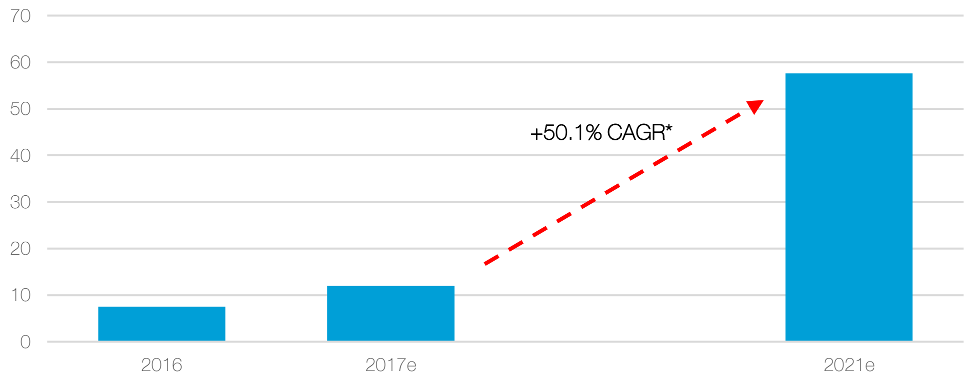
The market is growing fast and IDC estimates that worldwide spending on cognitive and AI will rise from $12bn in 2017 to $57.6bn in 2021, or a compound annual growth rate of 50.1% over the period (see chart). Given a key success factor is the amount of data that firms have access to and their ability to analyse it, the digital giants dominate the market, naturally. According to McKinsey, they invested $20-30bn in AI in 2016, of which 90% on Research and Development (R&D) and deployment, while start-ups spent $6-9bn.

AI is so disruptive that it has raised concerns that machines could replace low-skilled workers. There is also growing discontent about data usage and the lack of transparency and privacy.

In other sectors, AI growth is more restrained but good progress has been made in nearly every domain. Healthcare, energy, agriculture, finance, media & advertising, retail and transport are all developing AI solutions that will optimise decision-making, lower costs and solve complex issues. For instance, robo-advisors and digital payment systems are deployed in financial services while farmers can achieve more sustainable yields and reduce water consumption through better data analysis.

AI spending to grow fast in coming years

Worldwide spending on cognitive and artificial intelligence systems (in $bn)



Sources: Societe Generale Private Banking, IDC (forecasts as of Sep. 2017), * CAGR = compound annual growth rate

Main currencies

Soft dollar to stay

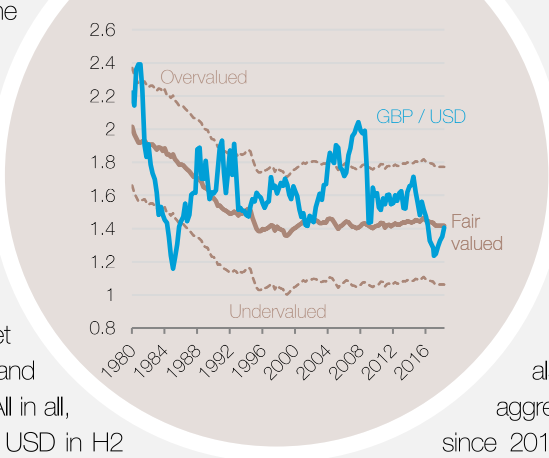
- With US growth shifting gears and protectionism on the march, the dollar could regain near-term traction.
- Although the euro should remain directionless in the short run, we remain constructive in the longer term.
- Progress in Brexit talks helped the pound but clouds remain.
- Yen to strengthen as further inflation pressure calls for central bank action.

Euro has paused

> *Hopes for soft Brexit underpin sterling*

- Dollar – bottoming out. In the short term, the dollar should move away from its February low as stronger US shale oil supply helps tighten the trade deficit while the tax boost drives real yields higher. Also, protectionism could foster risk aversion, sending USD up and emerging currencies down. In the longer run, the tax cuts will come at the cost of a wider trade deficit. Also, tariffs are unlikely to shift trade patterns for now as they only apply to a small range of products. Overall, we expect the dollar to slide further as it is still overvalued and monetary policy will begin to normalize in other countries.
- Euro – sideways. So far this year, the euro has consolidated because of extreme long positioning and fading economic surprises. With markets focused on the Fed and the ECB still reluctant to adjust its forward guidance, we would expect range-bound trading in coming months. However, the euro retains upside potential as the end of the asset purchase scheme is not priced in and eurozone growth drivers are robust. All in all, the euro should gain ground versus USD in H2 when the monetary policy path becomes clearer. We see EUR/USD around 1.25 in 6 months and 1.30 by end 2018.
- Sterling – levelling off. The recent agreement on a transition period before EU exit has reassured investors, lifting sterling. A new rate hike cannot be ruled out in coming months. The pound has recovered all the ground lost after the Brexit vote. Although growth is weaker in the UK than in other developed markets, downside risks have eased. Sterling looks fair-valued and we target 1.40 in six months and 1.43 in a year.

Sterling looks fair valued vs US dollar



Yen turning up

> *Although no rate hike is expected in Japan before 2019, the yen may trade strong in anticipation*

- Swiss franc – renewed easing. The franc spiked when markets sold off in February but has since returned to its prior level. Despite all the central bank's efforts, the currency remains the most overvalued in the G10. Inflation has edged up but remains below its 2% target and foreign investors are deterred by negative interest rates. With political risks fading in the eurozone, we expect the Swiss franc to lose further ground against a buoyant single currency. However, its decline is likely to be gradual and interspersed with short spikes that will be fought by the central bank via market interventions. All in all, we see EUR/CHF rising to 1.18 in 6 months and 1.20 in a year.
- Yen – grinding higher. The yen remains a good barometer of risk appetite and recent market jitters have lifted it to levels unseen since late 2016. However, the recent strength could also be linked to signs that the aggressive monetary policy in place since 2012 has finally moved the economy out of deflation. With a buoyant economy, stronger wage pressure and a modest revival in inflation, markets are pricing in a shift in the monetary policy stance. Although the Bank of Japan reaffirmed that the current stance would not be altered before 2019, the yen may trade on the strong side in anticipation and we target 110 in six months and 105 in a year.

Sources: SGPB, Bloomberg, 03/04/2018. Past performance should not be seen as an indication of future performance. Investments may be subject to market fluctuations, and the price and value of investments and the income derived from them can go down as well as up. Your capital may be at risk and you may not get back the amount you invest.

Emerging currencies

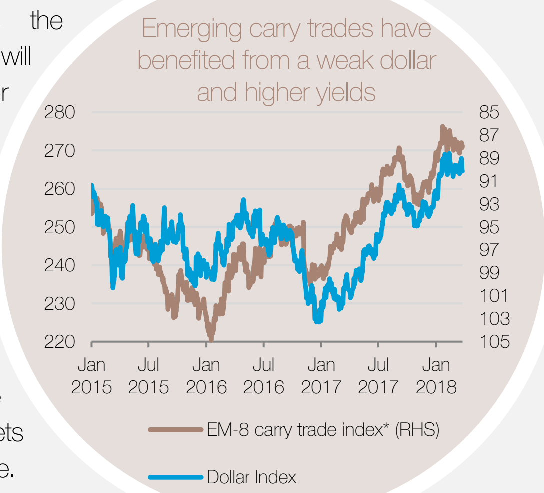
Supported by robust fundamentals and a softer dollar

- Solid growth prospects and sound policy management are benefiting emerging currencies.
- Gradual Fed tightening will keep the dollar soft, helping the whole emerging currency spectrum.
- A full-blown trade war would leave currencies from export-oriented economies in difficulty.

Upside risks

> *Attractive valuations, a soft dollar and robust growth will underpin emerging currencies.*

- Emerging currencies – looking for growth. Solid growth momentum and improving fundamentals will help emerging currencies perform well in 2018 and beyond. Of course, trade tensions may take their toll as many countries in Asia are highly leveraged to global trade. However, we would expect more talk than action in the run-up to the US mid-term elections.
- Although we are not overly bullish on commodity prices, the ongoing global recovery should underpin commodity-related currencies as the global rise in capital expenditure will translate into robust demand for natural resources and raw materials.
- Emerging market bonds and equities attracted substantial capital inflows in 2017. Although markets are set to be choppier in 2018, we still expect positive capital inflows into emerging assets. On average, equity valuations look more compelling than in developed markets and bond yields remain more attractive.



- The main risk for emerging currencies would be a surge in US long-term yields driven by major inflation surprises in the US. This is not our base-case scenario as long as Fed tightening remains gradual and the US yield curve stays flat.
- Overall, the stage is set for renewed dollar weakness once the impact of US tax cuts has been priced in – in this context, we would expect emerging currencies to do well.

Sources: SGPB, Datastream, 30/11/2017. * The EM-8 Carry Trade Index measures the cumulative total return of a strategy by which a long-term investor buys a basket of eight emerging market currencies (Brazilian real, Mexican peso, Indian rupee, Indonesian rupiah, South African rand, Turkish lira, Hungarian forint and Polish zloty) versus the US dollar.

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Yen – tide is turning

When Shinzo Abe regained power in 2012, he decided to fight deflation through flexible fiscal policy, structural reforms and aggressive monetary easing. This approach – better known as Abenomics – has helped Japan record its longest streak of positive growth in 30 years and put inflation back on the rise.

While price pressure remains moderate, the government has managed to secure a 2.3% increase in wages from employers in 2018. With growth now running at twice its potential and unemployment at a 30-year low, inflation could rise further. And now that deflation is a more remote risk, the Bank of Japan (BoJ) could remove support gradually, driving the yen up – the currency remains undervalued by around 29% according to OECD estimates.

Although the correlation has loosened lately, a soft yen has helped the export-driven economy move out of deflation – exports account for 33% of top-line sales of TOPIX firms and are concentrated in a handful of sectors (automobile, industrials and technology). A return to positive growth and inflation could now trigger a pick-up in domestic earnings, which account for the bulk of Japanese profits.

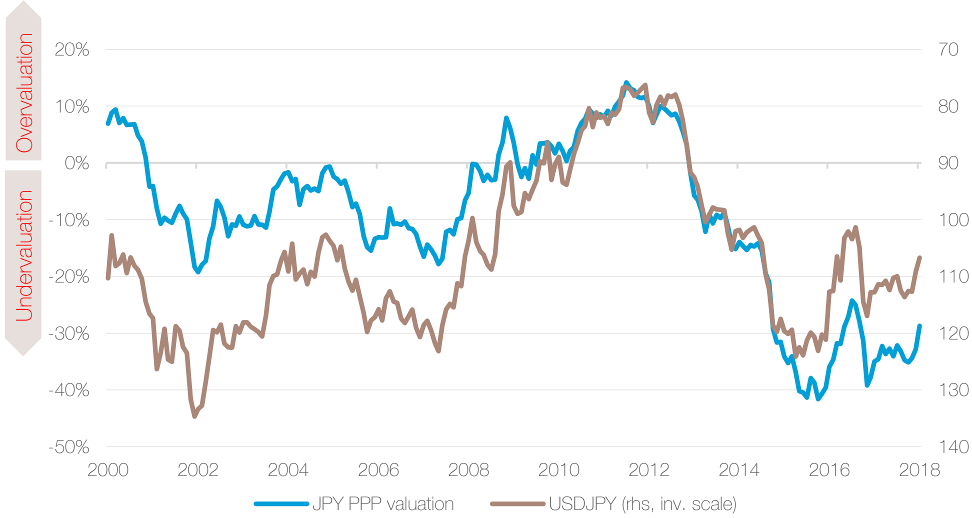
Market turmoil could also benefit the yen as it remains considered as a safe haven. In times of turbulence, investors unwind their carry trade positions funded in yens, and domestic investors repatriate overseas assets. With a bumpier 2018 on the cards, the yen may gain ground as risk aversion returns.

All in all, we see upside for the yen this year and – if the above JPY-positive factors all combine – an overshooting is a distinct possibility.

In a nutshell

- A weaker yen has been instrumental at drawing Japan out of protracted deflation.
- The Bank of Japan has run the world's most aggressive monetary policy.
- Now that inflation is recovering gradually, the BoJ could change tack – a positive for the yen.
- Market turmoil could once again support the currency, which remains viewed as a safe haven.

Despite the recent rally, the yen remains cheap
USD/JPY cross rate vs yen value in purchasing power parity (PPP)



Sources: Societe Generale Private Banking, Datastream, 29/03/2018.

* The EM-8 Carry Trade Index measures the cumulative total return of a strategy by which buy-and-hold carry trade position that is long eight emerging market currencies (Brazilian real, Mexican peso, Indian rupee, Indonesian rupiah, South African rand, Turkish lira, Hungarian forint and Polish zloty) that is fully funded with short positions in the U.S. dollar.

Commodities

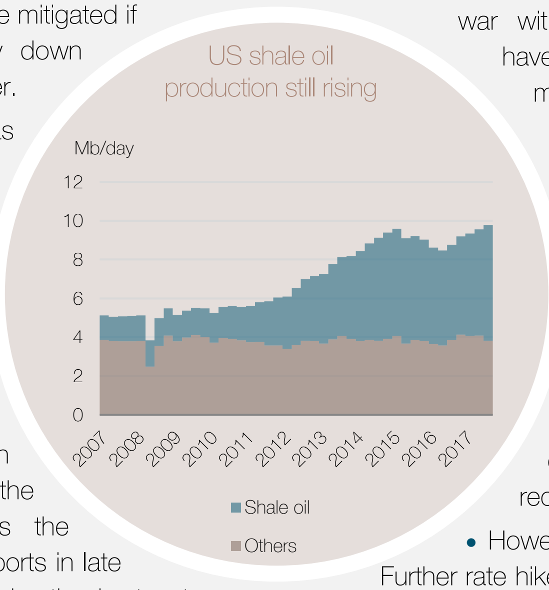
Brent prices should head back south

- The bounce in oil prices has encouraged more investment in US shale fields, helping output reach new cycle highs and counterweigh OPEC cuts.
- Negative correlation to the weakening dollar and safe-haven characteristics are positives for gold, helping justify its diversification role with portfolios.

Oil

Output from Venezuela is down 30%

- Brent prices are up 60% from June 2017 lows. Supply disruptions in Nigeria and geopolitical worries about Iran have driven crude back to $70.
- The International Energy Agency (IEA) expects world demand to grow 1.5 million barrels per day (mb/d) in 2018 to 99.3 mb/d, mainly thanks to China and India. OPEC supply is likely to rise thanks to increased pumping of natural gas liquids, which are not covered by output cuts. However, this might be mitigated if production in Venezuela, already down almost 30% since 2016, falls further.
- The bounce in oil prices has encouraged US shale producers to step up production, with a focus on the most productive fields. Also, firms have invested massively in innovation, and the oil rig count reached March 2015 levels at 804. The IEA now expects US oil output in 2018 to reach its highest annual average on record at 10.7 mb/d and believes the USA could overtake Russia as the largest producer next year. US exports in late February were close to record highs thanks to strong global growth.
- The Energy Information Administration (EIA) believes that this year world inventories will grow at the fastest rate since 2013, after shrinking in 2017. OECD stocks increased in January for the first time in 6 months.
- All in all, despite a stronger global economy, oil prices should be driven south by 1/ greater US shale output and exports, and 2/ rising world inventories.



Gold

Gold will benefit somewhat from trade tensions

- Market turmoil in February and March saw gold prices modestly higher despite unexpected outflows from exchange-traded funds (ETFs).
- Despite the widely-expected hike from the US Federal Reserve in March, the first this year, the dollar lost further ground, driving gold prices towards the higher end of their $1,300-1,360 range.
- Geopolitical instability and fears of a full-fledged trade war with China should support safe-haven buying of gold, although gains may be more modest than during last summer's North Korea crisis.
- Demand for physical gold should remain strong in 2018, especially in India, according to the latest GFMS survey. In China, gold investment peaked in 2013, although momentum buyers could return this year given recent price gains.
- However, there are headwinds. 1/ Further rate hikes in the US – or indeed by other central banks which are following suit – will reduce the attraction of non-yielding assets such as gold. 2/ We expect higher bond yields and higher real rates, to which gold is negatively correlated. 3/ While we expect a steady rise inflation, gold is actually a weak inflation hedge, contrary to common belief.
- Despite these headwinds, we continue to view gold as a good diversifier within portfolios, its safe-haven behaviour helping mitigate drawdowns and reduce volatility.

Sources: SGPB, Datastream, Q1 2018. Past performance should not be seen as an indication of future performance. Investments may be subject to market fluctuations, and the price and value of investments and the income derived from them can go down as well as up. Your capital may be at risk and you may not get back the amount you invest.

Hedge funds

Buffeted by the Correction

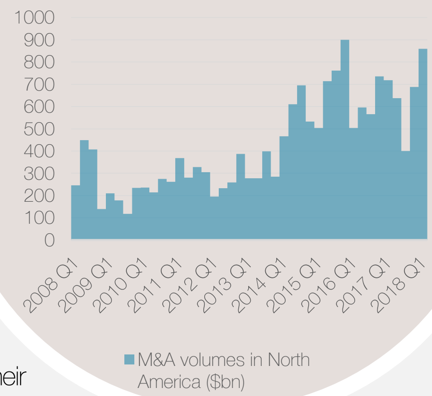
- Choppy equity markets have brought a spike in correlations, meaning near-term headwinds for Long/Short Equity. Move back to Neutral.
- Attractive opportunities for Event Driven funds to take advantage of Special Situations created by corporate restructuring and Merger activity. Stay Overweight.
- Spreads have yet to widen enough to boost the return potential for Credit Arbitrage. Low defaults mean few opportunities for Distressed Debt. Still Underweight.
- CTAs have cut exposure on the momentum reversal. Global Macro funds may struggle given central bank dominance in many markets. Neutral, including for Commodity-Trading Advisors (CTAs).

Market Neutral funds more attractive now

"Higher volatility has enabled market-neutral funds to reduce leverage, making them less risky, and inter-stock dispersion should recover in due course."

- Long/Short Equity. The sharp reversal in equity markets last quarter proved challenging for long/short managers – as often during corrections, stocks moved lower in sync, making it more difficult to offset losers with gainers. Such periods tend to last a few months as traders adapt to the new environment, and so we expect only modest returns, with higher volatility, this quarter. On the other hand, the strong macro backdrop should help boost earnings growth, as will cuts to US corporate tax. In this context, managers with a strong focus on deeply undervalued opportunities should do well. Market Neutral funds now look more attractive – higher volatility has enabled them to reduce leverage, making them less risky, and inter-stock dispersion should recover in due course.
- Event Driven. The equity sell-off also hit Special Situations strategies. There are many opportunities emerging as companies push through changes in their capital structure and business mix, but the return potential will only be unlocked gradually. In Merger Arbitrage, deal flow will be boosted in the US as tax rates fall and overseas earnings are repatriated and may be put to work in M&A. In recent weeks, the White House blocked the Broadcom/Qualcomm merger – such interventions are likely to increase deal spreads and hence return potential as traders seek compensation for heightened uncertainty. This is also still the best source of diversified returns in Hedge Funds.

Strong Q1 for US M&As bodes well for Event-Driven strategies



CTAs are struggling

"CTAs are unlikely to benefit from any rallies as they will take time to identify new trends and rebuild positions."

- Credit/Distressed Debt. Credit spreads have risen modestly from historically-low levels in sympathy with the choppy trading in equities. However, the move has not been sufficient to restore lasting return potential for Credit Arbitrage strategies. In addition, passive Exchange-Traded Funds of high yield bonds have begun to see outflows in recent months, bringing indiscriminate selling pressure to the segment. The solid macro backdrop is keeping default rates historically low, leaving slim pickings for Distressed Debt managers. There are still more attractive opportunities in other Hedge Fund strategies.
- Global Macro/CTAs. Trend-following managers – known as CTAs – have been hit by the reversal in stock markets in recent months, and their trading rules have dictated a cut in exposure to equities. This means that CTAs are unlikely to benefit from any rallies as they will take time to identify new trends and rebuild positions. Global Macro strategies still face challenging conditions. Many markets have become dominated by central bank asset purchases, and hence trade less on fundamentals. In addition, shifts in the currency market have become less dependent on differentials in rates, making FX more difficult to trade on macro fundamentals.

Sources: SGPB, Bloomberg, 29/03/2018. Past performance should not be seen as an indication of future performance. Investments may be subject to market fluctuations, and the price and value of investments and the income derived from them can go down as well as up. Your capital may be at risk and you may not get back the amount you invest.

Private Equity

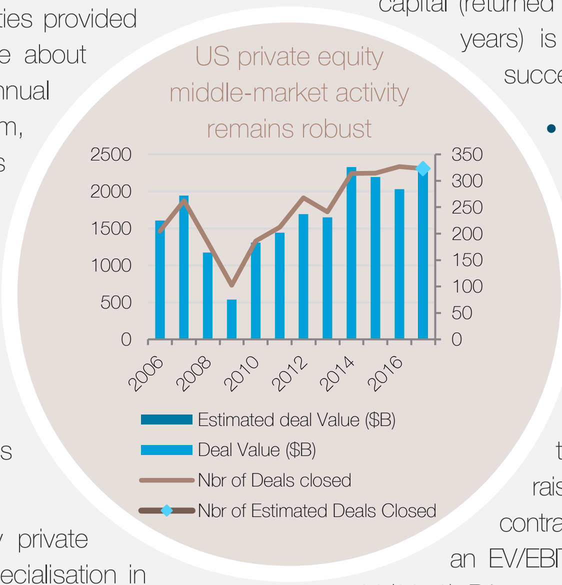
US middle market private equity – Investing small to grow big

- Private Equity firms invested in 2,306 US middle market deals totalling $324bn in 2017.
- The 2017 deal value was up 14% compared to 2016.
- Strategic acquirers bought 421 private-equity-sponsored middle market companies worth $49bn.
- Private Equity firms raised $122bn across 174 funds in 2017 for middle market transaction.

US middle market, the nation's economic engine

"A deep pool of growing businesses"

- Fertile investment territory. The middle (and smaller) market where company valuations top out at $1bn, provides one of the best ecosystems for private equity investors to create returns. The middle market offers more companies to invest in, greater opportunities to change the way companies operate, lower valuations and barriers to entry.
- A collective GDP bigger than Germany. Private equity firms investing in the middle markets in the US are attracted by the increased number of opportunities provided by this market segment. There are about 350,000 private companies with annual revenues between $5m and $100m, compared with 25,000 companies with revenue between $100m and $500m and only a few thousand companies with revenue above $500 million, according to Forbes. This US middle market segment has a collective GDP bigger than Germany. In comparison, the number of US public companies today is around 4,330.
- Making more of an impact: Many private equity managers have a sector specialisation in which they invest, such as manufactures of engineered products, consumer healthcare or financial services. The managers create value through operational improvements in these smaller growing companies. Executing such strategies in larger companies can be more challenging. The lower end of the corporate market gives a private equity firm the chance to make the necessary operational changes to drive a company's growth.



Record activity in deals, capital raised & distributed

"Asset prices have risen, both private and public"

- Investors continue to support the US middle market and private equity in general. US middle market private equity funds have enjoyed another excellent year of capital raising in 2017. Capital raising for the private equity sector in general has grown in recent years due to its' long-term outperformance of most other asset classes as well as the positive net cash-flows (distributions minus contributions) to investors every year since 2012. This capital (returned in record amounts in the last two years) is being recycled back into those successful private equity managers.
- US middle market not immune to rising valuations. Median middle market M&A EBITDA multiples have risen to all-time highs (10.7x EV/EBITDA through Q3 2017), largely as a result of stronger deal activity in the upper middle-market segment and the increase in capital available to invest thanks to the virtuous circle of record capital raising and distribution activity. This contrasts with the Russell 3000 which has an EV/EBITDA of 13.4x (source: Bloomberg, 03/2018). Private assets are still cheaper than public.
- Lenders have loosened the purse-strings: The credit market for US middle market acquisition activity is robust and functioning well, creating pressure to deploy capital by lenders. This has led to an increase in 'covenant-lite' agreements (where the lender is stripped of certain protections) and debt to EBITDA on company balance sheets, increase for the sector as a whole.

Sources: SGPB, Preqin and BCG Nov 2017, 04/04/2018. Past performance should not be seen as an indication of future performance. Investments may be subject to market fluctuations, and the price and value of investments and the income derived from them can go down as well as up. Your capital may be at risk and you may not get back the amount you invest.

Tactical and strategic themes: open strategies

Inception date	Conviction	Strategy description	Time horizon
27/11/2014	Blue gold (Water)	Many regions of the world face large water supply disruptions. Water remains underpriced.	Strategic
24/09/2015	Inflation linkers: Useful TIPS	Market prices for forward inflation levels in the US are well below our expectations.	Strategic
15/06/2016	How demographic changes shape future spending	Population growth and ageing generate investment opportunities in several sectors.	Strategic
15/06/2016	Climate change – The global shift towards energy efficiency	The world's transition to an energy-efficient and low-carbon economy will create long-term investment opportunities in a wide range of sectors.	Strategic
15/06/2016	Time for emerging challengers to conquer the world	After two decades of multinationals chasing growth and market share in fast-growing emerging economies, the trend is reversing with large emerging companies looking to conquer the world.	Strategic
29/09/2016	Adding hybrids to a yield-starved menu	Corporate hybrid bonds provide an attractive yield pick-up relative to the various risks involved and are useful tools to boost portfolio returns.	Tactical
01/12/2016	Senior loans: diversifying credit	Senior loans are a useful tool to diversify credit exposure, reduce interest rate risks, and benefit from attractive yields.	Tactical
31/03/2017	Floating rate notes – Float on	With their lower interest rate risk, floating-rate notes are a good way to capture a rising trend in rates and a useful diversification instrument for portfolios.	Tactical
31/03/2017	Safety first	Security and safety needs are set to grow in coming years offering a broad range of business opportunities.	Strategic
06/07/2017	Millennials: Redefining the rules	Companies able to anticipate and/or adapt quickly to new consumer trends will be the main beneficiaries of millennials' growing spending power.	Strategic
06/10/2017	Convertible Bonds – Yin and Yang	Convertibles combine the attributes of different asset classes in one security. As long as their credit quality is not impaired, they can offer unlimited upside with downside protection.	Strategic
06/10/2017	Benefiting from stronger capital spending	The global upturn in business capital spending should further improve earnings in Industrials and IT. Valuations are already elevated but there is room for more gains.	Tactical
06/10/2017	Hunting for recovery trades	Emerging currencies hardest hit in past few years are the most likely to benefit from a more positive context. This includes the Mexican peso, South-African rand, Russian rouble and Brazilian real.	Tactical
08/12/2017	Insurance-Linked Securities – Marching to a Different Drum	ILS represent a source of uncorrelated returns for bond portfolios. The recent drawdowns linked to US hurricanes create a new opportunity in this segment.	Strategic
08/12/2017	Fed rate hikes to benefit US Financials	US Financials will be supported by Fed rate hikes but also softer regulations, strong balance sheets and improved earnings growth. In addition, their relative valuation is also appealing.	Tactical
08/12/2017	Education: The Most Powerful Weapon	Achieving the UN goal of universal primary and secondary education by 2030 and adapting workers' skills to 21th century needs will create interesting investment opportunities.	Strategic
29/03/2018	Inflation – Playing catch-up	Despite stronger growth, inflation remains tame. However, price data could surprise on the upside, especially in the US. Getting exposed to inflation breakevens would help reduce the risk of taking a hit when yields grind higher.	Tactical
29/03/2018	Artificial Intelligence: from fiction to reality	China may well become the largest digital economy and overtake the United States this year. Worldwide spending on cognitive and AI is expected to rise from $12bn in 2017 to $57.6bn in 2021. Outside technology, AI growth is more contained but good progress has been made in nearly every sector	Strategic
29/03/2018	Yen – tide is turning	Now that inflation is recovering gradually, the Bank of Japan could change tack – a positive for the yen. Market turmoil could once again support the currency, which remains viewed as a safe haven.	Tactical

Sources: Societe Generale Private Banking, data as at 29/03/2018

* Strategic: 1-3 years. Tactical: 3-12 months

Denotes a change from our previous quarterly

Closing strategies

Inception date	Conviction	Closing rationale	Type
24/09/2015	Industrial Internet: the 4th revolution	▪ We closed this call with a strong gain and refocused on artificial intelligence.	Strategic
29/09/2016	Shifting to more sustainable food production	▪ Disappointing performance despite the inevitable need to move to more sustainable food production to feed a growing world population.	Strategic
31/03/2017	Bank debt – What a difference a decade makes	▪ Potential for outperformance is now more limited.	Tactical
06/07/2017	Playing the eurozone economic recovery	▪ The eurozone economy has recovered in past years and is now growing above potential. A stronger euro and softening leading indicators should weigh on equities in the near term.	Tactical

Sources: Societe Generale Private Banking, data as at 29/03/2018.

Global economic forecasts

Growth and inflation

YoY changes in %	Real gross domestic product growth*					Consumer price inflation*				
	2016	2017f	2018f	2019f	2020f	2016	2017f	2018f	2019f	2020f
World (Mkt FX weights)	2.7	3.2	3.3	2.9	2.5	2.0	2.6	2.7	2.5	2.6
World (PPP** weights)	3.4	3.7	3.9	3.6	3.4	2.8	3.3	3.4	3.1	3.0
Developed countries (PPP)	1.7	2.3	2.3	1.5	0.9	0.8	1.7	1.8	1.6	1.9
Emerging countries (PPP)	4.6	4.7	5.0	5.0	5.0	4.3	4.3	4.6	4.1	3.6
Developed countries										
US	1.5	2.3	2.4	1.2	0.5	1.3	2.1	2.0	1.6	2.3
Eurozone	1.8	2.5	2.5	1.5	0.6	0.2	1.5	1.5	1.3	1.3
Germany	1.9	2.5	2.5	1.5	0.7	0.4	1.7	1.6	1.4	1.5
France	1.1	2.0	2.4	1.6	0.5	0.3	1.2	1.7	1.0	1.3
Italy	1.0	1.5	1.7	1.1	0.3	0.0	1.4	1.2	1.1	1.1
Spain	3.3	3.1	2.6	1.8	0.8	-0.3	2.0	1.2	1.1	1.3
UK	1.9	1.7	1.2	0.7	0.9	0.7	2.7	2.7	1.7	1.5
Japan	0.9	1.7	1.4	1.3	0.8	-0.1	0.5	1.2	1.6	2.7
Switzerland	1.4	1.1	2.0	1.3	0.7	-0.4	0.5	0.8	1.0	1.1
Australia	2.6	2.3	3.0	3.0	2.1	1.3	1.9	2.2	2.2	1.9
Emerging countries										
China	6.7	6.9	6.4	6.0	5.7	2.0	1.5	2.6	2.0	1.4
South Korea	2.8	3.1	2.8	2.5	2.3	1.0	1.9	1.7	1.7	1.7
Taiwan	1.4	2.9	2.8	2.2	0.4	1.4	0.6	1.5	0.9	0.9
India***	7.9	6.4	7.4	7.4	7.7	4.5	3.7	4.6	4.2	3.9
Indonesia	5.0	5.1	5.3	5.5	5.7	3.5	3.8	3.7	3.9	4.0
Brazil	-3.5	1.0	2.4	2.3	1.7	8.7	3.4	3.2	4.1	4.3
Mexico	2.7	2.2	2.1	1.6	0.9	2.8	6.0	4.5	3.3	3.4
Chile	1.6	1.6	3.1	2.8	1.8	3.8	2.2	2.9	2.7	3.0
Russia	-0.2	1.5	1.7	1.3	1.4	6.6	3.5	3.0	4.0	4.0
Poland	2.9	4.6	4.0	3.4	3.0	-0.6	2.0	2.5	2.8	2.5
Czech Republic	2.5	4.5	3.8	2.5	1.7	0.7	2.5	2.1	2.1	1.4

* (f: forecast), ** PPP: Purchasing Power Parity *** In India, the numbers are averaged over the Fiscal Year, ending in March.

Sources: SG Cross Asset Research / Economics, IMF, 13 March 2018

Forecast figures are not a reliable indicator of future performance

Market performance

Developed market equities		Performance - total return (in local currency)							
Index	Current level	1m	3m	YTD	12m	2Y	3Y	4Y	5Y
S&P500	2614	-2.7%	-3.2%	-1.8%	13.0%	31.4%	34.6%	50.4%	86.7%
DJ Euro Stoxx 50	3347	0.8%	-4.3%	-4.1%	-0.6%	21.8%	-0.1%	20.1%	51.8%
FTSE100	7030	-0.3%	-7.4%	-7.6%	0.4%	23.7%	15.6%	23.1%	32.1%
Topix	1704	0.7%	-5.4%	-5.4%	14.7%	36.6%	16.1%	52.0%	86.7%
MSCI AC World ($)	502	-1.6%	-2.8%	-1.6%	14.7%	33.3%	26.6%	34.2%	59.3%

Developed market bonds		Performance - total return (in local currency)							
Index	Current level	1m	3m	YTD	12m	2Y	3Y	4Y	5Y
Citigroup US Sovereign 3-7y		0.4%	-0.9%	-1.1%	-0.7%	-1.2%	1.0%	6.1%	4.2%
Citigroup Germany Sovereign 3-7y		0.5%	-0.1%	-0.1%	-1.1%	-0.6%	0.8%	4.9%	5.0%
Citigroup UK Sovereign 3-7y		0.1%	-0.8%	-0.9%	-1.5%	1.0%	4.1%	10.2%	7.7%
Citigroup Japan Sovereign 3-7y		0.1%	0.1%	0.1%	0.0%	-0.7%	0.9%	1.8%	2.2%
	Yield to maturity								
BAML Corp Euro IG	1.01%	-0.1%	-0.5%	-0.4%	1.5%	4.2%	4.9%	12.6%	17.1%
BAML Corp Euro HY	3.43%	-0.1%	-0.8%	-0.5%	4.4%	13.8%	13.1%	19.3%	33.1%
BAML Corp US IG	3.85%	0.2%	-2.2%	-2.4%	2.2%	5.9%	6.8%	14.4%	15.5%
BAML Corp US HY	6.58%	-0.2%	-1.4%	-1.0%	3.6%	21.1%	16.2%	18.5%	27.4%
BAML Corp UK IG	2.79%	0.1%	-1.6%	-1.5%	1.1%	12.7%	12.7%	27.6%	31.0%

Emerging market equities		Performance - total return (in USD)							
Index	Current level	1m	3m	YTD	12m	2Y	3Y	4Y	5Y
MSCI EM	1170	-0.8%	-0.8%	1.5%	24.4%	49.3%	27.6%	30.4%	31.0%
MSCI EM Asia	590	-0.3%	-1.5%	0.9%	26.6%	52.9%	30.5%	45.5%	52.9%
MSCI EMEA	290	-3.3%	-2.2%	-1.2%	19.7%	34.4%	13.9%	4.5%	4.8%
MSCI Latam	3043	-0.6%	5.1%	8.5%	18.0%	49.0%	30.2%	6.7%	-6.1%

Emerging market bonds		Performance - total return (in USD)							
Index	Yield to maturity	1m	3m	YTD	12m	2Y	3Y	4Y	5Y
BAML EM Sovereign	4.91%	0.6%	-1.2%	-1.4%	6.1%	13.7%	17.6%	22.6%	24.1%
Asia	4.24%	0.5%	-2.3%	-2.3%	3.7%	10.2%	14.4%	27.5%	25.8%
EMEA	4.82%	0.4%	-1.1%	-0.6%	7.2%	13.1%	18.4%	22.5%	26.5%
Latam	5.31%	0.8%	-0.8%	-1.8%	5.9%	16.4%	18.0%	20.7%	20.1%
BAML EM Corp	4.57%	-0.1%	-0.9%	-0.8%	4.1%	6.6%	10.5%	17.5%	19.1%
Asia	4.19%	-0.2%	-1.0%	-1.1%	2.3%	11.1%	19.5%	17.6%	20.1%
EMEA	4.53%	-0.2%	-0.4%	-0.2%	4.7%	22.1%	18.6%	17.8%	19.0%
Latam	5.19%	0.2%	-1.2%	-0.9%	6.3%	7.7%	9.3%	12.3%	13.8%

Source: Societe Generale Private Banking, Bloomberg, Datastream (data as of 29/03/2018), YTD = year-to-date

BAML: Bank of America Merrill Lynch
Corp: Corporate
IG: Investment Grade
HY: High Yield

EM: Emerging Market
EMEA: Europe, Middle East, Africa
LatAm: Latin America

Market performance and forecasts

		Forecasts		Performance					
Currencies	Current	6 months	12 months	YTD	12m	2Y	3Y	4Y	5Y
EUR/USD	1.23	1.25	1.3	2.2%	15.0%	7.8%	11.8%	-10.6%	-4.5%
USD/JPY	107	110	105	-5.4%	-3.9%	-4.5%	-10.4%	2.6%	14.6%
EUR/CHF	1.18	1.18	1.2	0.5%	10.1%	7.9%	12.6%	-3.7%	-3.1%
GBP/USD	1.41	1.4	1.43	4.1%	12.6%	-1.2%	-5.8%	-15.3%	-7.1%
EUR/GBP	0.87	0.89	0.91	-1.9%	2.2%	9.0%	18.6%	5.6%	2.8%

		Forecasts		Performance (in local currency)					
10-year yields	Current	6 months	12 months	YTD (bp)	12m	2Y	3Y	4Y	5Y
USA	2.8%	2.9%	3.2%	37	43	99	94	-1	97
GER	0.5%	0.8%	1.2%	8	22	36	32	-110	-79
UK	1.4%	1.5%	1.8%	17	39	-2	-22	-136	-36

		Forecasts		Performance (in USD)					
Commodities	Current	6 months	12 months	YTD	12m	2Y	3Y	4Y	5Y
Gold in USD	1330	1275	1275	2.1%	6.1%	9.7%	11.1%	3.2%	-15.3%
Oil (Brent) in USD	68.2	65	60	2.3%	28.1%	75.8%	24.6%	-35.2%	-37.3%

		Forecasts		Performance - Total return (in local currency)					
Equities	Current	6 months	12 months	YTD	12m	2Y	3Y	4Y	5Y
S&P 500	2614	2760	2800	-1.8%	13.0%	31.4%	34.6%	50.4%	86.7%
Euro Stoxx 50	3347	3500	3550	-4.1%	-0.6%	21.8%	-0.1%	20.1%	51.8%
FTSE 100	7030	7200	7100	-7.6%	0.4%	23.7%	15.6%	23.1%	32.1%
Topix	1704	1800	1850	-5.4%	14.7%	36.6%	16.1%	52.0%	86.7%

Source: Societe Generale Private Banking, Bloomberg, Datastream (data as of 29/03/2018), bp = basis points

BAML: Bank of America Merrill Lynch
Corp: Corporate
IG: Investment Grade
HY: High Yield

EM: Emerging Market
EMEA: Europe, Middle East, Africa
LatAm: Latin America

Forecast figures are not a reliable indicator of future performance

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