Quarterly House Views

The Bigger Picture

Our economic scenario

With rising corporate and consumer confidence in most major economies and little upward pressure on prices, we expect this year's return to synchronized global growth to continue. International trade volumes have picked up again, after dipping in the first half. And we continue to note signs of growth in corporate capital expenditure plans – Standard & Poor's forecast an increase of 5.5% this year, after four years of decline. Within emerging economies, the picture remains encouraging, despite political risks and an expected easing of growth in China.

Although deflationary fears have dissipated as the global economy has gained traction, there is still little sign of price rises getting out of control. Unemployment is falling across the board, but we have yet to see meaningful upward pressure on wages, despite the closing in output gaps. Recent underlying inflation readings in the developed world have disappointed expectations and the oil-related boost to headline prices will continue to fade. The same holds true in many emerging economies.

This environment means that central banks can continue their very gradual move to tighter monetary policy. As expected, the US Federal Reserve has confirmed that it will shortly begin to shrink its holdings by only making partial reinvestments when bonds mature. And further hikes are in the pipeline. The ECB has made more hawkish statements, but it is likely to do little more than scale back its continuing asset purchases in the medium term. All in all, monetary policy is likely to remain largely accommodative in coming quarters.

How does this impact asset classes? Find out inside.

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The last few quarters have seen the global economy experience a solid pick-up in output but with little sign of any inflationary pressure. The same combination holds true currently, albeit with some regional variations. This environment remains supportive for risk assets, although potential return is constrained by demanding valuations.

Eurozone and Japan have been leading the race

The eurozone and Japan continue to register above-potential growth. Both benefit from undervalued currencies, easy monetary policy and supportive fiscal policy. As a result, business confidence is high, job creation is robust and consumer confidence is rising.

In the United States, we expect a temporary hit to growth from the hurricane season. This could represent a reduction of up to 0.6 percentage points in third quarter growth, taking it to an estimated annualized rate of 2.0% after 3.1% in Q2. However, we would expect this to be followed by a boost to growth as reconstruction after the storm damage gets underway.

The United Kingdom remains a study in contrasts. On one hand, unemployment has reached half-century lows at 4.3% and business confidence remains relatively elevated. On the other, Brexit uncertainty is slowing foreign direct investment plans, and many businesses are preparing to shift part of their operations to the European Union (EU).

But the US and UK are not also-rans

In our previous edition (*Glass Half Full*), we cautioned that it would be imprudent to extrapolate recent trends into the future – investors had become too pessimistic about the US and UK economies, and rather too sanguine about the eurozone. And indeed, we have begun to see a shift in expectations. Tax reform, which investors had given up on, is back on the agenda in Washington. And Theresa May's September speech in Florence has opened the door to more constructive dialogue with the EU-27 and an extended transition period, perhaps towards a less complete break with the EU.

Political concerns may remove some of the sheen

The optimism born out of this year's Dutch, Austrian and French elections has given way to another bout of soul-searching.

In Germany, the populist-right Alternative für Deutschland became the Bundestag's third largest party in the recent federal elections, and Angela Merkel's CDU/CSU bloc (Christian Democrat Union / Christian Social Union) faces extended negotiations to form a workable three-way coalition. In Spain, the aftermath of the Catalonia referendum will require a fundamental rethink of the balance of power between the state and its regions. In Italy, the anti-EU populist Five Star Movement remains neck-and-neck with the ruling Democratic Party in polls.

However, strong growth will help equities perform

While political concerns may remove some of the sheen from the outlook for the eurozone, growth should remain well above trend. And the US should recover from its storm-related dip in coming quarters.

This represents a supportive environment for risk assets, and equity markets in particular. Studies demonstrate that equities tend to deliver outperformance in times of recovery and expansion, with the best potential coming in the early phases of recovery.

In this context, we continue to concentrate on those markets which rank best in our VaMoS framework. Equities should be preferred to fixed income, and the eurozone and Japan should be preferred within equities. The upside and downside risks we highlight above have the potential to impact markets in the short term. But we do not believe that they will alter the fundamental underpinnings, which remain supportive for equities.

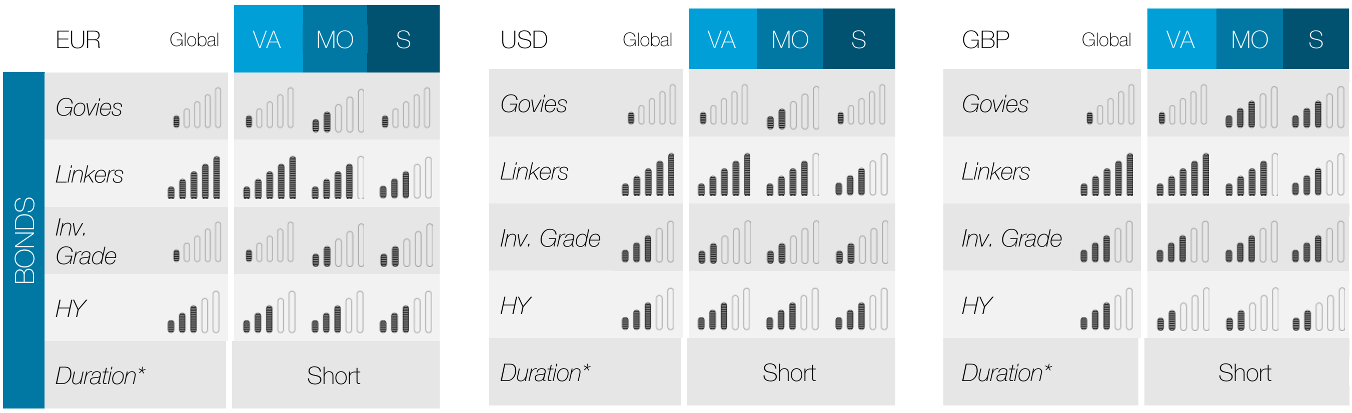
This is a useful reminder that it is often better to focus on the bigger picture rather than get distracted by noise. As Warren Buffett wrote in the 2013 Berkshire Hathaway letter to shareholders: "Games are won by players who focus on the playing field – not by those whose eyes are glued to the scoreboard" *Warren Buffett, 28 February 2014.*

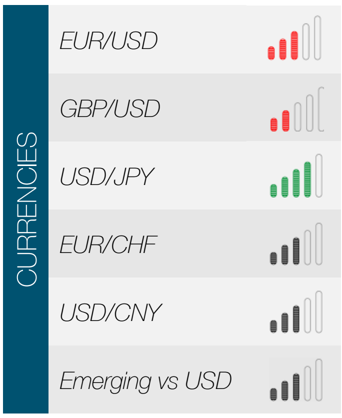
Our views summarized

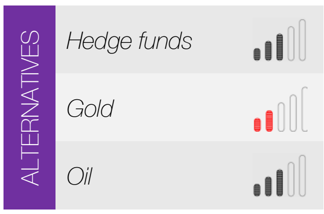
EQUITIES | BONDS | ALTERN.

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







Source: SG Private Banking, 9 October 2017, * Duration: short = 3-5yr, medium = 5-7yr, long = 7-10yr; HY = High Yield

In other words

EQUITIES*	United States	We prefer cyclical areas likely to benefit from stronger global trade and higher capital spending, e.g. IT or industrials (despite high valuations). Financials should also benefit from solid domestic demand and rising yields.
	Europe	The global economic expansion and weaker currencies will continue to boost earnings growth. However, we would avoid UK equities.
	Eurozone	Cyclicals (IT, industrials) and financials will be the prime beneficiaries of the global economic recovery and rising interest rates.
	UK	Brexit talks leave us cautious on UK equities, although weakness in sterling could help limit the damage In coming months.
	Switzerland	Swiss multinationals should continue to benefit from strong business confidence, very loose monetary policy and a weaker franc. EPS are projected to grow 8% this year and 11.7% next year after two years of decline.
	Japan	Solid domestic and external demand will boost corporate profits while valuations remain attractive. Corporate governance reform and sound company fundamentals will provide additional support to Japanese equities.
	Emerging	The positive impact of last year's surge in commodity prices for resource producers has faded, penalising markets highly exposed to Energy and Materials – mainly commodity exporters such as Brazil and Russia.
BONDS*	Sovereigns	In the eurozone, solid growth prospects and a possible ECB policy shift could drive core yields slightly higher. We remain defensive on US Treasuries with a preference for short maturities.
	Duration**	We favour the short end as the yield curve could steepen or shift upwards.
	Inflation-linked	Despite muted inflation so far, we remain constructive on the segment.
	Investment Grade	Central bank asset purchases and the hunt for yield have pushed spreads to extremely tight levels. We still prefer financials and corporate hybrids.
	High Yield	Better corporate fundamentals in Europe lead us to prefer HY in EUR to dollar-denominated issues from US borrowers.
	Emerging debt (in € and $)	We would favour high-yielding issuers supported by the ongoing recovery and with a robust credit profile
CURRENCIES	EUR/USD	We remain bullish in the medium term and still see EUR/USD hovering around 1.20 in 6 months and 1.25 in a year.
	GBP/USD	Given the talk of an extended transition period to Brexit, we have decided to adjust 6- and 12-month targets to 1.28.
	EUR/GBP	Strong growth in the euro zone and Brexit-related risks in the UK suggest sterling should remain under pressure.
	USD/JPY	A widening yield gap with the US could weaken the yen. However, it could still find some support given the boost to the economy brought by the Bank of Japan. We expect USD/JPY to hover around 115 in both six and twelve months.
	EUR/CHF	Fading political and economic risks and less easing from the ECB to drive the Swiss franc gradually lower.
	Emerging	Emerging currencies still offer appealing returns but dollar strength will limit upside in short term. For choice, go for the cheapest – undervalued currencies are likely to recover versus the dollar in H2.
ALTERNAT.	Hedge funds	Neutral on Long/Short Equity funds, with preferences for deep value managers, Europe over the US and Long and Variable Bias funds over Market Neutral. We are Overweight on Event-Driven funds, with a focus on US managers.
	Gold	Growth optimism and a hawkish Fed have left gold on a rollercoaster. Gold still has a place in portfolios for diversification purposes given its low correlation to other asset classes. We still target $1,225 in 6 months.
	Oil	Demand could even exceed supply this year if production caps are maintained. However, there are downside risks. As a result, we still see oil prices around $55 in a year.

Source: SG Private Banking, 6 Sep. 2017, EM = Emerging markets, hard currency = dollar & euro, *Relative views expressed in local currencies, ** Duration: short = 3-5yr, medium = 5-7yr, long = 7-10y

Central banks

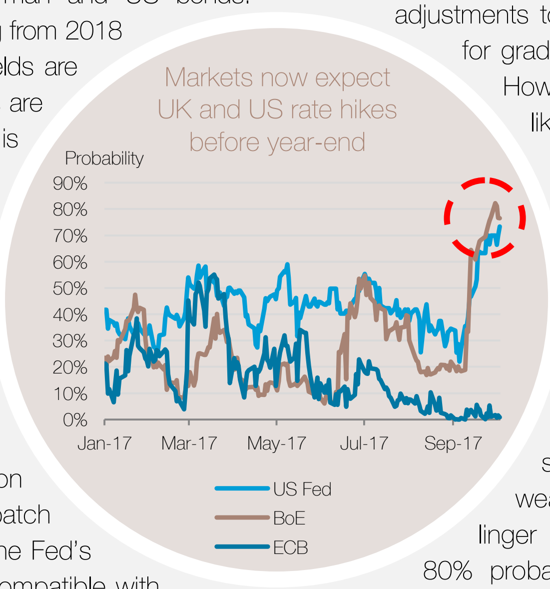
Economic data in the driving seat

- The European Central Bank (ECB) is likely to adjust its forward guidance before year-end in response to stronger economic momentum, although a strong euro is taming inflation prospects.
- The US Federal Reserve (Fed) has started to reduce its balance sheet. We expect one more rate hike by year-end.
- The Bank of England recently hinted that it may raise interest rates soon. We don't buy it – but the market does.
- Favour short maturities and inflation-linked bonds.

Monetary normalization to continue in the US

The Fed's projection of three hikes in 2018 will be called in to question if inflation struggles to gain traction and growth disappoints.

- The recent growth pick-up has helped inflation bottom but we should not expect a strong rise as structural factors remain disinflationary. Central banks are moving very slowly as they must first roll back their ultra-accommodative policies.
- Prefer short maturities. After a period of choppiness, we expect US long-term bond yields to head north, supported by Fed rate hikes and slightly stronger inflation. This could widen the yield gap between German and US bonds. However, we expect some narrowing from 2018 onwards as eurozone core bond yields are excessively low. In the UK, Gilt yields are in limbo as the economy is experiencing both slower growth and high inflation. In the eurozone, peripheral bonds offer an attractive carry, but further spread compression will require economic improvement. Overall, we still prefer short maturities and inflation-linked bonds.
- Fed – more rate hikes. Normalisation will continue – we believe the soft patch in inflation was transitory and that the Fed's ultra-loose monetary policy is not compatible with the current and future economic outlook. The central bank is also starting to reduce its balance sheet and the size of the cuts will grow every three months. This combination has the potential to disrupt markets. The Fed will need to manage market expectations to avoid a disorderly sell-off in bonds.



ECB and BoE to follow suit

The Bank of England has turned more hawkish to curb fast-growing credit growth and tame inflation.

- ECB to adjust its stance. With stronger growth but tame inflation, we can expect a rising number of monetary policy committee members to vote in favour of reducing asset purchases from early 2018. This means the quantitative easing scheme would be extended beyond December 2017, in line with market expectations. However, we believe a rate hike remains off the table, although the central bank may begin to make technical adjustments to policy settings to pave the way for gradual monetary policy normalization. However, the ECB will avoid any move likely to drive the euro higher and we think it is in no rush to raise its deposit rate, currently at -0.4%.
- Bank of England – hike it or not. The central bank recently hinted that it may raise interest rates soon. We believe this is premature – growth is slowing, the pass-through of last year's sterling devaluation onto inflation is weakening and Brexit uncertainty will linger long. Still, the market assigns a 80% probability that the Old Lady will go ahead. This may provide further support for sterling in the near-term but may just end up accentuating the weakness in the economy.

Sources: SGPB, Bloomberg, 05/10/2017. 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

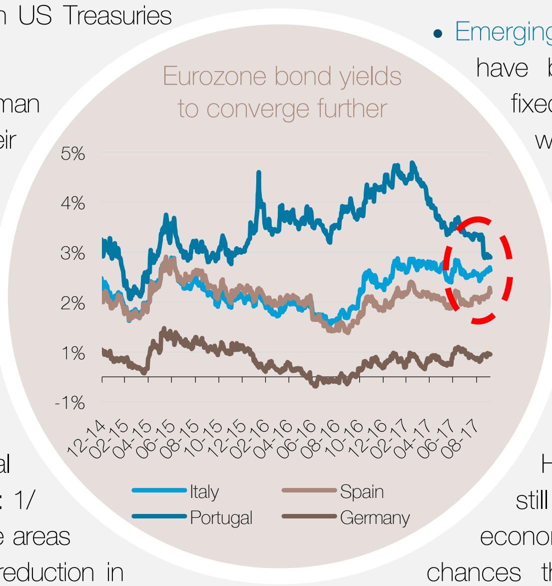
Heading north

- We remain defensive on US Treasury bonds with a preference for short maturities.
- Stronger growth and a likely shift in ECB policy should lift core eurozone yields.
- UK yields are set to move sideways with the upward pressure from abroad mitigated by weaker growth.
- Emerging debt still offers better yields. We would focus on below-benchmark maturities to hedge against a rise in US bond yields.

Core bond yields to inch up

Solid growth prospects and a possible ECB policy shift could drive core yields slightly higher.

- US sovereign bonds. Long-term yields eroded this summer with fading hopes for Trump measures and weak inflation weighing on market sentiment. They have since crept back up thanks to a positive underlying trend and further improvement in labour data. Any sign that the promised tax reform will be adopted by Congress in early 2018 would drive them even higher and the reduction in the Fed balance sheet will add to the upward pressure on medium- and long-term yields. We remain defensive on US Treasuries with a preference for short maturities.
- Eurozone government bonds. German Bund yields have recovered from their dip into negative ground in summer 2016 but remain low because of ECB bond purchases, Bunds' safe-haven status and the lack of drive from US yields. Moreover, scarce issuance of core bonds will continue to cap yields. However, their levels seem excessively low, well below nominal growth. Several factors should now drive them higher: 1/ a potential pick-up in inflation in some areas of the eurozone; and 2/ a gradual reduction in asset purchases as signs of economic recovery become more widespread. Core bond yields could edge up in sympathy with their US equivalents. We expect further convergence in the region, with a tighter spread between peripheral and core bond yields. Domestic factors will remain in the driving seat. However, improving fiscal positions thanks to stronger growth may lead to further spread compression overall. We still see value in selected peripheral bonds but would focus on shorter maturities in a context of rising yields.



Emerging debt offers opportunities

Dollar- and euro-denominated emerging debt remains in a sweet spot going forward.

- UK government bonds. Sterling has recovered in anticipation of an imminent Bank of England rate hike. However, we don't buy it given inflation has already peaked and is set to be driven lower by weaker growth. Both drivers are pointing in opposite directions but the mild rise in rates we expect overseas – and above all in the US – could drive long-term yields a little higher in coming months.
- Emerging market debt. Emerging bonds have been among top performers in fixed income mostly thanks to a weaker dollar and easy financing. With US interest rates still very low despite some normalisation, investors have been attracted by emerging bonds' higher returns. Spreads have narrowed further, recording a new low since mid-2014 just above 300 basis points. However, emerging market yields still look high enough and the global economic recovery increases the chances that issuers redeem their debt. Emerging bonds have recorded positive net inflows since early 2017 and there is more to come. However, selectivity is advised – less creditworthy countries such as Turkey and Ukraine have recently tapped global financial markets to take advantage of yield thirst. We would favour high-yielding issuers supported by the ongoing recovery and with a robust credit profile (small current account deficit and/or high level of foreign reserves).

Sources: SGPB, Bloomberg, 05/10/2017. 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

Supportive macro helpful for credit markets

- Credit instruments should continue to outperform sovereigns, despite narrow spreads, until the cycle turns.
- Slight preference for Investment Grade (IG) in the US, and banks still favoured over non-financial issuers.
- High Yield (HY) preferred in the euro zone, given IG sensitivity to any rise in sovereign yields.
- Emerging market (EM) debt benefits from improving macro backdrop and relatively attractive yields.

United States

We favour higher-rated HY borrowers, which will be less sensitive to tighter financial conditions.

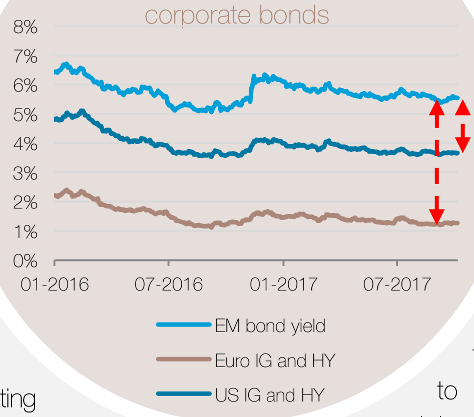
- Robust global growth and the resulting risk appetite have kept credit spreads in the developed world historically low, a continuation of the pattern observed in recent quarters. However, with underlying sovereign yields often negative after inflation, the asset class as a whole looks unattractive in absolute terms. Our cycle indicators suggest supportive conditions for corporate borrowers ahead, but tight spreads offer little scope for further narrowing.
- United States. Within our Neutral rating on IG and HY, we retain a slight preference for the former. The credit cycle is maturing, but the elements that might trigger a correction are still not in place.
- IG bond demand will be supported by improving corporate profitability and scarce issuance. We still highlight the advantages of better capital adequacy ratios, which underpin financials' credit quality.
- In recent quarters, we have seen rising corporate leverage in HY, lower interest coverage – a measure of a firm's ability to meet its repayment obligations from operating profits – and weaker protection for buyers of new issues, suggesting that the cycle is well-advanced. As a result, we would favour higher-rated HY borrowers, which will be less sensitive to any tightening in financial conditions.
- In coming months, the focus will be on the fiscal reform. Tax cuts would boost profitability and growth, and a less-favourable tax treatment of debt would likely improve credit quality as companies seek alternative sources of capital. However, discussions have only just restarted and much time will pass before we can hope to see a signed deal.

Eurozone & emerging markets

We would keep a slight preference for HY and corporate hybrids over IG.

- Eurozone. The ECB continues to be an active participant in the IG corporate bond market – the proportion of monthly purchases made through its Corporate Sector Purchase Programme has risen since April's cut in aggregate purchases from €80bn to €60bn.
- A robust recovery in the eurozone is helping improve corporate balance sheets, and leverage ratios are generally lower than in the US. However, IG spreads have narrowed markedly and now offer little protection against a potential spike in sovereign yields.
- We would keep a slight preference for HY and corporate hybrids over IG. The pick-up in available yields remains appealing in light of negative deposit rates and negative core sovereign real yields. In addition, subordinated financial debt is attractive, given the better health of the banking system and the moves to resolve the bad-loan issue in the periphery.

Emerging market bonds still offer higher yields than US and EU corporate bonds



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INVESTMENT IDEA

Convertible Bonds – Yin and Yang

> In a nutshell
>
> - 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.

What are we talking about? As described in our 2016 Outlook, convertible bonds (or converts) in many ways offer the "Best of Both Worlds". Like most traditional bonds, they offer a fixed coupon – mostly lower than on straight bonds – and a set redemption value and date. This means that their downside is limited by the "bond floor", i.e. the level at which they offer a yield-to-maturity equivalent to a similar standard bond. In addition, they benefit from an embedded option to buy shares in the underlying company at a fixed price (the "call"), giving these instruments sensitivity to equity markets.

The importance of each aspect of converts will vary over time. The value of the call option will rise only gradually when shares are still well below the fixed purchase price, but the closer the prices get, the more valuable the option becomes. Conversely, when equities fall, so does the value of the option – at such times, the bond floor gains in relevance and converts will begin to trade in line with bond markets.

As a result, convertible bonds offer a form of dynamic asset allocation – more equity exposure in bull markets and more bond exposure in bear markets. This duality can offer advantages over a simple 50/50 combination of straight bonds and standard equities, where only half of the holdings benefit from the bond floor and only half have equity sensitivity.

Why now? The presence of the embedded call option in the issue structure means that converts prices are less sensitive to moves in interest rates. We expect rates to rise gradually in coming quarters (see pages 6 to 8), putting downward pressure on bond prices. As the chart shows, converts tend to deliver positive returns in times of rising yields, unlike straight bonds.

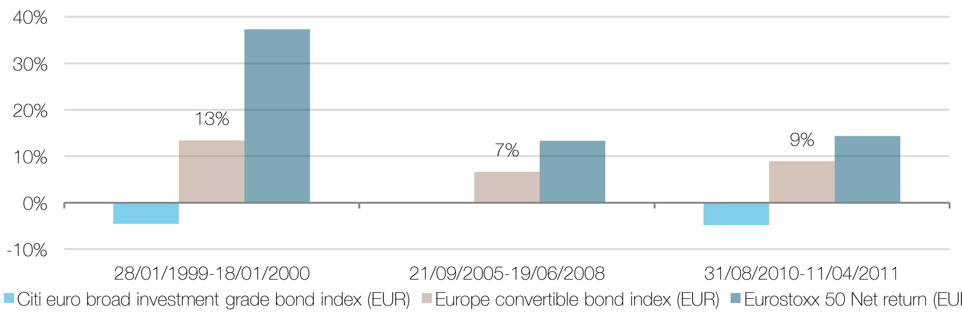
Also, converts' lower coupon is less of a handicap in times of low yields and tight credit spreads. Moreover, they were excluded from the European Central Bank's Corporate Sector Purchase Programme, meaning that values and prices have been less subject to distortion than those of eligible securities.

In addition, equities remain our preferred asset class (see p. 10). If they continue their multi-year rally, converts will benefit from rising sensitivity to this trend. However, we do recognize that demanding valuations can limit the future return potential. In this context, converts' bond-like characteristics and lower volatility than straight equities are appealing attributes. Furthermore, the chart shows that converts have sometimes even outperformed stocks in a rising-rate environment.

Conclusion. In Chinese philosophy, the importance of opposite but complementary characteristics is described via the notion of Yin and Yang, or dark and bright. The duality of the whole is greater than the sum of the parts. Similarly, convertible bonds combine the attributes of very different asset classes in a single security. As long as their credit quality is not impaired, convertible bonds can offer unlimited upside potential with downside protection.

Convertible bonds tend to outperform when Bund and US Treasury yields rise by over 120 basis points

Citi euro broad investment grade bond index, eurozone convertible bond index, Eurostoxx 50 Net return (EUR)



Source: Societe Generale Private Banking, Bloomberg, 05/10/2017

Equities

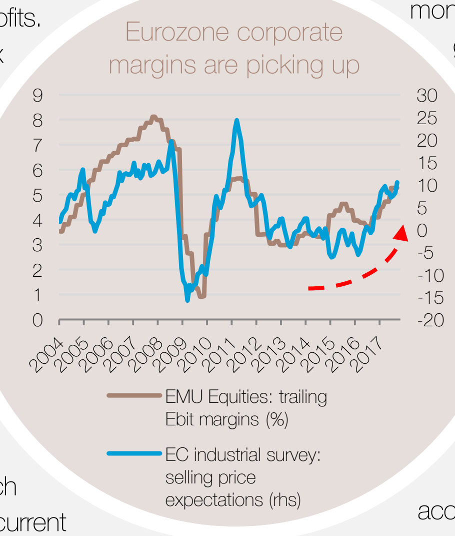
Life goes on

- We remain constructive on global equities as they will be supported by widespread economic expansion.
- In the US, prefer IT, industrials and financials.
- The eurozone, Switzerland and Japan are well positioned to benefit from the global economic recovery.
- Brexit talks leave us cautious on UK equities.

Tax cuts could boost US equities

If the rise in long-term rates is gentle and the corporate tax rate is eventually cut, the US market will enjoy a positive economic context.

- Global equities – stay constructive. Global equities will see their earnings boosted by the global recovery. The stronger profits will come from higher revenues and wider margins as wage growth stays contained. Monetary policy normalisation will not be a negative, provided bond yields don't spike.
- US – tax cut a potential boost. They will remain underpinned by a strong recovery and solid growth in earnings-per-share. A blueprint for tax reform is to be released soon. Although few details have emerged so far, a cut in the 35% statutory corporate tax rate would boost profits. Domestic companies with high effective tax rates will be the main beneficiaries while US multinationals already pay lower rates. However, funding conditions will turn less favourable in coming months as the Fed normalises its monetary policy. Higher bond yields could reduce overvaluations: almost all metrics are at decade highs. For instance, from a Shiller P/E standpoint, the US market has only been more expensive twice before: in the late 1920s and during the tech bubble of the late 1990s. While current valuations suggest weak long-term returns, they have proved a poor predictor of short-term performance as markets can overshoot fundamentals – our central scenario.
- Sector-wise, we prefer cyclical areas likely to benefit from stronger global trade and higher capital spending, e.g. IT or industrials (despite high valuations). Financials should also benefit from solid domestic demand and rising yields.



Eurozone and Switzerland to perform well

In the eurozone, cyclical sectors (industrials, IT) and financials will be the prime beneficiaries of the global economic recovery and rising interest rates.

- Eurozone – earnings growth to remain strong. Eurozone equities briefly suffered from a stronger euro this summer. They have recovered since, supported by the global economic recovery and the ECB's accommodative monetary policy. Next year, the central bank is likely to reduce its asset purchases only gradually, keeping rates unchanged as wage growth remains contained. This will help earnings and margins improve further. Although forecasts have been revised down over the past months following the euro's rally, EPS growth should remain strong. The IBES consensus is for 11.3% in 2017 and 8.4% in 2018.
- Sector-wise, cyclicals (IT, industrials) and financials will be the prime beneficiaries of the global economic recovery and rising interest rates.
- Switzerland – a global bet. Despite a market structure tilted towards defensive sectors (healthcare and consumer staples account for nearly 50% of the SMI's capitalization), Swiss multinationals should continue to benefit from strong business confidence, very loose monetary policy and a weaker franc. EPS are projected to grow 8% this year and 11.7% next year after two years of decline.

Sources: SGPB, Datastream, 15/08/2017. 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.

Other equity markets

UK equities facing headwinds

Brexit concerns, slower economic activity and weaker earnings growth are all headwinds for the UK market.

- Japan – Recovering at last. The Japanese economy expanded in Q2 for the fifth quarter in a row and is now in better balance thanks to a recovery in both consumer and business spending. Deflation risks have receded but inflation remains modest and well-below the 2% target, allowing the Bank of Japan to keep an accommodative stance. Solid domestic and external demand will boost corporate profits while valuations remain attractive. Corporate governance reform and sound company fundamentals will provide additional support to Japanese equities.
- A consolidation in USD/JPY around 115 these next six months (see page 13) will also be supportive as the Japanese equity market has recently exhibited a negative correlation to the yen.
- UK – Out of favour. Brexit concerns, slower economic activity and weaker earnings growth are all headwinds for the UK market. Earnings growth has slowed these past months as positive base effects faded. The UK market is highly dependent on sterling and commodity prices given its sector breakdown and large foreign currency share of total revenues. In coming months, weakness in sterling could help limit the damage (see page 13).

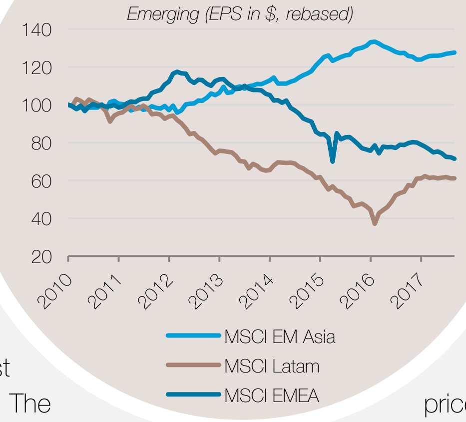
Selectivity remains key in emerging markets

Last year's surge in commodity prices no longer supports resource producers, penalising markets highly exposed to Energy and Materials.

- Emerging markets – we still prefer countries exposed to stronger global trade. Corporate profits and margins in emerging countries will continue to benefit from stronger trade flows. Valuations are also attractive, especially compared to developed markets. However, the slightly slower growth expected in China in H2 – as the impact of last year's stimulus fades – and higher US rates could act as headwinds in coming months.
- As a result, we continue to advice selectivity with a preference for markets geared to the upswing in global trade and to the technology cycle, i.e. emerging Asia. We believe the Indian market remains attractive in the long term as the ongoing structural reforms will raise its economic potential. We are more prudent in the short-term given the ongoing economic slowdown.
- Furthermore, the positive impact of last year's surge in commodity prices for resource producers has faded, penalising markets highly exposed to Energy and Materials – mainly commodity exporters such as Brazil and Russia. And our forecasts of range-bound oil prices in the coming six months (see page 16) will limit earnings growth potential.

Earnings in main emerging regions

12m forward EPS vs MSCI Emerging (EPS in $, rebased)



Sources: SGPB, Datastream, 29/09/2017. 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.

Benefiting from stronger capital spending

In a nutshell

- The global upturn in capital spending expenditure should further improve earnings in Industrials and IT. Valuations are already elevated but there is room for more gains.

Despite very loose financing conditions and very low interest rates since the global financial crisis, business investment has remained depressed because of political uncertainty, frequent economic shocks and weak demand. The 2014-2015 plunge in oil prices also forced firms in the Energy sector to reduce drastically their investments after a surge in 2011-2012. Rather than investing these last few years, most companies have preferred to hoard cash or distribute it to shareholders through buybacks and dividends.

However, some of the dark clouds have disappeared. After four years of decline, capital spending is picking up. The broad-based rebound in business confidence since mid-2016 suggests that industrial production is expanding fast. Corporate revenues and profit margins have also recovered significantly since then. Although geopolitical risks and political and regulatory uncertainties remain high, stronger business sentiment and higher profits will give another boost to business investment in coming quarters. Moreover, financing conditions should remain easy as the main central banks keep an accommodative stance. We only expect a gentle increase in borrowing costs, given the US Federal Reserve's intention to normalize its policy gradually.

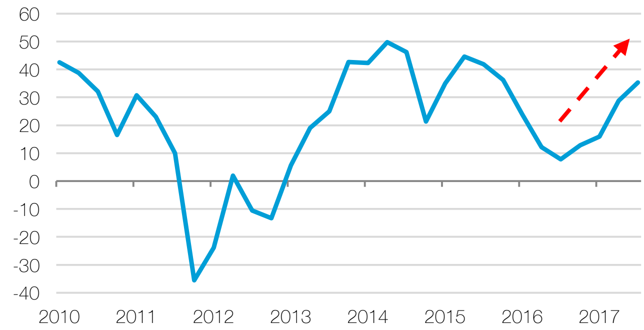
All regions are experiencing a pick-up in capital expenditure. The latest quarterly Ifo World Economic Survey indicated that companies intend to increase capital spending in the next six months, especially in the eurozone and Japan. Unsurprisingly, in the UK and China, forecasts have been revised down as firms may delay investment ahead of Brexit negotiations and because of the fading impact of past stimulus measures respectively. In the US, business investment growth will be helped by strong corporate confidence and we expect greater spending in the Energy sector following a recent rises in energy prices. If a corporate tax cuts were voted, it would provide an additional boost in 2018.

To deal with greater demand, fierce competition worldwide and disruptive innovation, companies will need to invest to increase their production capacity but also to update ageing capital stock. The fact that the global technology cycle is gaining traction suggests that outdated equipment is being partially replaced with new technologies.

Overall, the upturn in global capital expenditure should further improve earnings potential for Industrials and IT. Although valuations have already risen, these sectors still offer upside potential given they will benefit from the global economic recovery, a pick-up in capital expenditure and secular growth in technological innovation (Internet of things, artificial intelligence, automation…).

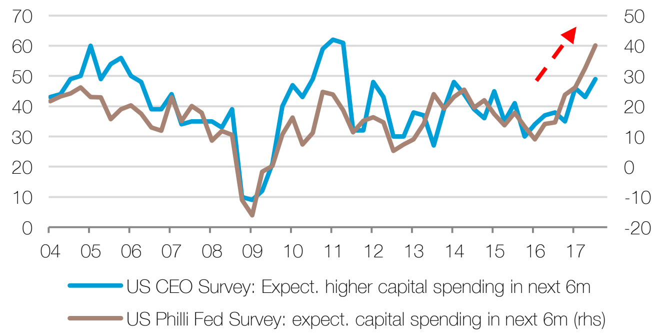
Eurozone and US CEOs expect higher capital spending in coming months

Ifo World Economic Survey, eurozone, capital expenditures - Next 6m



Source: Societe Generale Private Banking, Datastream, 01/09/2017

US CEO survey & Philadelphia Fed survey, capital spending exp. in 6m



Source: Societe Generale Private Banking, Datastream, 15/09/2017

Main currencies

We believe the dollar has seen its highs for this cycle

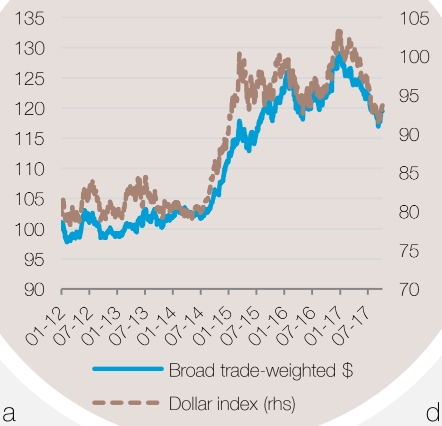
- Expect more dollar weakness in the medium term after more favourable near-term momentum.
- Euro to regain ground after some consolidation.
- Sterling to weaken again on growth deceleration and lingering Brexit negotiations.
- Fading political and economic risks to drive the Swiss franc gradually lower.
- Widening yield gap with the US to weaken Japanese yen.

Choppiness ahead for sterling

With Brexit talks unlikely to end before late 2018, sterling will stay volatile.

- Euro – range-trading ahead. Strong data and positive investor sentiment led to the euro overshoot this summer. However, several factors have since helped it stabilise: 1/ markets again expect a rate hike by December in the USA; 2/ German elections have left a fragmented Bundestag, making it harder to form a coalition; and 3/ speculators have reduced their long positions. The euro will now come under some pressure if the Fed pushes ahead with normalising monetary policy while the ECB stays put with inflation still below target. However, any weakness is likely to be short-lived given further economic improvement will underline the euro's appeal. We remain bullish in the medium term and still see EUR/USD hovering around 1.20 in 6 months and 1.25 in a year.
- Sterling – cloudier skies. Thanks to a weaker currency and the global economic recovery, the UK has weathered Brexit uncertainties. In addition, talk of an extended transition period and the BoE's hints of a forthcoming rate hike have helped sterling gain ground against the dollar. However, we think this is premature – recent price pressures have more to do with imports than wages. Also, there are still risks to the downside with slower growth, Brexit-related volatility and a wider yield gap with the US. All in all, we have decided to adjust our 6- and 12-month targets for GBP/USD to 1.28.

Dollar – the peak is behind us



Swiss franc stuck in low gear

Less easing from the ECB could lead to a modest depreciation in the CHF.

- Swiss franc – limited downside potential. EUR/CHF will continue higher as stronger eurozone growth drives hopes of ECB policy normalisation and persistently negative Swiss interest rates discourage investors from building positions. In addition, the expected rise in core European bond yields will trigger capital outflows, a negative for the franc. The Swiss central bank still views the franc as overvalued – if any bouts of risk aversion encourage safe-haven CHF bids, the central bank would feel compelled to intervene to mitigate the impact on the economy. All in all, we see EUR/CHF rising to 1.15 in 6 months and 1.17 in a year.
- Yen – edging down. After a long period of range-trading, we believe the yen will now begin to weaken. Above-potential US growth and very tight labour market conditions could revive wage pressure, driving inflation upward. As rate hikes drive US yields higher, the widening interest rate gap will encourage flows into the greenback. However, the yen could still find some support given the boost to the economy brought by the Bank of Japan's asset purchases. All in all, we expect USD/JPY to hover around 115 in both six and twelve months.

Sources: SGPB, Bloomberg, 05/10/2017. 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

Attracted to higher yields

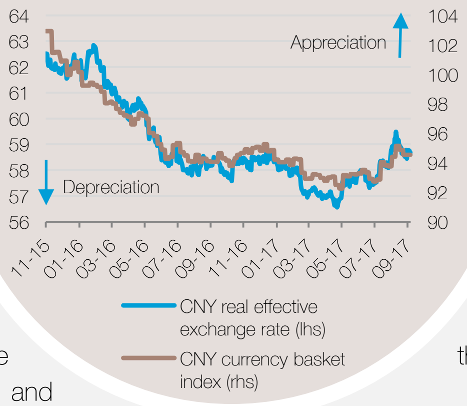
- Emerging currencies still offer appealing returns but dollar strength will limit upside in short term.
- For choice, go for the cheapest – undervalued currencies are likely to recover versus the dollar in H2.

Flexible – up to a point

"Chinese authorities have introduced more flexibility but want to remain in control."

- Yuan – more volatile. Continuing a recent streak of financial reforms, China has moved to a more flexible currency policy, leading to more yuan volatility versus the dollar. The Chinese currency gained 6% between May and early September, triggering capital outflows but also giving the lie to Donald Trump's allegations of currency manipulation, before shedding 2.5% these last few weeks. However, it should be remembered that the yuan is no longer supposed to be pegged to the greenback but rather to a trade-weighted currency basket. From this angle, the yuan has remained rather stable. Looking forward, we expect the currency to soften somewhat – 1) the dollar will be supported by US rate hike expectations; 2) short CNY positions are set to decline; and 3) the boom in corporate borrowing will require deeper financial reforms and a weaker currency could help limit the damage. However, this is a double-edged sword, as retail investors are overly sensitive to the USD/CNY rate and capital outflows are a drain on domestic liquidity. As a result, Chinese authorities will want to remain in control to avoid excessive volatility – we expect USD/CNY to hover around 6.70 in six and twelve months.

The currency basket helps China better manage its external competitiveness



Attractively cheap

"Emerging currencies will continue to offer positive returns."

- Emerging currencies – good returns despite US rate hikes. Most emerging currencies have gained ground against the dollar year-to-date. They have been supported by their attractive yields and some improvement in current accounts, although the greenback has recovered recently on the back of revived hopes of US rate hikes and fiscal reforms. While some weakness cannot be ruled out in the short run, emerging currencies will remain buoyed by stronger growth than in developed economies. Carry is likely to remain attractive as central banks will not cut rates too quickly despite lower inflation. These factors are set to drive emerging currencies a little higher, albeit from low levels. In particular, we would focus on some of the cheapest EM currencies, given our expectations for further economic improvement and low political risks (see our investment theme on page 15).

Hunting for recovery trades

Stronger global trade, cheap valuations and attractive yields will help emerging market assets resist the gradual normalisation in US interest rates.

We believe that the emerging currencies hardest hit in the past few years are the most likely to benefit from this more positive environment.

> In a nutshell
>
> - Emerging currencies hardest hit in the 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.

Export-driven economies will be supported by the recent bounce in commodity prices and continued improvement in the eurozone and Japan. In addition, protectionism seems off the cards in the US.

As in the rest of the world, price pressure is muted in emerging countries. Imported inflation has been contained by more stable exchange rates and falling oil prices. Despite that, we expect emerging market central banks to remain cautious. We believe real interest rates will stay positive and even high in some countries such as Brazil or Russia. The yield differential will continue to attract foreign capital, especially as developed market central banks will be slow at normalising their monetary policies.

Some currencies have already bottomed out but the uptrend is not over yet as stronger growth will help correct the remaining undervaluation. We would avoid the Turkish lira given the political risks, persistently high inflation and the probability that the central bank will have to cut rates to boost growth – not a positive background for investors. However, we see four other currencies that should perform well against both the dollar and euro in coming months from a carry trade perspective.

Despite the 2018 elections and a tense relationship with the US, Mexico could see its cheap currency appreciate further. Inflation is on the rise since late 2016 but the central bank has already raised interest rates significantly, which could pave the way for a pullback in inflation.

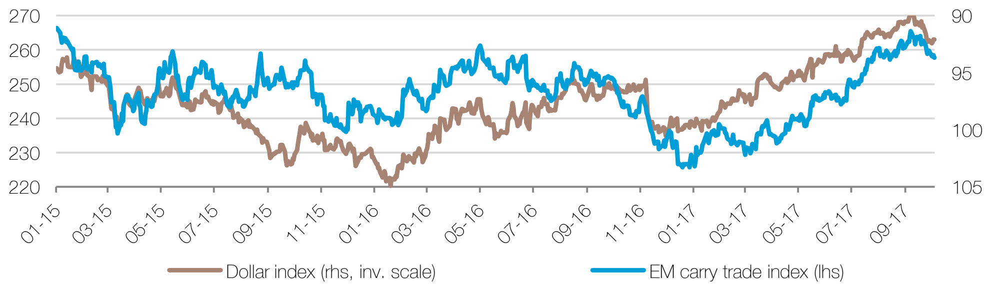
In South Africa, economic policies are not always business-friendly, prompting negative market reactions. However, the rand remains cheap and could gain ground in 2018, supported by stronger growth and softer inflation.

Russia is experiencing stronger activity and lower inflation. High real yields and strong global trade are attracting investors to Russian bonds. The central bank may cut rates further but only gradually, preferring external stability to artificial growth. We see little room for appreciation in the rouble but the carry is compelling.

Brazil has been exiting recession quite slowly as political turmoil remains a drag. However, uncertainty has receded this summer with President Michel Temer now likely to stay in power until the end of his term in late 2018. Economic expansion resumed in Q1 2017 and inflation has fallen sharply giving the central bank little leeway to cut rates. Short-term real interest rates are among the highest in the world, well above 5%.

Emerging carry trades have been supported by a weak dollar and high yields

*Dollar index & EM-8 carry trade index**



Source: Societe Generale Private Banking, Bloomberg, 05/10/2017

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

Commodities

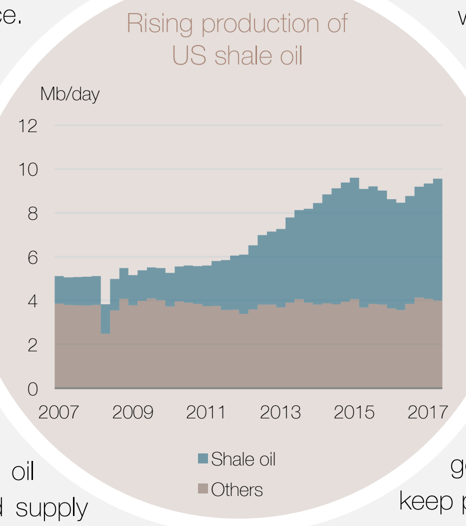
Oil to stay range-bound while gold weakens

- After their recent decline, oil prices should level off on the back of a rebalancing of supply and demand.
- Gold prices will come under pressure if Fed rate hikes drive US real yields a little higher.

Oil

> *We still see oil prices around $55 in a year.*

- Oil prices are back at their highest level since Q2 2015, above $55 per barrel. The recent rally is due to:
  1. Gulf Coast activity has been slow to recover from hurricane Harvey.
  2. Expectations for an extension to the supply cut deal when the Organisation of the Petroleum-Exporting Countries (OPEC) meets on 30 November.
  3. Growing tensions between the Iraqi government and Kurdistan, the semi-autonomous region which voted for independence. According to the International Energy Agency, Iraq's oil reserves are the world's fifth-largest, with 17% in the Kurdistan region. Turkey's threat to restrict Kurdish exports could also disrupt oil supply.
  4. Stronger-than-expected global growth in Q2 2017, especially in the eurozone and Asia.
- This stronger economic activity has encouraged OPEC to raise its 2017 and 2018 growth forecasts for oil demand. Demand could even exceed supply this year if production caps are maintained.
- However, there are downside risks:
  1. US shale oil producers could continue to ramp up output.
  2. The US ban on crude exports has been rescinded.
  3. Only three of the 11 signatories of the OPEC deal have met their production cut targets so far.
- All in all, we still target $55 in both 6 and 12 months.



Gold

> *Growth optimism and a hawkish Fed have left gold on a rollercoaster.*

- This summer, gold rallied following tough talk between North Korea and the rest of the world. However, the impact was short-lived and bullion soon headed back south.
- In August, the US Federal Reserve's announcement of a reduction in its balance sheet, starting in late 2017, drove the dollar higher and sent gold prices down, given the negative correlation between the two.
- Looking back at previous Fed rate hikes, we see a pattern emerge – investors tend to buy dollars following the decision, sending gold down temporarily, but the initial losses often prove short-lived as gold buyers emerge.
- After Indian gold imports rose sharply in the first half of this year ahead of the introduction of the nationwide goods and services tax in July, we expect demand from the world's second gold importer to weaken in H2, helping keep price rises in check.
- Gold still has a place in portfolios for diversification purposes given its low correlation to other asset classes.
- We still target $1,225 in 6 months and $1,200 in a year.

Sources: SGPB, Datastream, data as of Q42017. 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

Waiting for a game-changer

- We are Neutral on Long/Short Equity funds, with preferences for deep value managers, Europe over the US and Long and Variable Bias funds over Market Neutral.
- We are Overweight on Event-Driven funds, with a focus on US managers.
- Caution is still advised in the Credit / Distressed Debt segment as opportunities are far and few between.
- We are neutral overall in the Macro / CTA segment.

Clearer skies for Event-Driven funds

> *The recent rebuilding of positions in small and mid-cap equities suggests that managers are seeking new opportunities more aggressively.*

- Long / Short Equity. A supportive environment for equity markets (see page 10) has driven investor flows, particularly into passive exchange-traded funds. However, Europe offers greater upside than the US being less advanced in the cycle and showing greater catch-up potential. In addition, active managers such as hedge funds have begun to see an improvement in potential returns there. In Japan, the exit from deflation will boost corporate activity and help improve profits. Such an environment represents a challenge for Market Neutral managers, as does their growing use of leverage to seek additional return. Overall, a Neutral view, with preferences for deep value managers, Europe over the US and Long and Variable Bias funds over Market Neutral.
- Event-Driven managers with Special Situations strategies are classic deep value investors, in particular those with an activist style, an approach which should do well in the current context. The recent rebuilding of positions in small and mid-cap equities suggests that managers are being more aggressive in seeking new opportunities. The same factors are boosting Merger Arbitrage specialists. In addition, investors are less likely to punish predators for launching takeover bids, a clear indication of rising risk appetite, as is the recent trend towards more frequent bidding wars. The unwinding of last winter's "Trump reflation" trades – combined with the reduced likelihood of regulatory overhaul – has pushed bid spreads higher, to between 4 and 6%, making for attractive arbitrage opportunities. Overall, an Overweight view, with a focus on US managers.

Few opportunities

> *Funds employing a multi-asset approach to emerging markets are attractive, given the ongoing economic improvement.*

- Credit / Distressed Debt. Opportunities are few and far between. Credit Arbitrage specialists face ever-tighter spreads, driven by the continued rise in central banks' securities holdings, meaning that return potential is limited at present. This may change as the Fed begins to scale back reinvestment of maturing bonds, especially as commercial banks have become much less active in making markets. However, Fed communication has been skilful in providing clear guidelines to investors and so opportunities in credit may take time to emerge. Our message on Distressed Debt is unchanged. As long as the backdrop remains supportive, opportunities will be rare. Overall, caution is still advised.
- Global Macro / CTAs. In early summer, we noted that CTAs had begun to crowd together in equity markets, where trends were looking strong, impairing their usefulness as a diversification tool. Many equity trends have weakened since, prompting managers to reduce their exposure. However, better diversified portfolios should encourage investors to revisit the segment. Many Global Macro funds have struggled with positioning in equity markets, as Europe first outperformed, then slipped after France's elections before paring losses in September. In addition, many managers have crowded into currency and rate trades, leaving them vulnerable to a monetary policy shift in the USA (see page 6). Funds employing a multi-asset approach to emerging markets remain attractive, given the ongoing economic improvement and relatively attractively-priced securities. Overall, a Neutral stance in this segment.

Central bank asset purchases to continue

Total assets of major central banks (% of total GDP)

Sources: SGPB, Bloomberg, 05/10/2017. 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	CUR	Strategy description	Time horizon*
27/11/2014	Blue gold (Water)	EUR	Many regions of the world face large water supply disruptions. Water remains underpriced.	Strategic
24/09/2015	Inflation linkers: Useful TIPS	USD	Market prices for forward inflation levels in the US are well below our expectations	Tactical
24/09/2015	Industrial Internet: the 4th revolution	USD	A revolution in Big Data capture and analytics to power a new era in industrial processes	Strategic
24/03/2016	ILS: True diversification	USD	Diversify risks and returns through an uncorrelated asset class	Strategic
15/06/2016	How demographic changes shape future spending	EUR	Population growth and ageing generate investment opportunities in several sectors	Strategic
15/06/2016	Climate change – The global shift towards energy efficiency	USD	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	USD	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	EUR	Corporate hybrid bonds provide an attractive yield pick-up relative to the various risks involved and are useful tools to boost portfolio returns	Tactical
29/09/2016	Shifting to more sustainable food production	USD	Demand for more varied and healthy food is increasing while finite resources and climate change are limiting production capacity, creating investment opportunities in companies making the food supply chain healthier and more sustainable.	Strategic
01/12/2016	Senior loans: diversifying credit	USD	Senior loans are a useful tool to diversify credit exposure, reduce interest rate risks, and benefit from attractive yields	Tactical
31/03/2017	Bank debt – What a difference a decade makes	USD	Favour Banks over non-financial companies in the US	Tactical
31/03/2017	Floating rate notes – Float on	USD	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	USD	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	USD	Companies able to anticipate and/or adapt quickly to new consumer trends will be the main beneficiaries of millennials' growing spending power.	Strategic
06/07/2017	Playing the eurozone economic recovery	USD	Consumer discretionary and Financials should benefit most from the economic recovery while offering appealing valuations	Tactical
06/07/2017	Undervalued currencies – Bottom fishing	USD	Monetary policy normalisation and receding fears of a trade war should help currencies recover, especially the Swedish krona, Norwegian krone and Mexican peso.	Tactical
06/10/2017	Convertible Bonds – Yin and Yang	USD	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	USD	The global upturn in capital spending expenditure 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	USD	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

Sources: Societe Generale Private Banking, Datastream. Data as at 06/10/2017

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

Denotes a change from our previous quarterly

Closing strategies

Inception date	Conviction	CUR	Closing rationale	Type
13/05/2015	Internet of things: are you connected?	USD	▪ The semiconductor cycle should continue to gain traction. However, we prefer to take our profits after a strong rally in early 2016.	Strategic
01/06/2015	Infrastructure: building the future	EUR	▪ The defensive sector bias penalised this investment theme in a period of global economic expansion. Furthermore, Mr Trump's plan to improve US ageing infrastructures has disappointed.	Strategic
04/12/2015	Convertible bonds – the best of both worlds	EUR	▪ In an environment of rising yields and expensive equities, we switch to focus on convertibles' absolute return potential.	Strategic

Sources: Societe Generale Private Banking, Datastream (data as at 06/10/2017).

Global economic forecasts

Growth and inflation

YoY changes in %	Real gross domestic product growth*					Consumer price indices*				
	2016	2017f	2018f	2019f	2020f	2016	2017f	2018f	2019f	2020f
World (Mkt FX weights)	2.6	3.0	3.0	2.6	2.3	2.0	2.7	2.6	2.6	2.6
World (PPP** weights)	3.2	3.5	3.6	3.3	3.1	2.8	3.3	3.2	3.1	3.0
Developed countries (PPP)	1.7	2.1	1.9	1.4	1.0	0.8	1.7	1.5	1.7	2.0
Emerging countries (PPP)	4.4	4.5	4.8	4.6	4.5	4.3	4.4	4.5	4.0	3.6
Developed countries										
US	1.5	2.1	2.2	1.1	0.6	1.3	2.1	1.5	1.8	2.4
Eurozone	1.8	2.2	1.7	1.2	0.6	0.2	1.5	1.1	1.4	1.3
Germany	1.8	1.8	1.6	1.2	0.7	0.4	1.7	1.2	1.5	1.4
France	1.1	1.8	1.6	1.1	0.6	0.3	1.1	0.8	1.2	1.3
Italy	1.0	1.5	1.2	0.7	0.3	0.0	1.3	1.1	1.3	1.2
Spain	3.2	3.0	2.4	1.8	0.8	-0.3	1.9	1.1	1.4	1.3
UK	1.8	1.5	0.8	0.6	0.9	0.7	2.7	2.7	1.9	1.5
Japan	1.0	1.3	1.2	1.1	0.9	-0.1	0.5	1.1	1.8	2.6
Switzerland	1.3	1.2	1.6	0.9	0.4	-0.4	0.4	0.6	0.9	0.4
Australia	2.5	2.5	3.3	3.0	2.2	1.3	2.0	2.1	2.2	1.6
Emerging countries										
China	6.7	6.8	6.2	5.4	5.2	2.0	1.7	2.3	2.0	1.4
South Korea	2.8	2.8	2.4	2.5	2.3	1.0	2.1	1.8	1.7	1.7
Taiwan	1.5	2.2	2.3	1.3	0.4	1.4	0.7	1.1	1.0	0.7
India***	8.1	7.1	6.9	7.3	7.2	4.9	4.5	3.6	3.9	4.3
Indonesia	5.0	5.1	5.4	5.4	5.7	3.5	3.9	3.8	4.0	3.9
Brazil	-3.6	0.5	1.7	1.9	0.9	8.7	3.4	3.8	4.0	4.0
Mexico	2.0	2.1	2.0	0.9	0.4	2.8	5.9	3.8	3.3	3.2
Chile	1.6	1.5	2.5	2.6	2.0	3.8	2.4	2.9	3.1	3.0
Russia	-0.2	1.5	1.3	1.2	1.0	6.6	4.1	3.7	4.0	3.9
Poland	2.7	4.0	3.9	3.3	3.0	-0.6	1.9	2.5	2.8	2.5
Czech Republic	2.5	4.3	3.2	2.9	1.6	0.7	2.3	2.2	1.7	0.5

* (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, 18 September 2017

Forecast figures are not a reliable indicator of future performance

Market performance

Developed equity markets performance *(in local currency)*

	Current level	1m total return	3m total return	YTD total return	12m total return
S&P500	2519	2.1%	4.5%	14.2%	18.6%
DJ Euro Stoxx 50	3595	5.2%	4.8%	12.6%	23.9%
FTSE100	7373	-0.7%	1.8%	6.6%	11.2%
Topix	1675	4.3%	4.7%	12.5%	29.3%
MSCI AC World ($)	487	2.0%	5.3%	17.8%	19.3%

Developed bond markets performance *(in local currency)*

		1m total return	3m total return	YTD total return	12m total return
Citigroup US Sovereign 3-7y		-0.7%	0.4%	1.9%	-0.9%
Citigroup Germany Sovereign 3-7y		-0.4%	0.5%	-0.8%	-1.2%
Citigroup UK Sovereign 3-7y		-1.4%	-0.4%	-0.3%	-1.3%
Citigroup Japan Sovereign 3-7y		-0.3%	0.1%	-0.1%	-0.9%
	Yield to maturity				
BAML Corp Euro IG	0.89%	-0.2%	1.1%	1.8%	0.5%
BAML Corp Euro HY	3.05%	0.6%	1.8%	6.0%	7.9%
BAML Corp US IG	3.19%	-0.2%	1.4%	5.3%	2.3%
BAML Corp US HY	5.95%	0.9%	2.0%	7.0%	9.0%
BAML Corp UK IG	2.59%	-1.9%	0.3%	3.0%	0.1%

Emerging equity markets performance *(in USD)*

	Current level	1m total return	3m total return	YTD total return	12m total return
MSCI EM	1082	-0.4%	8.0%	28.1%	22.9%
MSCI EM Asia	543	0.0%	7.2%	32.1%	24.2%
MSCI EMEA	266	-3.8%	6.5%	12.0%	14.1%
MSCI Latam	2917	1.6%	15.1%	27.0%	26.0%

Emerging bond markets performance *(in USD)*

	Yield to maturity	1m total return	3m total return	YTD total return	12m total return
BAML EM Sovereign	4.75%	0.0%	3.2%	10.8%	5.0%
Asia	3.56%	0.1%	2.7%	9.2%	3.1%
EMEA	4.25%	-0.4%	2.9%	10.0%	6.1%
Latam	5.81%	0.5%	3.8%	12.3%	4.5%
BAML EM Corp	4.15%	0.2%	2.4%	7.5%	5.3%
Asia	3.58%	-0.1%	1.6%	5.3%	2.4%
EMEA	3.83%	0.2%	2.0%	6.9%	4.7%
Latam	5.22%	0.6%	3.8%	11.2%	10.0%

Source: Societe Generale Private Banking, Bloomberg, Datastream (data as of 29/09/2017)

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

Market performance and forecasts

Currencies	Performance YTD	Current	6-month forecast	12-month forecast
EUR/USD	12.3%	1.18	1.20	1.25
USD/JPY	-3.8%	112	115	115
EUR/CHF	6.8%	1.14	1.15	1.17
GBP/USD	8.6%	1.34	1.28	1.28
EUR/GBP	3.5%	0.88	0.94	0.98

10-year yields	YTD change	Current	6-month forecast	12-month forecast
(in local currency)	*basis points*			
USA	-12	2.3%	2.5%	2.8%
GER	35	0.5%	0.8%	1.1%
UK	16	1.4%	1.5%	1.7%

Commodities	Performance YTD	Current	6-month forecast	12-month forecast
Gold in USD	10.9%	1284	1225	1200
Oil (Brent) in USD	1.5%	57.6	55	55

Equities *(in local currency)*	YTD Total return	Current	6-month forecast	12-month forecast
S&P 500	14.2%	2519	2600	2650
EuroStoxx 50	12.6%	3595	3750	3800
FTSE 100	6.6%	7373	7550	7650
Topix	12.5%	1675	1740	1800

Source: Societe Generale Private Banking, Bloomberg, Datastream (data as of 29/09/2017)

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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