All Hands on Deck

EMIRATES INVESTMENT BANK

Asset Class	View	Current Allocation*	Benchmark Allocation*
Equities	Cautious	25.0%	40.0%
Fixed Income	Neutral	40.0%	40.0%
Real Estate	Neutral	5.0%	5.0%
Commodities	Neutral	5.0%	5.0%
Low Vol / Alternatives	Overweight	15.0%	5.0%
Cash & Equivalents	Overweight	10.0%	5.0%

Overweight, Favour, Neutral,

Cautious, Underweight

* Allocations are based on a Moderate Risk Profile

About Emirates Investment Bank

EIBank is an independent private bank based in Dubai. It offers a wide-range of investment and banking services to an exclusive, but diverse, client base of high-net-worth individuals from across the region and around the world.

Emirates Investment Bank seeks to build long-term partnerships based on a foundation of trust, stability and integrity, which allows it to appreciate the unique circumstances and objectives of each of its clients. This personalised approach guides the Bank when providing its clients with bespoke banking solutions in connection with their wealth, business, and every day affairs.

2019 OUTLOOK

- Although global macroeconomics are relatively sound, and we do not foresee an economic recession in 2019, we are entering a period of higher financial market volatility as an era of accommodative monetary policy comes to an end. In such a market environment, prudence and active investment management remain key to navigate volatility and minimize market drawdown risks.
- In the current mid-to-late-cycle environment, where many positive factors are being offset by negative ones, investors need to boost the quality of their portfolios and take heed to unnecessary risks. Maintaining liquidity is crucial, equity exposure should be reduced and should ever be more selective, high-yield exposure should make way for investment grade bonds, while hedging strategies should be implemented to mitigate downside risks.
- For more than three years on the run, most inflation data has continued to come in below consensus expectations. As we enter 2019, the persistence of relatively low inflation, despite broad-based economic growth in 2018, remains a major theme. A lower price environment for the foreseeable future, if proven correct, should limit restrictive central bank policy decisions and support asset valuations.

MONTH IN BRIEF

DEC 2018

- A multitude of factors resulted in the biggest quarterly loss for the S&P500 since the 2008 Global Financial Crisis (GFC). A fourth Fed rate hike for the year, questions over the Fed's independence, and the prospect of a partial government shutdown extending into 2019 aggravated already lingering concerns about the health of the global economy.
- While Trump made positive comments about reaching a trade deal with his Chinese counterpart Xi towards the end of December, sluggish economic data from China continued to worry investors. Amid a persistent slowdown in the domestic economy, the Chinese authorities signalled that more monetary and fiscal support will be rolled out in 2019.

THE 2019 OUTLOOK

EXECUTIVE SUMMARY :

All hands on deck…

With origins dating back to the 1700s, 'all hands on deck' is a command by a captain demanding all sailors to come to the deck of a ship to help navigate the volatility of rough seas. Although global macroeconomics are relatively sound, and we do not foresee an economic recession in 2019, we are entering a period of higher financial market volatility as an era of accommodative monetary policy comes to an end. In such a market environment, prudence and active investment management remain key to navigate volatility and mitigate market drawdown risks. It is ever more important now for investors to only take on the right risk exposures and use all of their resources at hand to alleviate financial market volatility and ensure a smooth sail. We stand ready to guide you through this ride and steer you away from any expected and unforeseen market risks.

Opportunity costs of investing are rising…

2018 will be known as one of the worst years for investment returns – not in terms of magnitude of the drop but in terms of the broad-based sell-off that occurred across the various asset classes. Fixed-income, equities, real estate and commodities – were all in the red, a rare event in any given year. Many hedge funds and absolute return funds, which are expected to perform in any market environment, were also in negative territory for the year. With nowhere to hide, many investors are losing confidence in the markets, opting to allocate to bank deposits instead which continue to yield higher with every Fed rate hike.

Asset price reflation over the past ten years through an era of easy-money policies by major central banks is finally coming to an end. That is a major headwind going into 2019 and investors will need to adjust their investment strategies accordingly. Not all is negative though. Liquidity has not dried up. Asset prices have already slightly corrected. Inflation is still relatively benign but showing some signs of picking up. Lastly, global growth expectations have been slightly reduced from 3.9% to 3.7% for 2019 by the IMF but are still above its 2012-2016 average.

In such a mid-to-late-cycle market environment, where many positive factors are being offset by negative ones, investors need to boost the quality of their portfolios and take heed to unnecessary risks. Maintaining liquidity is crucial, equity exposure should be reduced and should ever be more selective, high-yield exposure should make way for investment grade bonds, while hedging strategies should be implemented to mitigate downside risks. Momentum investing will be less of a source of return, volatility will increase, and asset class divergence should be expected. A delicate balance needs to be struck between maximizing returns and minimizing losses. Simply put, it's not the right time to increase risk exposures and chase abnormal returns.

The inflation conundrum… part two…

In our 2018 Investment Outlook, we argued that technological advances and their direct and indirect effects are creating a lower price environment globally and keeping inflationary pressures in check. While some inflationary pressures seem to be building (i.e. wage growth in the US has averaged above 3% over the past three months), the persistence of low inflation, despite broad-based economic growth in 2017-18, remains a major theme. A US economy that is performing quite well and an unemployment rate that is sitting at a multi-decade low would generally result in higher CPI figures. However, we are still not seeing price increases to a level that is more consistent with an expanding global economy. Additionally, and given the significant drop in energy prices in Q4, inflationary pressures may even recede from their current levels and cause the Fed to follow a lower rate hike schedule than its current path.

Throughout 2018, consensus expectations were for the Fed to raise rates four times in 2019. As rates approach neutral territory, two rate hikes are now expected, which will limit the adverse impact of higher rates on investment returns this year. Under such a scenario, investment returns may surprise to the upside as rate hikes become less of a headwind.

Strong fundamentals can change overnight...

With the exception of high government and private debt levels, global macroeconomics are relatively healthy and have produced a conducive environment for earnings growth over the last three years. While Q4 2018 earnings growth has still not been released for the S&P500, Q3 year-on-year earnings faired exceptionally well, driven by corporate tax cuts and averaging over 25%. The S&P500's earnings growth is expected to normalize next year with current estimates standing at 15%.

THE 2019 OUTLOOK

Recent earnings downgrades and lower guidance are likely to push this figure even lower as we move into the new year. Sentiment indicators are already showing some pessimism about global growth, which can act as a self-fulfilling prophecy. A negative consumer sentiment reading could cause manufacturers to reduce their forecasted demand figures, ordering fewer supplies as a result and producing less. This would in turn adversely affect their supplier profits, which would initiate another round of earnings downgrades. The stock market drop in December may already be reflecting some of this negative sentiment.

So while earnings growth and fundamentals are still relatively healthy, we need to be very conscious of a turn in the cycle that can happen almost overnight. The probability of a recession in 2019 is still not a consensus view with some economists forecasting one in 2020 instead. Global equity markets will act as a leading indicator and will not await a confirmation of such a view. They are currently searching for direction as they attempt to digest the positives and negatives of the global economy today, weighing both sets of factors against each other. The lack of direction has culminated in a rise of volatility, which will likely continue over the course of 2019.

2019 THEMES:

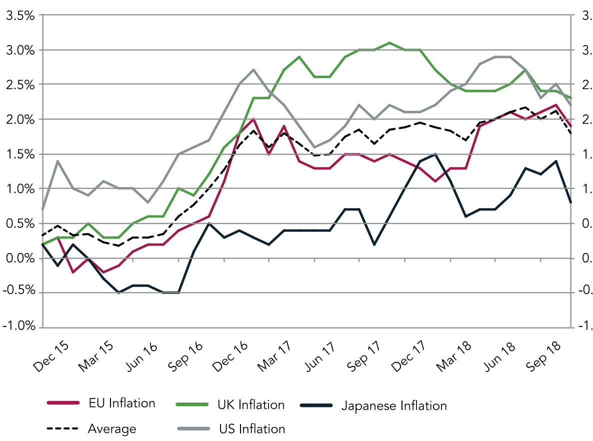
I. Inflation continues to be subdued

For more than three years on the run, most inflation data has continued to come in below consensus expectations. As we enter 2019, the persistence of relatively low inflation, despite broad-based economic growth in 2018, remains a major theme. While robust consumer spending continues to underpin moderate inflationary pressures in the US, growth was lacklustre across Europe and China in 2018 due to a host of geopolitical and trade-related uncertainties.

Although overall demand was strong in the US on the back of strong GDP growth boosted by tax cuts and deficit spending, nominal wage growth remains relatively subdued despite unemployment rates falling to record lows. As we explained in our "2018 Annual Investment Outlook", rapid technological changes and foreign competition are primary reasons that are placing downward pressure on inflation. Meanwhile, lower oil prices due to lower-cost shale supply are also keeping inflationary expectations well-anchored.

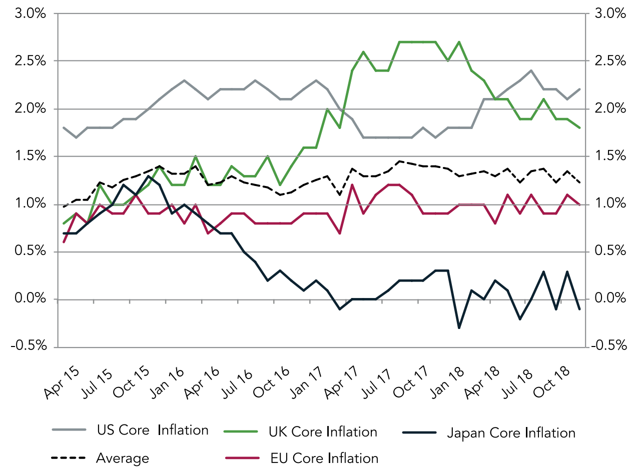
On-going market worries in the latter part of 2018 about a looming global recession in either 2019 or 2020 adversely affected sentiment and aggregate demand. Weak overall sentiment alongside a multitude of factors including trade war issues between the US and China, geopolitics in Italy and the UK, as well as falling oil prices are likely to have a lingering effect on inflation in 2019. With the exception of the US-China trade war, which cautiously seems to be heading towards a resolution, the forces behind weaker than expected prices are likely to continue and not be transitory. A lower price environment for the foreseeable future, if proven correct, should limit restrictive central bank policy decisions and support asset valuations.

Headline inflation teetering upwards



Source: Bloomberg, EIBank

But core inflation is well anchored



Source: Bloomberg, EIBank

II. A new normal for oil prices

A period of higher oil prices in 2018 and a healthy global expansion did not result in significantly higher inflation. With energy markets becoming ever more

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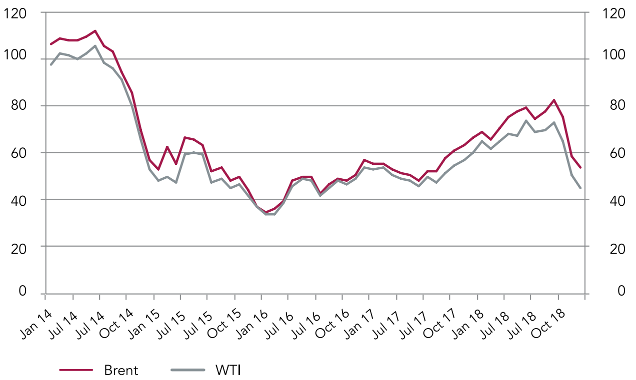
efficient and oil prices moving lower, it's difficult to foresee higher inflationary pressures moving forward, especially as we enter into a period of moderating global growth. The disruption created by US shale has fundamentally upended the global oil industry with long-term supply worries now being replaced by surplus concerns. Owing to record US shale production and OPEC no longer able to dictate the direction of oil prices, there is a growing realization that lower oil prices are here to stay.

Oil prices under pressure



Source: Bloomberg, EIBank

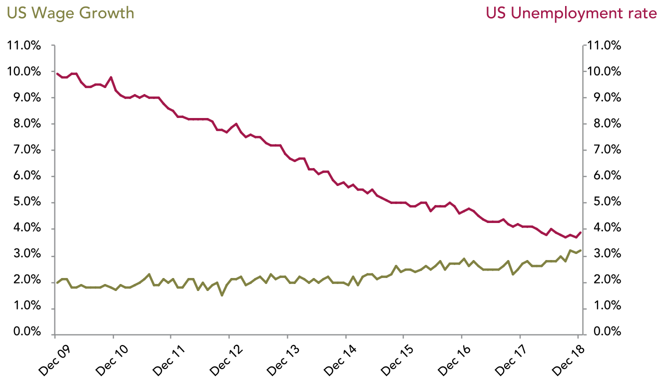
With newer technologies and big data enabling major oil producers to extract more for less, shale oil will continue to be a constant source of supply at lower prices even as global demand for oil wavers. Although 2018's oil price increase was heavily influenced by OPEC-Russia production cuts, the recent exaggerated decline also has an important demand dimension. While US sanctions targeting Iran and Venezuela in addition to disciplined OPEC-Russia efforts to curtail production led to a recovery in oil prices last year, more supply from US shale and last minute US waivers to a number of Iranian oil buyers exacerbated the supply situation by the end of the year, leading to a capitulation in oil prices in Q4 2018.

Although a shorter-term rally from here on can't be ruled out, especially if OPEC makes deeper cuts, pressure on state budgets and Russia's reluctance to permanently partner OPEC in further cuts could mean a ceiling on oil prices over the longer-term. Financial market volatility, a strong USD, slowdown worries in Europe and China put further downward pressure on oil from a demand perspective. These trends alongside concerted efforts by major oil consuming countries like China and India to diversify into alternative, cleaner sources of energy, all point to a "lower for longer" oil price scenario.

III. A mid-to-late stage US business cycle

While there are signs that global economic activity has peaked, the US economy remains healthy and has exhibited a high degree of resilience despite decelerating global growth, trade uncertainties, dollar liquidity tightening, and China's slowdown. It is never a straightforward calculation to determine the exact business cycle an economy is in, but there are meaningful indicators that provide evidence that the US is in a mid-to-late-cycle stage at the moment. Record low levels of unemployment, tightening monetary conditions leading to a flattening of the yield curve, strong corporate profits driven by robust investment demand and consumer spending are all pointing to an economy nearing its peak business cycle.

Wage pressures rising, albeit slowly



Source: Bloomberg, EIBank

Several indicators such as domestic consumption and investment growth are still trending higher, albeit at a slower pace, while wage growth has hovered above 3% since October 2018, a level last seen only 10 years ago. The labor participation rate continues to edge higher while the Fed has pursued gradual monetary tightening in order to rein in future price increases and stay ahead of the inflationary curve. Trump's corporate tax cuts helped delay the maturity of this expansionary cycle, but their effects should fade in 2019 and corporate earnings are expected to normalize as a result. We believe global expansion will continue in 2019 while the US business cycle continues to mature.

IV. EM risks priced-in as China's global influence continues to grow

Emerging Market (EM) assets took a beating in 2018 as investors reduced their exposure to the

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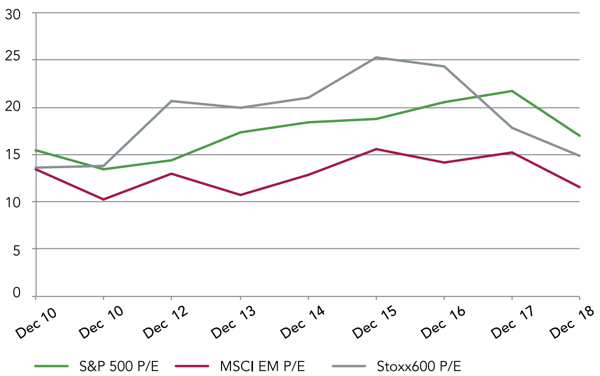
asset class, reallocating some of the proceeds into shorter-duration US assets that continue to yield higher with each Fed rate hike. While some economic vulnerabilities remain going into 2019, risks facing the EM universe appear to be priced-in at current valuations.

Barring certain countries such as Argentina, Turkey and Venezuela, many EM economies have sufficient forex reserves and manageable debt levels. The strong USD is a headwind, but many of the major EM economies are not as USD-sensitive as they were in past periods and have enough reserves to withstand any external shocks. The threat of a funding crisis in EM due to a dollar liquidity squeeze is minimal, and after a difficult 2018, EM appears to be an asset class expected to offer value, albeit selectively.



Source: Bloomberg, EIBank

Despite its downgrade to global growth, the IMF expects EM to grow at 4.7% in 2019 compared to 2.1% for Developed Market (DM) economies. EM growth will be led by the usual suspects, China and India, which are expected to grow by 6.2% and 7.4%, respectively. China, which constitutes 30% of the MSCI EM Index, is at the center of a trade war with the US as both countries vie for longer-term, global supremacy. Any discussion on global growth is incomplete without studying China. China deserves special attention as investors take heed to the country's growth potential and its growing global influence.

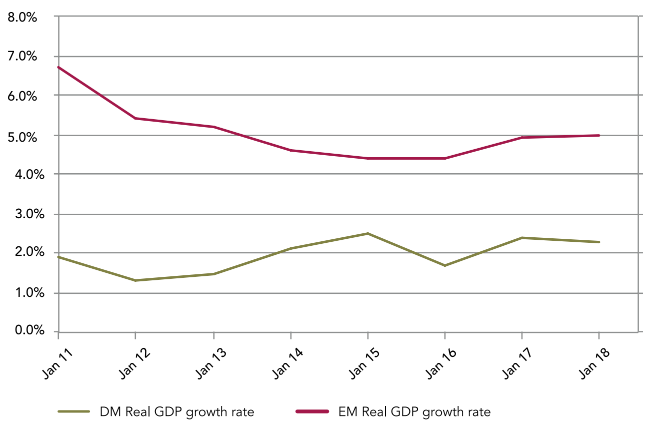
Under the leadership of President Xi, China embarked on a national strategy to turn the country into a manufacturing powerhouse through technological advances and artificial intelligence. The strategy was coined "Made in China 2025" and part of the plan required foreign companies to transfer their technology to local entities as a precondition to invest and operate in China. The US deemed this unfair and accused China of stealing intellectual property through this plan. An all-out trade war ensued in order to disrupt China's plans.

An escalating trade war with the US alongside the government's campaign to scale back lending disrupted investment growth as well as hurt consumer spending in 2018. Heading into 2019, China's sliding growth is again top of investor concerns. The Chinese authorities need to perform a fine balancing act to revive private sector confidence and support credit growth while sustaining efforts to deleverage a debt-fueled economy. Overall, MSCI EM earnings are set to grow, albeit modestly. We believe mid-to-late-stage economic cycle volatility in the US, deteriorating fundamentals in Europe and excessive pessimism surrounding EM calls for a cautiously favorable view on EM.

V. Downside risks to global growth have increased

The outlook for 2019 remains uncertain amid deteriorating prospects in DM as protectionist measures and less accommodative monetary policy take their effect. Global manufacturing is growing at its weakest pace in over two years and US-China trade war uncertainty remains. A sharper tightening in borrowing costs could depress capital flows and lead to further deceleration in several EM economies. Higher interest rates and an appreciating USD have already resulted in an outflow of capital from EM economies and taken a heavy toll on their currencies. The World Bank lowered its forecast for global growth in 2019 from 3.0% to 2.9%, which varies significantly from the IMF's forecast of 3.7%. It cites a variety of reasons, including trade concerns and troubles with EM currencies, as two main culprits for the lower estimate.

Global growth facing downward pressures



Source: Bloomberg, EIBank

THE 2019 OUTLOOK

A look at the two largest global economies also suggests a structural slowdown going forward. The economies of the US and China start off 2019 on a still solid but declining outlook. While the Fed is now mindful of a slowing global economy, tailwinds from US tax cuts will start to fade, resulting in a more normalized earnings outlook. Meanwhile, growth in China eased over the course of 2018 amid tighter rules on shadow banking and US tariffs on Chinese imports. China's economy is also growing from a much larger base than a decade ago and growth is bound to slow down as a result. While stimulus measures by the PBoC have supported faltering growth, they could also aggravate risks to financial stability. Meanwhile, structural issues in the Euro-area, a hard Brexit, rising US twin deficits, worries about a consumption tax hike in Japan are also potential longer-term risks for global growth. While the danger of all things going awry at once remain slim, the manifestation of such risks, even on their own, may hurt sentiment and adversely affect global growth.

VI. Making sense of the yield curve as it approaches the neutral rate

A stronger US economy has allowed the Fed to increase rates nine times from December 2015 through the end of 2018 as the process of monetary policy normalization ensues. One rate hike in each of 2015 and 2016 was followed by three rate hikes in 2017 and four in 2018. Global growth expectations have been lowered for 2019 which has resulted in only two rate hike expectations for this year.

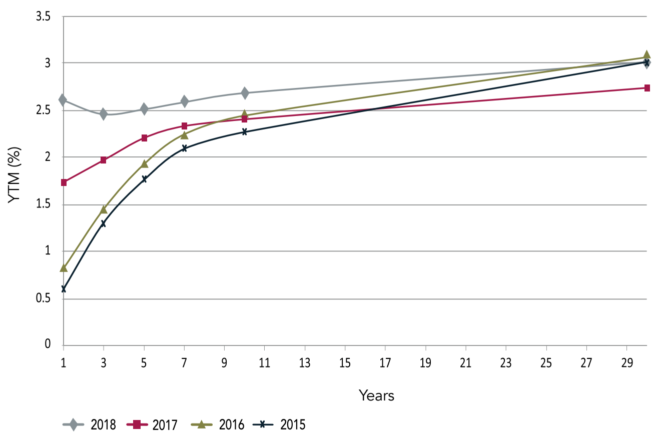
The yield curve has flattened significantly as a result with the short-end of the curve rising materially faster than the longer-end. The current spread between 2Y and 10Y Treasuries is only 16bps as 2Y Treasuries yield 2.53% versus the 10Y yield of 2.69%. Meanwhile, the 1Y to 5Y yield curve is actually inverted with 1Y yields standing at 2.57% against 2.52% for 5Y Treasuries. Put simply and in such a scenario, investors are demanding a risk premium to hold shorter-term bonds over longer-term bonds. Should this continue and holding all else equal, they believe that near-term uncertainty outweighs longer-term economic risks.

The slope of the yield curve is very indicative of the health of the global economy. Based on various market drivers, the yield curve can pursue three different scenarios from here, each with their own investment implications. It can continue to remain flat, which would indicate lower global growth expectations. It can become inverted, which would indicate an impending recession over the next 6 to 24 months. The last scenario is a bit more complicated as it can revert back to normal (i.e. steepen) through two very different market forces – a bullish steepening and a bearish steepening.

A bullish steepening results when yields on the longer-end of the curve rise, indicating higher global growth and inflation prospects. This would be an optimal scenario. Alternately, the Fed can reverse course on monetary tightening and begin lowering rates on the short-end, which would also result in its steepening. Although this scenario is unlikely, it would indicate that global economy is weak and needs renewed artificial central bank support. We do not believe that the Fed will reverse course and become accommodative again.

We believe that a flat yield curve scenario will continue and reflects lower global growth expectations and subdued inflationary pressures – in short, a less favorable or more uncertain economic outlook. We will continue to monitor the yield curve between 2Y and 10Y Treasuries as it has been a reliable indicator of an impending recession. At this point in time, and since some inflationary pressures are building, an inverted yield curve is not the likely outcome, in our view. Should the yield curve invert though, it has generally taken 12 to 24 months for a recession to materialize. As such, a 2019 recession is not looming in our view.

Flattening US Yield Curve



Source: Bloomberg, EIBank

MONTHLY INVESTMENT OVERVIEW

Global equities witnessed a major sell-off in December amid heightened volatility. A multitude of factors resulted in the biggest quarterly loss for the S&P500 since the 2008 Global Financial Crisis (GFC). A fourth Fed rate hike for the year, questions over the Fed's independence, and the prospect of a partial government shutdown extending into 2019 aggravated already lingering concerns about the health of the global economy. Amid the slew of negative news flow, global equities staged a comeback of sorts after the Christmas holiday on positive reports about US consumer spending in the holiday season and further progress on US-China trade talks but ended December with a loss of 7.2%, as represented by the MSCI All Country World Index.

> "Amid the slew of negative news flow, global equities staged a comeback of sorts after the Christmas holiday on positive reports about US consumer spending"

After initially stating that the US policy rate was still "a long way" from neutral earlier this year, Fed Chair Powell changed his tone in November with some pundits attributing the change to pressure from Trump. Powell said rates were "just below" neutral territory, raising concerns over the Fed's independence and causing some market uncertainty. At its last meeting for 2018 in December, the Fed again surprised investors by sounding less dovish than expected, while marginally lowering its 2019 guidance from three to two rate hikes. At the time of this writing, the minutes of the last FOMC revealed that the Fed will take a "patient" approach on further rate hikes amid still subdued inflationary pressures. Aside from a host of geopolitical issues facing the global economy, the S&P500 lost 9.2% in December capping 2018 with a loss of 6.2%.

Tighter US monetary policy, fears of an economic slowdown, an ongoing US-China trade war and Trump's repeated attack on the Fed for being too hawkish meant US Treasuries had a volatile year. The US 10-year Treasury yield traded at a multi-year high of 3.24% in August as the Fed was on course with its normalization agenda but fell thereafter as investors began to question whether the Fed is raising rates too fast and whether the global economy can withstand two more rate hikes in 2019. The US 10-year Treasury yield ended 2018 at 2.7%, up 30bps for the year.

Under pressure from the EU, the Italian Parliament approved the government's revised 2019 budget, averting sanctions and fines. As per the deal struck with the EU, Italy's government lowered its planned budget deficit from 2.4% of GDP to 2.04%, delaying and diluting some of its populist election promises. Investor demand for Italian government debt reached its highest levels in a year with the 10-year government bond yield hitting a three-and-a-half month low of 2.73%. Earlier, the ECB ended its QE program after four years while stating that it expects policy rates to stay at current levels at least through the summer of 2019. For the month, the pan-European STOXX600 hit a two-year low, losing 5.6% amid widespread risk-off selling while the EUR edged higher by 1.3% against the USD.

The UK is set to leave the EU on March 29 without a deal unless both parties compromise on new terms. At the time of this writing, PM May's laboriously negotiated Brexit deal was voted down by the UK Parliament and a no-confidence vote called against her. While she prevailed in the confidence vote, the UK faces an uncertain future as a revised Brexit deal with the EU and ratification by the UK Parliament is unlikely by March 29. Brexit uncertainty abounds, and though the GBP held up well in December on some positive data, it lost 5.6% against the USD in 2018. The FTSE100 slipped 12.5% in 2018, in line with a loss of 13.2% for Europe's Stoxx600.

Slowing Chinese growth, a US-China trade war and disruptions due to natural disasters have weighed on Japan's growth prospects at a time when falling

MONTHLY INVESTMENT OVERVIEW

oil prices have put further pressure on already very subdued inflationary pressures. Japanese retail sales rose 1.4% in the year through November, undershooting a 2.1% gain expected and slowing sharply from the 3.5% increase seen in October. Industrial output also fell 1.1% in November from the previous month, signaling the increasing impact of global risks on demand for Japanese goods. The JPY strengthened in December against the USD and was among the few gainers in 2018 against the strong USD as heightened volatility in asset prices boosted the JPY's safe-haven appeal in 2018. For the year, the Nikkei225 lost 12.1% while the JPY appreciated 2.7%.

While Trump made positive comments about reaching a trade deal with his Chinese counterpart Xi towards the end of December, sluggish economic data from China continued to worry investors. A trade war with the US and targeted monetary tightening to rein in excessive debt levels have taken a toll on investment spending and the Chinese consumer. Amid a persistent slowdown in the domestic economy and downward pressure on financial markets, the Chinese authorities signalled that more monetary and fiscal support will be rolled out in 2019. Meanwhile, Chinese CPI rose 1.9% year-over-year in December, lower than expectations of a 2.1% rate and should only strengthen the case for the PBoC to do more. The authorities will have to delicately infuse stimulus while sustaining efforts to contain debt levels. For the month, the Shanghai Composite declined 3.6%, bringing its 2018 loss to roughly 25% while the CNY declined 5.7% against the USD.

In India and prior to national elections in May 2019, RBI Governor Patel stepped down amid pressure from the government to stimulate the Indian economy and ease lending restrictions on under-capitalized state-owned banks. The new RBI Chief Das immediately calmed market fears over the autonomy and credibility of the Central Bank. Meanwhile, ruling party leader and PM Modi received another setback as his party lost three key state elections, raising concerns that his re-election next year may not be a smooth ride and could result in a hung parliament. Elsewhere, Brazilian stocks rose to record highs after President-elect Bolsonaro said he would sell dozens of state-owned enterprises and fix the country's generous pension system. The IBovespa Index rebounded from depressed levels, gaining 15.0% for the year on the back of investor optimism surrounding the positive change in the political environment.

> " Brazilian stocks rose to record highs after President-elect Bolsonaro said he would sell dozens of state-owned enterprises and fix the country's generous pension system "

Although OPEC and its allies are trying hard in preventing an oil surplus in 2018, oil prices fell on fears that the cutbacks may not be sufficient to offset yet another supply surge from US shale production. Oil suffered heavy losses and ended 2018 with a loss of 19.5% amid global growth concerns, oversupply and doubts over the effectiveness of OPEC-Russia's production-cut agreement. Q4 218 saw Brent facing its worst quarterly loss since 2014, prompting OPEC and its allies to pledge a deeper production cut, if deemed necessary.

Asset Class Views

Asset Class	November	December	View / Rationale
Equities	↘	↘	
US	↘	↘	Earnings growth normalizing as tailwinds from corporate tax cuts fade.
Europe	↔	↔	Industrial production declined in Germany, Italy, Spain and France while the consumer is holding up well.
UK	↘	↘	Brexit continues to cloud outlook as a revised deal seems unlikely to be approved.
Japan	↔	↔	Moderating global growth to weigh on Japanese equities.
China	↔	↔	Selectivity remains key as PBoC introduces stimulus measures to support faltering growth.
India	↘	↘	Range-bound markets on general election uncertainty.
Brazil	↘	↔	Upgrade to Neutral as economic risks abate and Brazil enters into a period of government-led pro-growth policies.
Russia	↔	↔	Lower oil prices and US sanctions to weigh on equities.
MENA	↘	↘	Positive political developments will be welcome as the region continues to search for a catalyst.
Asset Class	**November**	**December**	**View / Rationale**
Fixed Income	↔	↔	
US	↔	↔	Powell's dovish commentary to keep rates anchored for now.
Europe	↘	↘	Amid an evident slowdown, ECB to continue accommodative stance.
UK	↔	↔	A potential delay in Brexit deadline raises the aura of uncertainty.
Japan	↘	↘	BoJ to remain accommodative as growth outlook weakens and corporate earnings weaken.
China	↔	↔	A weak inflation reading and clears signs of slowdown to push rates lower.
India	↔	↔	Inflation at an 18-month low to allow RBI to be supportive and cut rates.
Brazil	↔	↔	Below target inflation in 2018 to allow pro-growth government policies to be implemented.
Russia	↔	↔	Central Bank mindful of inflationary risks and the threat of US sanctions.
MENA	↔	↔	Credit metrics will be tested in 2019 as corporate profits are pressured.

↑ Overweight, ↗ Favour, ↔ Neutral, ↘ Cautious, ↓ Underweight

Asset Class Views

Asset Class	November	December	View / Rationale
Currencies			
USD / EUR	Neutral	Neutral	We remain Neutral as both currencies face headwinds for now.
USD / CHF	Favour	Favour	Favour the USD as the SNB remains more accommodative.
USD / GBP	Favour	Favour	GBP continues to be Brexit-news dependant.
USD / JPY	Favour	Favour	Weaker global demand outlook to weigh on the JPY.
EUR / CHF	Favour	Favour	Favour the EUR as the SNB remains more dovish.
EUR / GBP	Favour	Favour	EUR exposure warranted against a volatile and uncertain GBP.
EUR / JPY	Favour	Favour	Favour the EUR versus the JPY at current levels.
CHF / GBP	Neutral	Neutral	GBP continues to be Brexit-news dependant.
CHF / JPY	Neutral	Neutral	We remain Neutral CHF/JPY at current levels.
GBP / JPY	Neutral	Neutral	An accommodative BoJ offsets a lack of clarity on the GBP.

Overweight, Favour, Neutral, Cautious, Underweight

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IMPORTANT INFORMATION