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NOVEMBER 2019

Global Macroeconomic Outlook 2020

An Analysis of Global Economic Trends

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Global Economics

Current Environment

- Trade uncertainty is unresolved. Announced US tariffs on Chinese goods increased significantly in the past quarter. That means the recession in global manufacturing and trade will persist for longer. Although cyclical indicators have now weakened to a point from which we would ordinarily expect a rebound, we think trade tensions need to abate before that happens.
- We do not forecast a broader recession in the near term. That's despite the trade slump badly affecting those economies directly in the dispute, and those with high exposure to global trade. As well as emerging "late cycle" characteristics such as tightening corporate margins.
- Global GDP is expected to grow at a sluggish, but not recessionary, 2.6% this year and next. Growth momentum should improve through the course of next year.
- There are reasons to be sanguine. Labour markets generally remain healthy, generating solid household incomes. Corporate balance sheets are still in reasonably good shape and policy has shifted in a stimulative direction. Central banks around the world are easing, and there's the possibility of some fiscal expansion in China and Europe next year.
- To conclude, we expect resilience in the short-term and as beleaguered manufacturing recovers over the next year, global growth should strengthen. We are not at the end of the cycle, but looming recession risks indicate that it is getting late.

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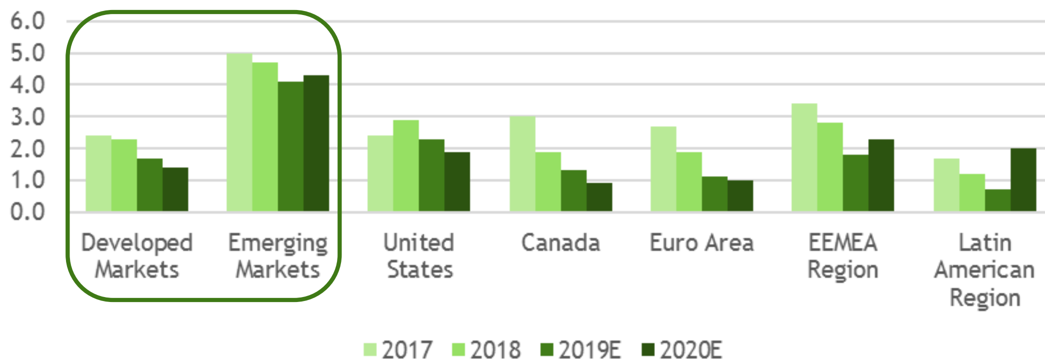
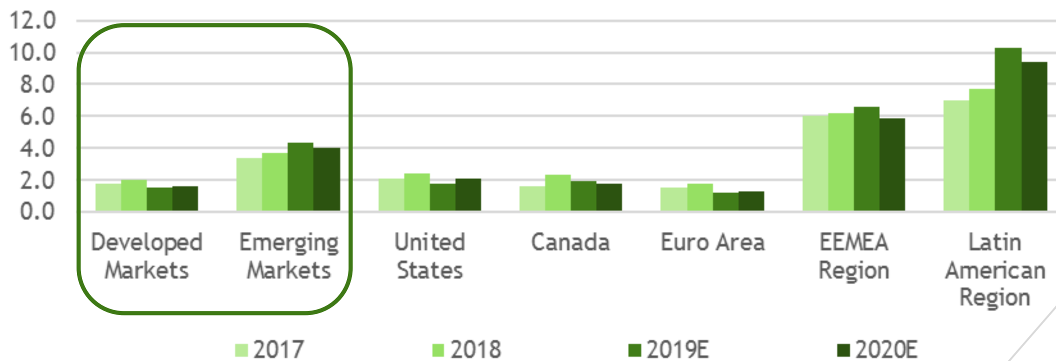
Economic Forecasts

Country/economy	Real GDP growth (y/y% avg)				Inflation (annual avg of y/y%)			
	2017	2018	2019E	2020E	2017	2018	2019E	2020E
Global	3.4	3.2	2.6	2.6	2.4	2.7	2.6	2.5
Developed Markets	2.4	2.3	1.7	1.4	1.8	2.0	1.5	1.6
Emerging Markets	5.0	4.7	4.1	4.3	3.4	3.7	4.3	4.0
North America								
United States	2.4	2.9	2.3	1.9	2.1	2.4	1.8	2.1
Canada	3.0	1.9	1.3	0.9	1.6	2.3	1.9	1.8
Europe								
Euro Area	***2.7***	***1.9***	***1.1***	***1.0***	***1.5***	***1.8***	***1.2***	***1.3***
Germany	2.8	1.5	0.5	0.4	1.7	1.9	1.3	1.4
Italy	1.8	0.7	0.1	0.7	1.3	1.2	0.8	1.0
France	2.4	1.7	1.2	1.1	1.2	2.1	1.4	1.5
Spain	3.0	2.6	2.2	1.8	2.0	1.7	0.9	1.3
United Kingdom	1.8	1.4	1.2	1.3	2.7	2.5	1.9	2.1
Norway	2.0	2.2	2.6	1.8	1.4	1.5	2.1	2.1
Sweden	2.7	2.4	1.5	1.6	2.0	2.1	1.7	1.7
Switzerland	1.8	2.8	1.1	1.4	0.5	0.9	0.5	0.5
Asia								
Non-Japan Asia	***6.1***	***6.0***	***5.5***	***5.3***	***1.9***	***2.2***	***2.4***	***2.2***
EEMEA								
EEMEA Region	***3.4***	***2.8***	***1.8***	***2.3***	***6.0***	***6.2***	***6.6***	***5.9***
Latin America								
Latin American Region	***1.7***	***1.2***	***0.7***	***2.0***	***7.0***	***7.7***	***10.3***	***9.4***

Source: Credit Suisse





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Global Economy: Loomings

Trade uncertainty still weighs on global manufacturing activity. Recent tariff escalations have delayed any rebound.

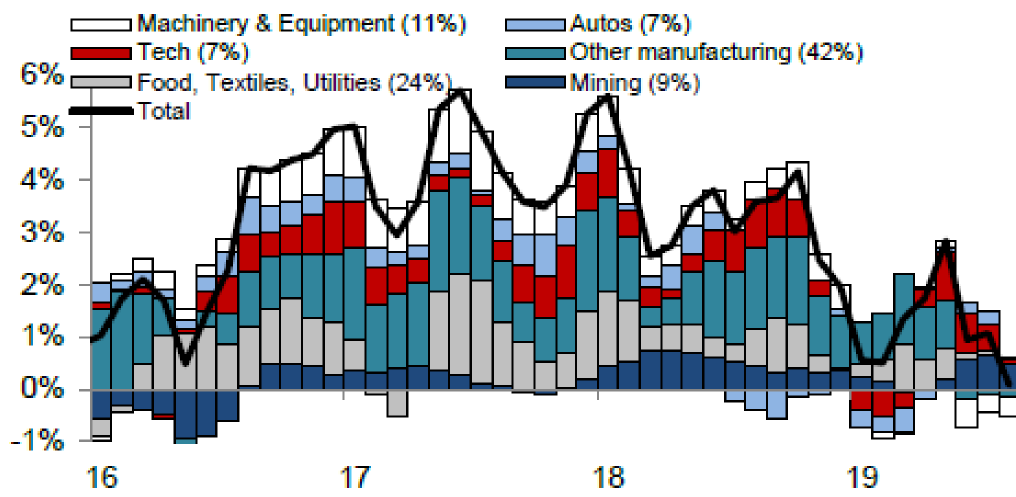
 US and global recession risks loom but recession is not imminent.
 Some relief in trade tensions could lead to an improvement in manufacturing, but it would not alleviate late-cycle risks.

Global recession risks loom amid an industrial production slump caused by trade uncertainty. As usual a manufacturing slump coincides with fragile business and investor sentiment, but this time the list of broader worries is especially long and sobering. However, policy tailwinds are stirring, and solid labor market trends remain intact. Elevated risks need not portend the cycle's imminent end.
Below we disentangle problems that can quickly reverse from ones that will linger. By separately examining manufacturing, recession risks, and reasons for hope, we probe the case for cautious optimism.

Manufacturing recession risks

Trade uncertainty has damaged growth in the goods sector for the past year. Worried manufacturing firms have invested sluggishly, leading to low PMIs, disrupted patterns of trade. Market and policy indicators parallel this industrial production slump, these include central bank rate cuts and long-term treasury yield drops.

The evidence that tariff fears have been the main problem is in the composition and timing of growth weakness. Performance has been worst in sectors touched by tariff fears, in the most trade-sensitive regions, and during the months following tariff announcements.



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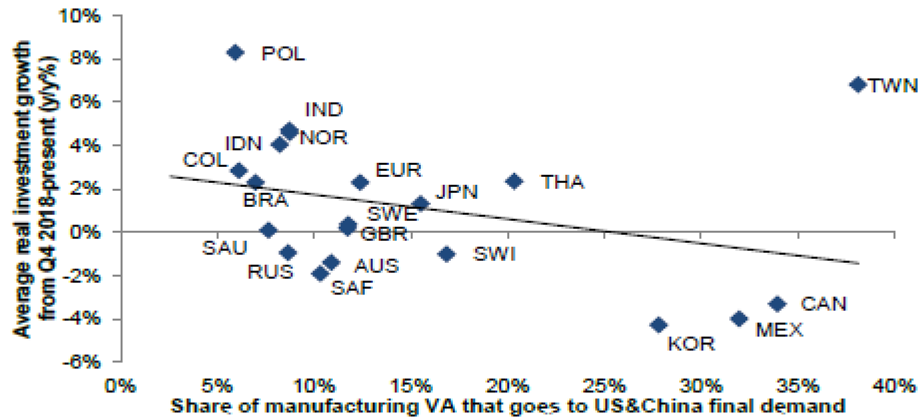
Global Economy: Loomings

Figure 2: Investment has been weak in countries most exposed to US and Chinese demand

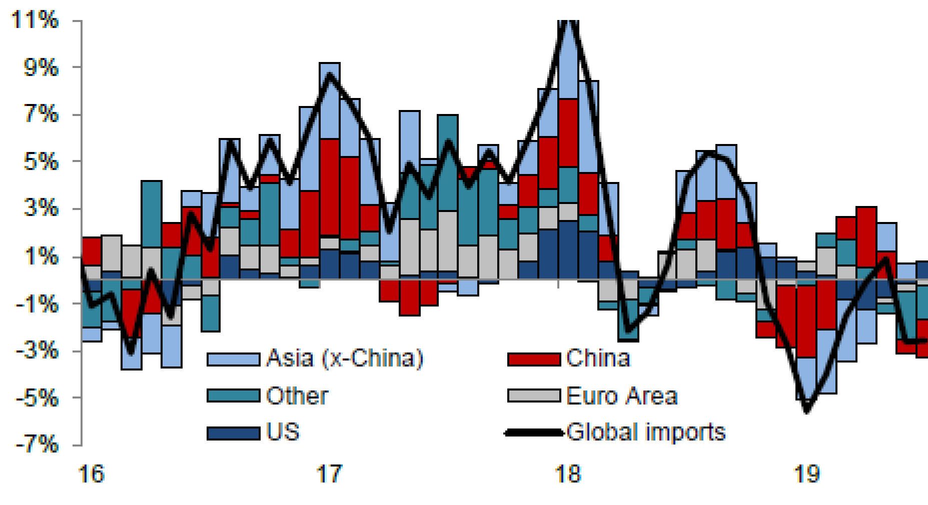
y/y% growth in investment goods demand since Q4 2018 vs. the share of manufacturing value added produced in each country that is used in the US and China according to the OECD TiVA database.



Source: Credit Suisse, Thomson Reuters Datastream, OECD

Figure 3: Imports have been weak in Asia

Regional percentage point contribution to 3m/3m ann. growth in global imports. Latest month June.



Source: Credit Suisse, CPB

In August, the projected average tariff rate on US imports from China rose from 13% to 24%, a major escalation of the trade war. Since then, media speculation of a trade deal or mini-deal has increased and benign adjustments to tariff schedules have occurred, leading many investors to focus on small bursts of positive news instead of the step change in actual tariffs.

Manufacturing businesses have not had the luxury of such optimism. PMIs, which survey businesses directly, have been badly battered. The August tariffs were announced while growth momentum was already contracting following the prior escalation of the trade war in May. This has likely delayed any strong rebound from the earlier shock.

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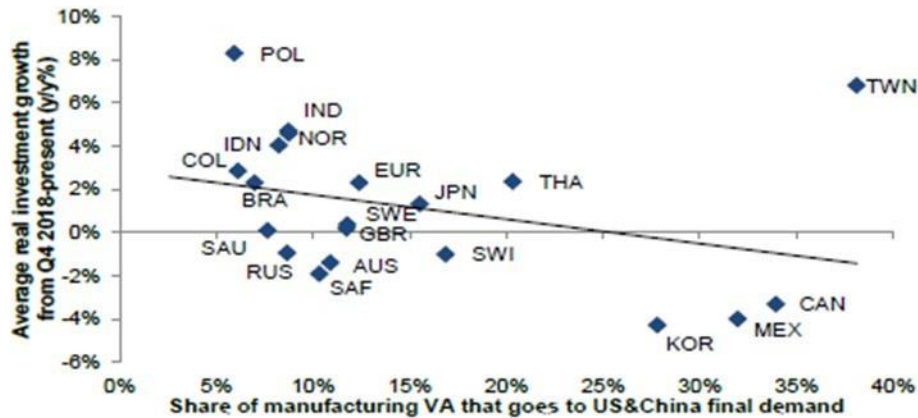
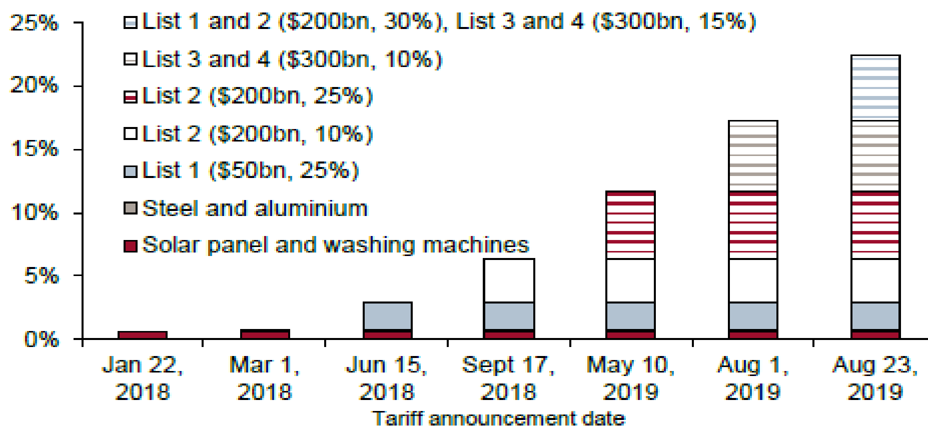


Source: Credit Suisse, Thomson Reuters Datastream, OECD

Figure 5: Tariffs are set to rise substantially before the end of the year

Cumulative impact on average US tariff rate on Chinese imports by announcement date



Source: Credit Suisse, USTR, Census Bureau

News from the most trade-sensitive economies has been bad. Germany is near recession and may see rising unemployment soon; Swedish unemployment is already rising, though strangely not in manufacturing; Chinese manufacturing investment is contracting; and many smaller open economies show variations of these developments. Still, labor markets outside of these trade hubs have generally been resilient. Whether weakness broadens into developed market services sectors is the ultimate threshold for global recession risks.

Risks beyond manufacturing

Dismay over industrial production/trade/tariff news reflects merely waves atop a sea of deeper troubles. US and European recession harbingers like inverted yield curves, stagnant profits, cresting consumer confidence, tremors amid the weakest corporate balance sheets, and slowing unemployment rate declines suggest elevated recession risks. Worryingly, these alarms ring less regularly than PMI dips. They do not all routinely correspond to manufacturing slumps the way falling yields, easing …

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Global Economy: Loomings

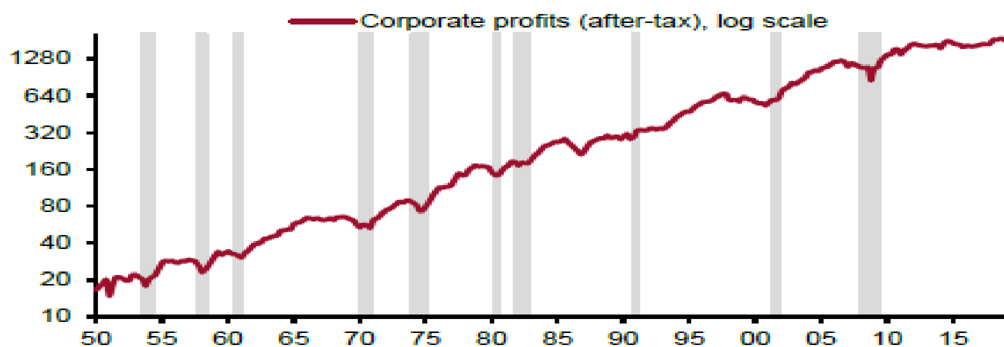
…central banks, and weak commodity prices do. Then again, while some of these things appear to be reliable precursors of past recessions, their lead times can be long and variable. Additionally, given the infrequency of large global recessions, all such correlations are based on a tiny sample sizes.

New shock candidates have appeared too. In recent weeks, worries of an oil price spike were prompted by geopolitical developments. Although the energy market has calmed, the real-world conflict that disrupted Saudi output have not. Experienced investors remember that five of the past six US recessions were preceded by oil price spikes.

Funding market worries are back too. These were predicted by money market plumbers. After ten years, tightness in the dollar money market has returned. The Federal Reserve will probably need to expand its balance sheet in order to add reserve balances to the banking system, thereby enforcing their interest rate targets more precisely than of late. How much the Fed will need to contribute is unknown. Jerome Powell, the Fed chairman has said that this development signals nothing about monetary policy rather it signals a return to “organic growth” in the Fed’s balance sheet. As a result, many market participants will view resumed “money printing” with apprehension.

Figure 6: US corporate profit growth is stagnant

US corporate profits (after-tax). Current USD bn, log scale. US recessions shaded in grey.



Source: Credit Suisse, BEA

The bright side

All industrial production slumps are alike, but each global recession occurs in its own way. Manufacturing slumps frequently, no fewer than eleven times since 1983, in contrast to three US/global recessions. Recent decades have seen remarkably resilient labor market and inflation trends outside of recessions in the biggest developed economies, in contrast to earlier decades when jobs and inflation moved regularly with manufacturing.

Apparently, it now takes a lot to dislodge inflation or unemployment from their ongoing trends. A list of worries and an observed correspondence between today’s developments and past recessions are good reasons for “late cycle” proclamations but flimsy reasons for fake precision forecasts of when recession will hit.

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Global Economy: Loomings

One reason for resilient inflation and labor market trends may be that policymakers have become better at delivering accommodating conditions when troubles are forecasted. In the past year US long-term mortgage rates have declined by nearly 100bps, and we are now seeing signs that this is helping housing activity. Policy rate cuts in the US, Eurozone, and in many other economies, have eased conditions. Interest burdens are rarely burdensome today.

In Europe, expectations of serious fiscal stimulus are setting in, bolstered by Christine Lagarde's appointment at the ECB's helm, and very poor recent data in and around Germany. Some theorists have long suspected that the strongest stimulus channel from low policy rates is government spending. That being said governments, especially in Germany, have been reluctant to spend and so the full stimulatory power of low rates might yet be before us.

Meanwhile, the US President seeks re-election and his pugilistic reputation on trade has been established. Easing off on policies which damage market and business sentiment is a plausible re-election strategy. August might have been the peak of negative trade news for now. Past global industrial production cycles show that the strongest growth and sharpest PMI increases tend to happen early in the short industrial production cycle and during a rebound from a deep trough. If an easing of trade uncertainty can trigger a resumption of business investment amid still decent consumer spending behavior, global industrial production growth will have serious upside. We do not expect such improvement in the months ahead, except in the unlikely event that recent tariff increases are reversed. The prospect for an IP rebound in 2020 is solid.

Initial jobless claims as a share of overall employment in the United States remain close to all-time lows a full year after the bond market began to price (correctly) for an easing cycle. US inflation looks set to perk up in the months ahead but ultimately will remain near 2% in our view. In other words, inflation and labor market trends have not been much disturbed by everything above. We do not see balance sheet problems or financial triggers underway that are of adequate magnitude to change this.

In conclusion, the flat curve, stagnant profits, and much else in our recession harbinger list is set to loom as risks for even longer. Speculators have asked whether our forecasts of positive global GDP growth in the quarters ahead is an aberration, and we standby in our belief that it is not. Recent recession signals in the data are unlikely to reverse soon, but they also do not provide guidance on when a recession might occur. In the meantime, if a manufacturing rebound should unfold, it would likely bring the bliss of rising PMIs. This would signal an increased demand for manufacturing goods, bolstering investor confidence and economic growth.

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United States of America: Consumer can offset trade risk

- US growth is slowing, but a recession remains unlikely. Manufacturing and business investment are the source of the weakness, offset by ongoing strength in consumer spending.
- Inflation slumped at the beginning of the year but has stabilized since. In our view, this weakness was transitory, and we expect core PCE to rise towards the Fed's 2.0% target by early 2020.
- Global weakness and trade uncertainty have pushed the Fed to implement three 25bp 'insurance cuts.'

US growth is slowing in the second half of 2019 and we expect this weakness to persist through next year. We expect real GDP growth to at an average 1.9% through 2020. Trade uncertainty and weak global manufacturing growth are the main drivers of the deceleration, impacting business investment and net exports. Consumer spending remains a bright spot, supporting overall growth.

The US-China trade conflict has escalated significantly in recent months. Scheduled tariff increases would impact nearly all Chinese imports, with the average tariff approaching 25%. A near-term détente is still possible, but uncertainty will likely persist. Business sentiment has continued to decline, with ISM manufacturing slipping into contractionary territory.

Business investment slowed considerably in the first half of the year and we expect this weakness to be persistent. Trade uncertainty is an important driver of weak investment, but there are other headwinds. Business profits have stagnated amid rising labor costs and the stimulus from corporate tax cuts is fading. Financial conditions remain easy, which should prevent a sharp deterioration in investment, but we expect little growth in business spending through the end of the year, and into 2020.

Consumer spending is likely to remain strong despite global risks and sluggish investment. Income growth is solid, and growth is increasingly benefiting lower-income households (who have the highest propensity to spend). Savings rates are elevated and household balance sheets are in good shape. Lower mortgage rates have led to a pickup in refinancing, which should be a further tailwind for spending.

Lower mortgage rates are also beginning to provide a boost to the housing sector. Residential investment is poised to pick up in the second half of 2019 after six consecutive quarters of contraction. New construction and home sales have picked up meaningfully in late 2019. Low vacancy rates, improving affordability, and solid demographics suggest that strength in the housing sector could persist, helping to offset some of the global shock from the trade conflict.

Fiscal policy has been stimulative since 2018, but that tailwind is beginning to fade. A budget deal agreed in the summer will prevent a contraction in the federal discretionary budget. Incrementally though, the deceleration in government spending should be a slight negative for growth beginning in Q4 2019.

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United States of America: Consumer can offset trade risk

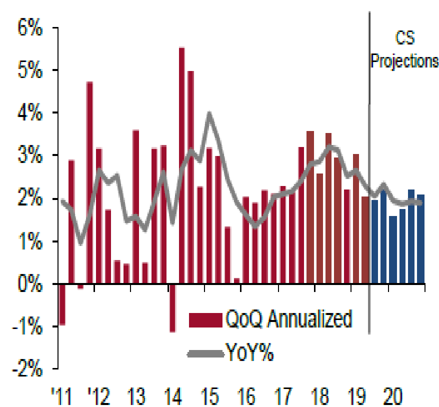
The labor market remains solid, but the pace of job gains is moderating. In our view, this is a benign slowdown, with job gains approaching levels consistent with working age population growth. The unemployment rate remains near multi-decade lows and weekly initial jobless claims have been steady in the low-200k range. Wage growth has picked up, offsetting some of the slowdown in payrolls and keeping overall labor income growth near its post-crisis trend.

Inflation was surprisingly weak at the start of year but has recovered strongly in recent months. Much of the temporary shortfall was due to unusual weakness in a few small components. YoY core PCE inflation remains low but is poised to gradually rise towards the Fed's 2.0% target by early 2020. Rising tariffs against China pose an upside risk for prices, especially if the December 15th increase on $180bn of consumer goods goes into effect.

The Fed has implemented three 25bp 'insurance cuts' this year. Growth is not collapsing, but risks remain elevated due to the sharp increase in tariff rates and ongoing weakness in global industrial production. ISM manufacturing tends to be one of the best correlates of Fed behavior and has fallen to levels consistent with policy easing. Concerns about falling inflation expectations and below-target data reduces the potential downside to precautionary stimulus. We expect balance sheet growth to resume before the end of the year to address money market stress.

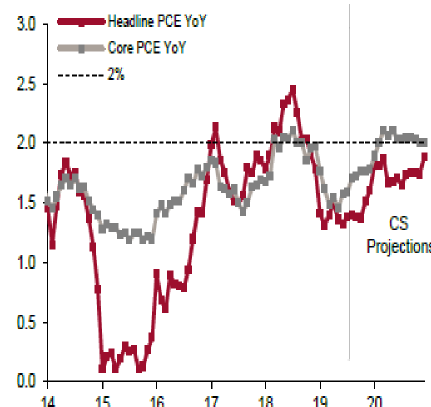
Overall, risks are rising for the manufacturing sector, but fundamentals for consumers remain strong. Lower mortgage rates are beginning to have a positive impact on residential investment, offsetting weakness in other cyclical sectors. Growth should continue to slow through next year, but a healthy labor market and rising core inflation will keep the Fed from embarking on a prolonged easing cycle.

Figure 7: We expect real GDP growth to average 2.1% in H2 2019 and 1.9% through 2020



Source: Credit Suisse, Bureau of Economic Analysis

Figure 8: YoY core PCE inflation remains low, but is poised to gradually rise towards the Fed's 2.0% target by early 2020



Source: Credit Suisse, Bureau of Economic Analysis

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European Zone:
Skating on thin ice

 The economy remains weak, with GDP set to grow at 1% this year and next. Resilient domestic demand continues to offset terribly weak exports.
 There are risks in both directions. A revival in global trade would deliver stronger growth. In its absence, weakness is likely to spread to domestic demand, especially in Germany.
 The ECB has committed to QE until core inflation rises, so its capacity to deliver additional stimulus is now limited. A shift towards fiscal stimulus is likely next year: the sooner the better.

The euro area economy has been weak but stable for over a year, with GDP running steadily at an annualized pace of just above 1%. The weakness has been concentrated in exports and manufacturing. Domestic demand and the services sector have remained resilient.

It's possible that this can be sustained. Employment is still growing and is accompanied by healthy real wage growth. Along with tax cuts in some jurisdictions, household disposable income should be strong enough to sustain healthy growth in consumer spending. Consumer confidence remains high and despite the weak external environment, investment spending has weakened only slightly.

Although this state could persist, there are material risks in both directions. On the upside, if uncertainty over trade policy abates significantly then there is a prospect for a sharp recovery in global trade and manufacturing. Eliminating the external drag on the euro area economy would inevitably result in much stronger growth to come. On the contrary, if the slump in global manufacturing and trade persists, the clear downside risk is that resilient labour markets and domestic demand in the euro area start to crumble. That would lead to a further deterioration in euro area GDP growth, potentially slowing close to rates consistent with a recession.

The likelihood of that downside risk is building steadily and will continue to do so until trade growth recovers. The key area of vulnerability is the corporate sector, especially in Germany. Given Germany's unusually high exposure to external trade, it has faced an acute slowdown in foreign demand.

And with a tight German labour market, corporate profits have been squeezed. They are unlikely to improve in the absence of an upturn in trade. It now seems likely that there will be an abrupt shift in German corporate behavior, with cutbacks in investment and headcount. Rising unemployment is then likely to provide a headwind to consumer spending.

Germany has quickly shifted from one of the strongest economies in the euro area to one of the weakest. The euro area slowdown has effectively been an amplified negative shock to the German economy.

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European Zone: Skating on thin ice

A slowdown in German domestic demand would have negative implications for other economies – especially Austria, the Netherlands and the CE3. But others, such as France and Spain are much less exposed and easy domestic conditions should mean they remain resilient. Italian growth is likely to improve as financial conditions have eased in the wake of the polar change in government.

So our forecasts are precarious. And in the near-term, downside risks of a deeper and broader deterioration in growth are dominant.

The ECB has eased policy in response. The package was substantial – it commits the ECB to asset purchases for the foreseeable future. Regardless, we think it is incapable of providing an economically meaningful stimulus to the economy.

Having fallen for close to a decade, the euro area's government deficit is now close to zero. Bond yields are negative for many governments and the ECB has committed to ongoing government bond purchases. So, there is considerable capacity to ease and reverse a decade of tightening. ECB President Draghi has put increased pressure on governments to ease, and his successor, Lagarde, is likely to do the same.

There are signs of a shift. The new European Commission may show more forbearance to governments with deficits close to Stability Pact limits. France and Italy are already easing policy. While it may follow a change of government, we expect Germany to finally ease next year.

Consequently, a long-term fiscal headwind will shift to become a tailwind. That should eventually mitigate the downside risks discussed above. Looking further ahead, a shift towards more expansionary fiscal policy could also allow the euro area's dysfunctionally loose monetary and tight fiscal policy mix to recalibrate in a more accommodative direction for financial markets.

We expect core inflation to remain close to the 1.0% rate it has clung to since early 2013. Although it has been inert, other signs of inflationary pressure have been gently emerging. Wage growth is stronger; cyclical responsive components of the HICP basket have seen their inflation rate rise. Against the backdrop of sluggish growth, we doubt inflation will rise meaningfully. If upside risks were to materialize next year, stronger growth could lead to a rise in inflation. Additionally, given the ECB has effectively committed to QE until core inflation rises to around 1.5%, such a rise would have significant effects on the market.

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United Kingdom:
Stuck in a Brexit Rut

- We expect the UK economy to grow by 1.2% in 2019 and 1.3% in 2020.
- The “central scenario” is an election by the end 2019 and Brexit in early-mid 2020. We expect the BoE to hold rates steady in Q4 2019 as well as Q1 2020.

Since 2018 the UK’s GDP has been growing below the 10-year average rate of approximately 1.9%. Brexit uncertainty and global slowdown have negatively impacted business investment and net trade. While consumer spending has been growing at below average levels of 1.4% since 2018 it has been one of the major drivers for growth. It is supported by a robust labour market, and healthy inflation of 1.9%. In contradiction, a rising savings rate and falling consumer confidence pose further risks to economic growth.

As a result of the possible supply disruptions induced by Brexit, many firms have been stockpiling and deflating the value of manufacturing goods while inflating and increasing the volatility of GDP growth QoQ. We expect growth to be boosted slightly in Q3 as firms continue to stock-pile ahead of the new January Brexit deadline, but this is likely to reverse in Q4. Since the summer, the global trade war situation has worsened, and likelihood of a no deal Brexit has increased. Assuming a forecasted, smooth Brexit, the UK’s GDP will grow at 1.2% in 2019 and 1.3% in 2020. While we are confident in our estimates, a material change in the Brexit proceedings, trade relations or global economic growth will cause us to shift our guidance accordingly.

With Brexit paralysis forecasted to continue beyond 2019, we expect business investment to remain subdued through the rest of 2019 and early 2020. In terms of the election, it’s a closely contested two-party race between the Conservatives and the Labour Party. A Conservative majority government will likely result in an expedited deal being passed in Parliament. That being said, parliamentarians are inclined to push for a no-deal Brexit in 2020, increasing the risk of recession in the UK. Moreover, the fiscal easing promises made by PM Johnson imply upside risks to growth. A Labour government (in a majority or coalition) would increase the risks of a second referendum and a softer Brexit, extending the domestically induced slowdown. Despite the Labour Party’s unaccommodating stance on business development, their planned fiscal stimulus package is expected to compensate, at least in-part.

We expect the BoE to be on hold in 2019 and the first quarter of 2020. The wait-and-watch approach is going to continue, while action is unlikely to be forthcoming until the UK’s departure from the EU is defined. If the UK leaves with a deal in November or shortly after, then there could be upside risks to our growth forecasts. We are likely to see a rebound in growth underpinned by recovering investment, positively impacted by stimulatory fiscal policy and improved economic stability. A deal could imply gradual and limited rate hikes by the BoE in 2020, contingent on the level of stabilization in global markets.

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Canada: Tilting Balance

- Canadian GDP growth is was 1.4% in Q4 2019, and is expected to be 1.5% in 2020, and gradually increase going forward.
- Trade policy uncertainty will continue hamper exports and capex.
- Healthy domestic sectors will offset the risk, but to a limited extent.

After a disappointing start to the year, Canadian GDP growth reaccelerated to a two-year high of 3.5% in Q2. A slowdown in the remainder of the year is highly likely, while core inflation is expected to remain close to the 2% target. The Bank of Canada is aiming to keep policy rates unchanged given a resilient consumer sector and two-way risks from trade relations that are yet to be defined.

As the US-China trade war escalated in August, international trade was fragmented and uncertainty grew, causing detriment to adjacent markets like Canada. Leading indicators such as the Stastictics Canada Merchandise Trade index shows non-energy export growth hitting its lowest since mid-2016 (-2%). Slowed US spending on equipment and reduced Chinese agriculture purchases support this figure as well as an observable weakness in the Canadian manufacturing sector.

In addition, the new USMCA agreement remains unratified by Canada and the US. The agreement puts forth changes that are intended to improve on NAFTA but until it is approved by all signatories, uncertainty will continue to strain the domestic business sentiment and dampen Canadian capex growth. The recent extreme weakness is set to normalize, but a strong, positive reversal is very unlikely. In the case of trade policy risk being removed, business sentiment and growth will improve significantly, however, the slowdown's impact has been felt and recovery will take time, especially for a small, open and very trade-dependent economy like Canada.

The household sector is in a much stronger position, offsetting the trade-related risks. Both wage and income growth rates have reached decade highs amid a tight labor market. Rising income should support steady consumption growth. Household financial conditions remain healthy despite higher borrowing costs and slower growth in high-ratio mortgages. Finally, we expect restrictive housing policies and reduced speculative demand to weigh on construction growth.

The Canadian oil sector should not be helped by the threat to OPEC supply. Transportation bottlenecks prevent an aggressive expansion of drilling capacity. These obstacles will take years to remove via the Trans Mountain pipeline.

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House View Forecasts

MSCI Regional Equity Indices

	Close on Sep 25, 2019	Expected absolute market direction	Relative view against benchmark	3M Forecast	12M Forecast
MSCI World	7077	↗	Benchmark	7320	7600
MSCI USA	12495	↗↗	Outperform	13000	13500
MSCI EMU	435	↗	Marketperform	450	470
MSCI Switzerland	4518	→	Underperform	4500	4700
MSCI UK	16077	↗	Marketperform	16600	17300
MSCI Japan	2191	↗	Marketperform	2200	2300
MSCI Emerging Markets	130342	↗	Marketperform	135000	140000

Arrows refer to expected absolute market direction, double arrow indicate stronger upside. Relative views are against benchmark index MSCI World

All indices are total return in local currency

MSCI Regional Equity Indices (Emerging Markets)

	Close on Sep 25, 2019	Expected absolute market direction	Relative view against benchmark	3M Forecast	12M Forecast
MSCI Emerging Markets	130342	↗	Benchmark	135000	140000
MSCI EEMEA	980	↗	Marketperform	1020	1055
MSCI Latin America	25839	↗	Marketperform	26350	27300
MSCI AC APAC	270	↗	Marketperform	270	280
MSCI AC Asia ex Japan	1746	↗	Marketperform	1820	1890
MSCI Russia	2383	↗	Marketperform	2490	2585
MSCI Turkey	4432236	↗	Marketperform	4540000	4710000
MSCI Brazil	111732	↗↗	Marketperform	115000	119600
MSCI Mexico	73805	→	Outperform	73500	75300
MSCI China	145	↗	Underperform	154	160

Relative views are against benchmark index MSCI EM. All indices are total return in local currency.

Local Equity Indices

	Close on Sep 25, 2019	Expected absolute market direction	Relative view against benchmark	3M Forecast	12M Forecast
S&P 500	2984.87	↗↗	Outperform	3090	3155
EuroStoxx50	3513.03	↗	Marketperform	3580	3650
SMI	9914.82	→	Underperform	9815	10025
FTSE 100	7289.99	↗	Marketperform	7445	7510
TOPIX	1620.08	↗	Marketperform	1615	1660
S&P ASX 200	6710.20	↗	Marketperform	6760	6765

Relative views are against benchmark index MSCI AC World

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House View Forecasts

MSCI Global Sectors (GICS)

	Close on Sep 25, 2019	Expected absolute market direction	Relative view against benchmark	3M Forecast	12M Forecast
MSCI World Energy	363.58	↗	Marketperform	373	388
MSCI World Materials	406.87	↗	Marketperform	422	438
MSCI World Industrials	403.19	→	Underperform	410	425
MSCI World Cons Disc.	361.70	↗	Marketperform	380	395
MSCI World Cons Staples	424.31	↗	Marketperform	440	455
MSCI World Healthcare	369.49	↗	Marketperform	382	395
MSCI World Financials	217.43	↗↗	Outperform	226	235
MSCI World IT	329.76	↗↗	Outperform	345	360
MSCI World Telecom	167.40	→	Underperform	170	175
MSCI World Utilities	344.44	↗	Marketperform	345	358
MSCI World Real Estate	1268.05	↗	Marketperform	1280	1330

Relative views are against benchmark index MSCI World. All indices are total return in local currency.

10Y Government Bond Yields

	Close on Sep 24, 2019	Expected absolute direction	Relative view against global 7-10 bonds	3M Forecast	12M Forecast
USA	1.64%	→	Neutral Duration	1.8%	2.0%
Germany	-0.60%	↗	Short Duration	-0.4%	-0.2%
UK	0.45%	→	Neutral Duration	0.6%	0.7%
Japan	-0.260%	→	Neutral Duration	-0.2%	-0.1%
Australia	0.93%	↘	Long Duration	0.9%	1.1%
Switzerland	-0.85%	→	Neutral Duration	-0.9%	-0.8%

Relative views are the preferred positioning against the 1-10 year LC Index of the respective country.

Fixed Income Total Return Indices

	YTD on Sep 25, 2019	Expected absolute direction	Relative view against benchmark	3M exp. Return	12M exp. Return
Barclays Global Aggregate	8.59%	→	Benchmark	0.2%	0.5%
Barclays Global IG Corp	11.22%	→	Marketperform	-0.7%	1.2%
Barclays Global HY Corp	11.25%	→	Marketperform	0.5%	2.0%
JPM EMBI Global Diversified HC	12.86%	→	Marketperform		
JPM GBI-EM Global Divers. LC	7.90%	→	Marketperform		

Relative views are against benchmark index Barclays Global Aggregate. All indices are total return hedged in USD

FX & Commodities

	Close on Sep 26, 2019	Expected absolute direction	3M Forecast	12M Forecast
EUR/USD	1.10	↘	1.08	1.10
USD/JPY	107.66	↘	102.00	100.00
GBP/USD	1.24	→	1.20	1.25
USD/CHF	0.99	→	0.97	1.00
AUD/USD	0.68	→	0.68	0.71
USD/CAD	1.33	→	1.33	1.32
Gold (USD / oz)	1517.94	→	1550	1500
WTI oil (USD / bbl)	56.50	→	63	60

Source: Credit Suisse, the BLOOMBERG PROFESSIONAL™ service, © 2019 Thomson Reuters Limited

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