Topics & Opinions

An overview and summary of market outlooks from leading financial institutions

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Every year, the largest banks, asset managers and consulting firms publish their economic and market outlooks for the following year, highlighting key topics, trends, opportunities and areas of concerns. For the first time, we have used ChatGPT to skim-read through and summarize 48 of these outlook presentations and built a database, containing the various opinions expressed in the the areas that are traditionally of interest to our clients and us.

January 2023

About this publication

Every year again, the most prestigious banks, asset managers and consultancies publish extensive market and economic outlooks highlighting key themes and convictions for the year ahead. While the half-life of these articles is debatable, to put it politely, we nevertheless believe that these publications provide a good snapshot of consensus risks and opportunities at a given point in time.

Two years ago, we, therefore, made a first effort to summarize the views expressed by a broader range of such outlook publications and published this article, which is quite interesting to reread today with the benefit of hindsight (It is especially encouraging to see that our conclusion: "The broad, bullish consensus on equities leaves us with an uneasy feeling" at the time aged rather well).

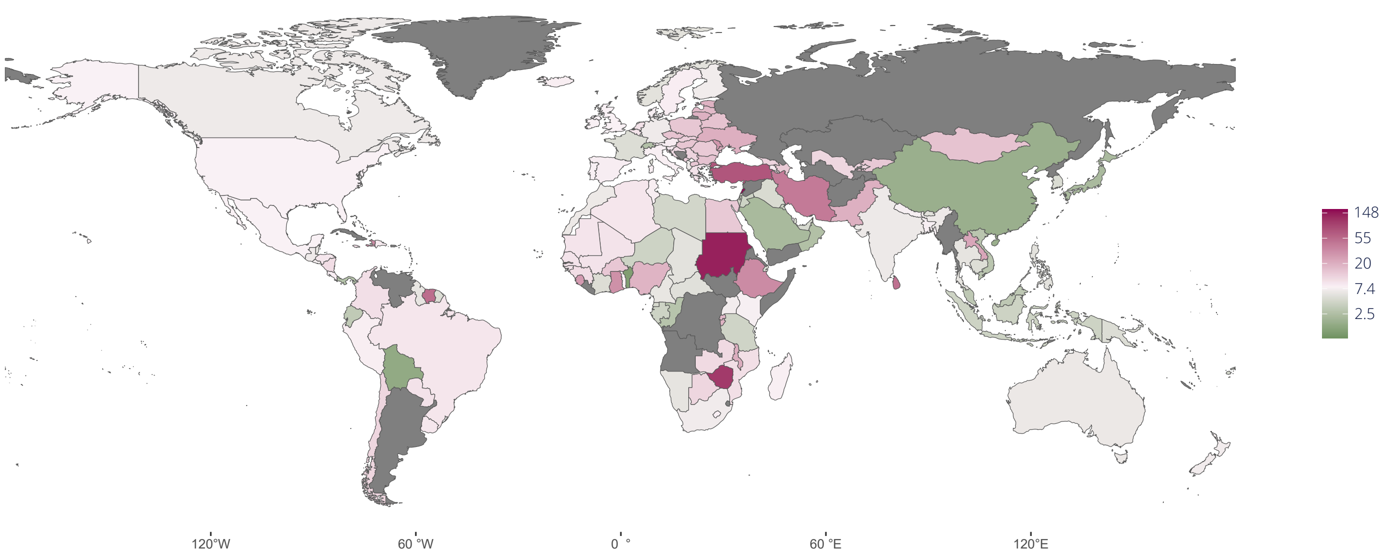
Since then, a previously hardly known company called OpenAI launched a small tool called ChatGPT that turned the internet upside down and put us in the position of repeating 2022's exercise in a significantly more systematic way.

In other words, we took a list of 48 outlook publications, queried them on key topics surrounding economic growth and the outlook for stocks and bonds in different geographies and compiled a database containing the respective results for all publications (an accessible version in Excel, as well as the PDF versions of all publications, is available upon request).
The final summary is here in front of you, expressing the views of the aggregated consensus, not those of Amadeus, without any claim to completeness.
For a slightly different approach to the topic, we recommend this amusing read by the FT.

We wish all our readers a happy new year and much success in 2024.

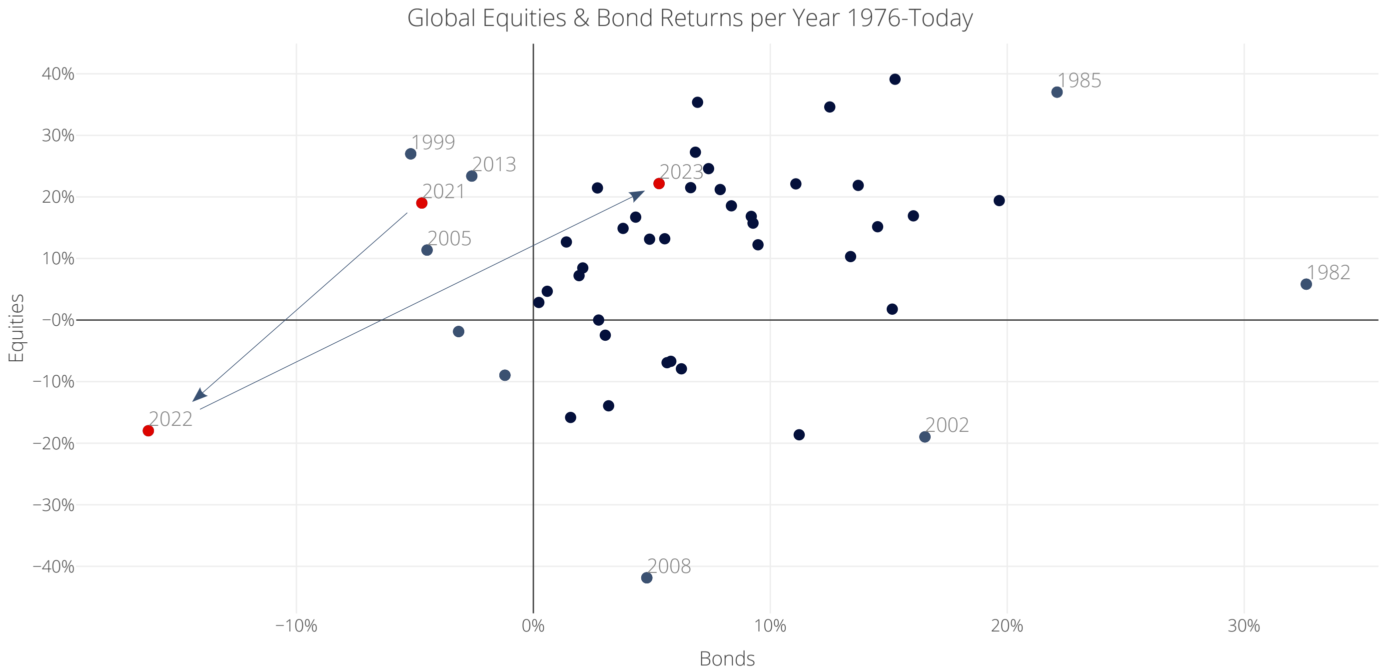
On the retreat, but not yet defeated

Consumer Price Inflation in % (Latest Available Year)

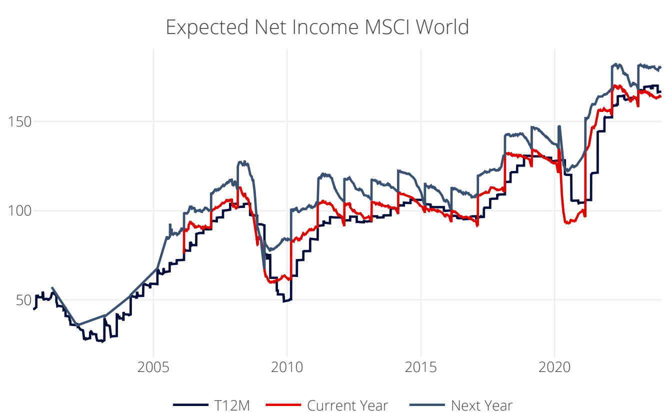


Executive Summary

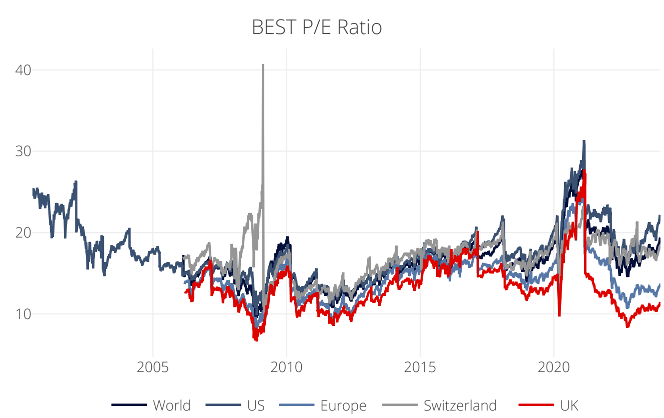
The past three years in one image



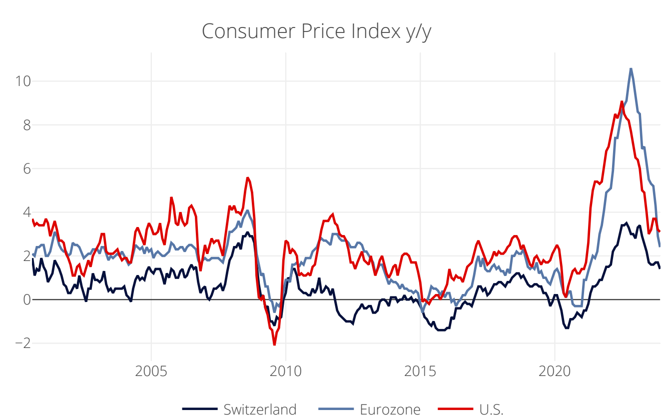
What has carried markets higher



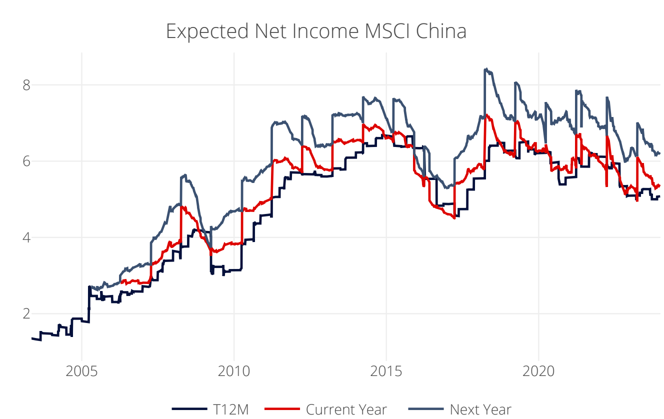
The greatest concern



The biggest positive surprise



The worst disappointment



Executive Summary

Consensus Economic Outlook

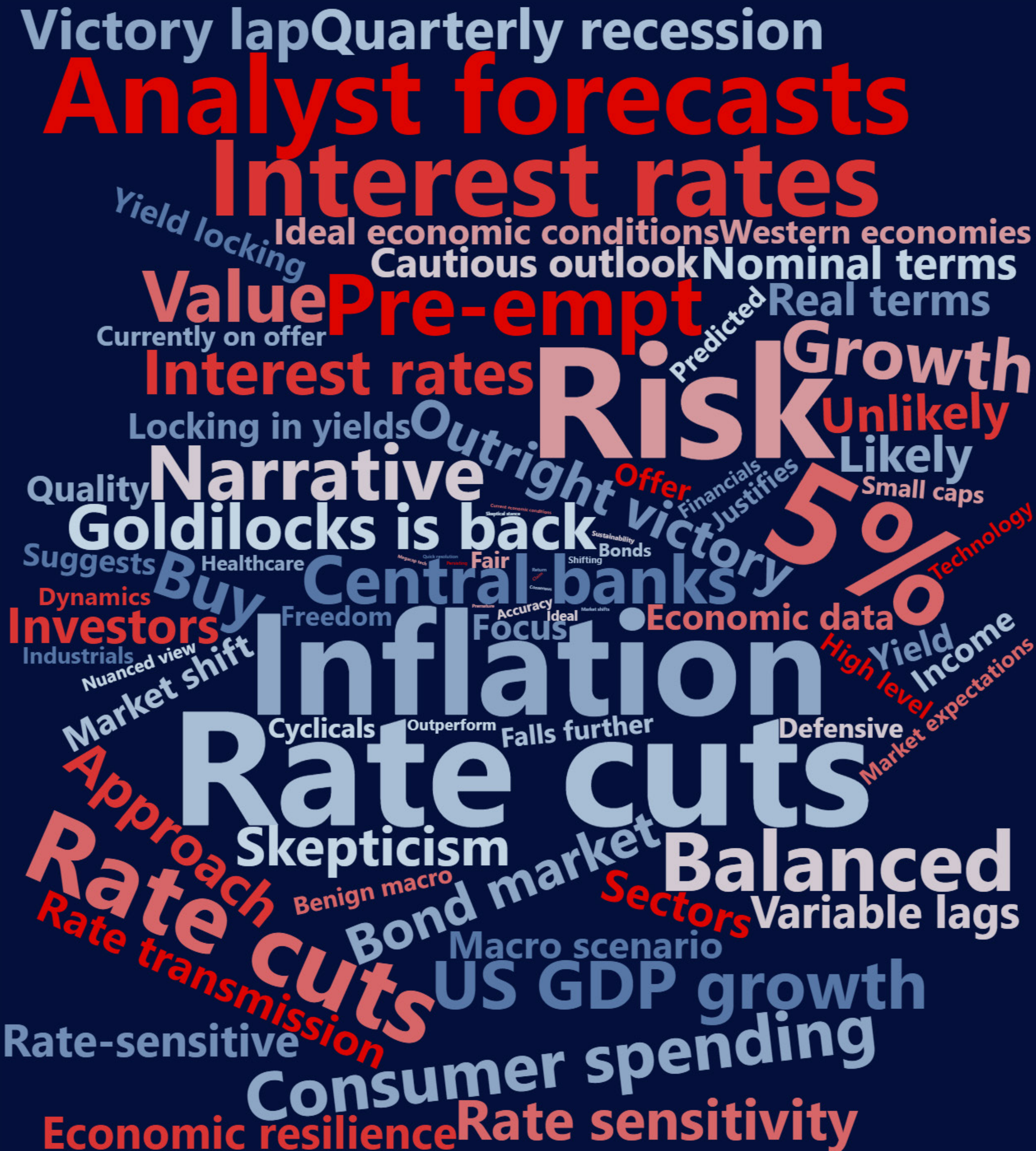
United States Rather Negative	Cautious scepticism over the feasibility of economies, especially in the US and UK, handling higher interest rates and skepticism about the anticipated 11% earnings growth for the US market in 2024, citing concerns about firms lacking pricing power following times of high consumer demand and advising investors to prioritize bond market yields.
Europe Rather Positive	Cautiously optimistic view on the supportive nature of current fiscal spending in Europe, particularly through the European Union Recovery Fund, but caution against premature declarations of victory over inflation and anticipation that rate cuts in 2024 are unlikely to pre-empt economic weakness.
Emerging Markets Positive	Optimism about the improving fundamentals of Emerging Markets, attributing positive returns to the global economy's resilience in 2023, with a focus on higher-quality assets and a recommendation to lock in yields in core bond markets, while also emphasizing the importance of a regionally diversified approach given lingering uncertainties in the 2024 economic outlook.
China Negative	Generally pessimistic or negative sentiment regarding China's economic outlook. Publications suggests that China is facing challenges in finding a new economic model, and despite stimulus measures, it is expected to grow at much lower levels than in recent decades.

Consensus Equities Outlook

United States Rather Negative	Overall cautious sentiment regarding US stocks. There's skepticism about the impact of overly optimistic earnings expectations, potential margin pressure, and doubts about firms' pricing power. The advice is to focus on quality and income.
Europe Positive	Despite acknowledging potential pressure on margins and negativity in the European macro environment, there is a belief that these factors are already reflected in prices. The focus is on the defensive characteristics of the UK market, including a high dividend yield and low beta to global stocks. Additionally, there's an emphasis on the potential for European companies to return cash to shareholders due to low payout ratios and solid balance sheets.
Emerging Markets Rather Positive	Tight US credit conditions are currently a headwind, but potential monetary easing from the US Federal Reserve and a subsequent easing of credit conditions could improve the outlook for the sector in the second half of 2024. Additionally, publications note that emerging market fundamentals continue to improve, as reflected by the growing share of A and AA rated countries in the universe.
Japan Neutral	The sentiment expressed regarding Japan's equity market is neutral, emphasizing that it has benefited from a significant re-rating in 2023, resulting in positive returns for equity indexes in the region. Publications note that Japanese stocks appear neither cheap nor expensive heading into 2024 following the significant re-rating in 2023. The suggestion is to focus on quality and income.

Consensus Fixed Income Outlook

United States Rather Positive	Investors are consistently advised to favor US government bonds and investment-grade bonds over high-yield bonds, indicating a preference for these segments of the market. Investors are also advised to lock in yields on high-quality fixed income in this segment. Risks include concerns about a supply and demand mismatch in US government bond market.
Europe Positive	There is a positive view toward government bonds in Europe, particularly higher quality core European sovereigns, with an expectation that they are more attractive than their peripheral counterparts. The sentiment is also generally favorable towards investment-grade bonds over high-yield bonds, driven by the belief that total returns could benefit from higher rate sensitivity if government bond yields start to fall.
Emerging Markets Positive	Tailwinds are expected to provide support for these markets. The positive sentiment is tied to the favorable environment of stable currencies and falling inflation, enhancing the attractiveness of emerging market bonds. Specific regions, such as Latin America and Eastern Europe, are highlighted as potential beneficiaries, with a shift to more dovish central bank policy providing tailwinds.


Victory lap
Quarterly recession
Analyst forecasts
Interest rates
Yield locking
Ideal economic conditions
Western economies
Cautious outlook
Nominal terms
Value
Pre-empt
Real terms
Currently on offer
Predicted
Growth
Interest rates
Risk
Unlikely
Locking in yields
Outright victory
Likely
Quality
Narrative
Offer
Financials
Justifies
Small caps
5%
Goldilocks is back
Technology
Suggests
Healthcare
Fair
Shifting
Bonds
Buy
Central banks
Dynamics
Accuracy
Ideal
Investors
Freedom
Focus
Economic data
Industrials
Nuanced view
Inflation
High level
Yield
Income
Market shift
Market expectations
Cyclicals
Outperform
Falls further
Defensive
Rate cuts
Approach
Skepticism
Balanced
Rate cuts
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Variable lags
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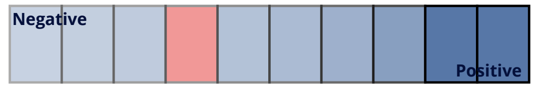
Macro scenario
US GDP growth
Rate-sensitive
Consumer spending
Economic resilience
Rate sensitivity

United States



In summary, the publications urge caution, indicating skepticism about the feasibility of high earnings growth expectations, concerns about the impact of higher interest rates on economic activities, and a preference for more secure investment options like the bond market.

Earnings Growth Skepticism:
The publications are skeptical about the forecasted 11% earnings growth for the US market in 2024. They express concerns that firms may lack the pricing power seen in times of robust consumer demand, potentially limiting profit margins.

Interest Rate Concerns:
There is caution about the ability of economies, particularly in the US and UK, to handle higher interest rates, with anticipation that the negative impact on consumer and business spending will become evident. The publications suggest that the damage from higher interest rates might be noticeable in the coming months.

Rate Cuts and Economic Weakness:
The publications anticipate that rate cuts in 2024 are unlikely to proactively address economic weaknesses, challenging the notion that monetary policy interventions can preempt economic challenges effectively.

Bond Market Focus:
Given the uncertainties, the publications recommend that investors focus on locking in yields currently available in the bond market, suggesting a preference for more stable and predictable returns. (A wise recommendation on which you could hardly act too fast given what happened in bond markets over the past few weeks).

Pricing Power Concerns:
The publication consistently expresses doubts about firms' ability to maintain the same pricing power as in the past, especially during the recent period of high consumer demand. This is a key factor influencing their skepticism about the expected profit margins.

Positive Aspects

Despite the cautious tone, there are mentions of positive GDP growth expectations for the US in 2024, with figures around 3% in real terms and 7% in nominal terms.

While there is skepticism about the effectiveness of rate cuts in pre-empting economic weakness, texts acknowledge the anticipation of rate cuts in 2024, which could be seen as a potential positive measure.

Repeated suggestion to focus on locking in yields currently available in the bond market can be interpreted as an acknowledgment of potential opportunities for investors in the bond market.

Concerns and Risks:

Caution against overly optimistic earnings expectations, especially regarding the anticipated 11% earnings growth for the US market in 2024.

The timing of rate cuts in 2024 is anticipated to be ineffective in preventing economic weakness.

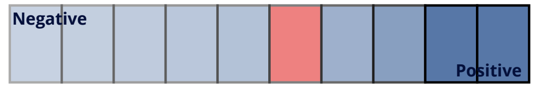
Concerns that firms may lack the pricing power they had in times of robust consumer demand. The expected record-high margins and 11% earnings growth in the US market are viewed with caution.

Concerns about potential economic weakness, and some doubt the effectiveness of rate cuts in 2024 to address these challenges.

Focus on locking in yields currently available in the bond market, suggesting a preference for safer investments amid uncertainties.

Skepticism about the current narrative of a soft landing in the US, emphasizing the unpredictable nature of economic resilience and the need for caution.

Europe



Cautious optimism about the supportive nature of fiscal spending in Europe. Acknowledgment of ongoing uncertainties and challenges, including the need for governments to address fiscal balances and the slow disbursement of funds from the European Union Recovery Fund. In summary, the publications acknowledge the current support from fiscal spending in Europe, particularly through the European Union Recovery Fund, but emphasize caution and ongoing uncertainties in the economic outlook, including the need for future fiscal adjustments and the slow deployment of funds from the recovery initiative.

Fiscal Spending in Europe:
Fiscal spending in Europe is currently more supportive than it has been over the last decade.
However, it is not on the same scale as the US.

European Union Recovery Fund:
The European Union Recovery Fund is slowly being put to work.
65% of funds from the fund are yet to be disbursed.

Economic Activity and Growth:
Anticipation that grants disbursed from the European Union Recovery Fund in 2024-26 will support economic activity.
Caution about the uncertainty in economic growth, especially in comparison to the US.

Government Balancing the Books:
Governments will have to eventually turn their attention to balancing the books.

Inflation and Interest Rates:
It is too early to declare victory over inflation.
Caution against the idea that economies can easily cope with higher interest rates.

Rate Cuts:
Anticipation that rate cuts in 2024 are unlikely to pre-empt economic weakness.

Positive Aspects:

Fiscal spending in Europe is considered more supportive than it has been in the last decade, although not at the same scale as the US.

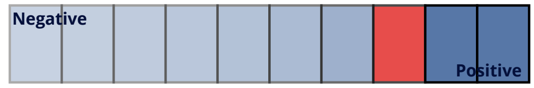
The European Union Recovery Fund is expected to support economic activity, with some noting that it is slowly being put to work.

Concerns and Risks:

Governments will eventually need to focus on balancing their budgets, indicating a potential shift in fiscal policy.
There is caution about the ability of economies to cope with higher interest rates.

It’s too early to declare outright victory over inflation, with rate cuts in 2024 considered unlikely to set in before pronounced economic weakness.
Some uncertainty surrounds the timing and scale of disbursals from the European Union Recovery Fund.

Emerging Markets



In summary, the publications express confidence in the improving fundamentals of Emerging Markets, acknowledge the positive impact of global economic resilience on equity returns, and provide specific recommendations for investors, emphasizing caution and a diversified approach. They also consider external factors such as monetary policy and credit conditions as potential drivers of market performance.

Emerging Markets Fundamentals:
Strong belief in improving fundamentals for Emerging Markets.
Growing share of A and AA rated countries in the universe is seen as a positive sign.
Global Economic Resilience:
Recognition that the global economy's resilience in 2023 contributed to positive returns for equity indexes in major regions, including Emerging Markets.
Outlook for Economic Growth:
Positive outlook for economic growth in Emerging Markets.
Caution against premature celebration, urging investors to focus on locking in yields in core bond markets.
Monetary Policy and Credit Conditions:
Speculation on potential positive implications for Emerging Market debt if the US Federal Reserve eases monetary policy and credit conditions improve in the second half of 2024.
Market Risks and Caution:
Concerns about property sector worries and geopolitical outlook, which may need to ease for the market to re-rate.
Caution against taking a victory lap too early, with an emphasis on a regionally diversified approach.
Investment Recommendations:
Recommendation for investors to focus on locking in yields in core bond markets.
Consideration of higher quality assets and a regionally diversified approach.
Cyclical Regions and Defensive Characteristics:
Expectation that a softer landing for the economy may benefit more cyclical regions, such as Emerging Markets.
Recognition that the more defensive characteristics of certain markets, like the UK, may come to the fore in a deeper downturn.
Timing of Recession:
Acknowledgment of the difficulty in forecasting the timing of a recession.

Positive Aspects:

Positive outlook for economic growth in Emerging Markets, citing the growing share of A and AA rated countries in the universe as an indicator of improving fundamentals.

Resilience demonstrated by the global economy in 2023 has contributed to positive returns for equity indexes in all major regions, including Emerging Markets.

Improving fundamentals in Emerging Markets, indicating a positive trend that could contribute to positive returns for investors.

The possibility of monetary easing from the US Federal Reserve is a potential factor that could improve the economic outlook for Emerging Markets in the second half of 2024.

Lock in yields currently on offer in core bond markets, suggesting potential opportunities for returns.

Concerns and Risks:

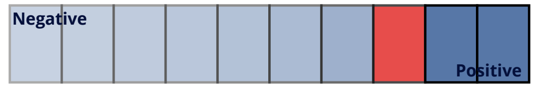
Worries about the property sector and/or the geopolitical outlook, indicating that these concerns may need to ease for the market to re-rate. Geopolitical risks could pose challenges to market stability.

Still elevated uncertainty around the path for the economy in 2024, indicating potential challenges in forecasting economic trends.

Cautionary tone against taking a victory lap too early, suggesting a recognition that the positive trends may still face uncertainties and challenges.

Resilience of Emerging Markets may be challenged by tight US credit

China



In summary, the consensus is that China is encountering difficulties in transitioning to a new economic model, and despite government stimulus efforts, the expectation is for much lower levels of economic growth compared to the past. The sentiment is generally cautious and points to a challenging economic landscape for China in the foreseeable future.

Search for a New Economic Engine:
There is a common belief that China is struggling to find a new economic engine that does not heavily rely on exports or property excess. This search for a new growth driver is highlighted as a significant challenge.

Limited Impact of Stimulus Measures:
Despite the Chinese government announcing a number of stimulus measures, there is skepticism about their effectiveness. Several statements emphasize that these measures do not equate to the large-scale programs implemented in the past.

Expectation of Lower Growth:
A prevailing sentiment is the expectation that China is likely to experience much lower levels of economic growth compared to the rapid growth witnessed in recent decades. This is attributed to the challenges in diversifying the economic engine and the perceived inadequacy of current stimulus efforts.

Entrenched Weakness:
Some statements suggest that the weakness in China's economic outlook appears entrenched, indicating a deep-seated and persistent challenge in finding a new growth model.

Absence of an Explicit Economic Outlook:
It is notable that some statements explicitly mention that the publication does not provide a specific outlook on economic growth in China. However, the surrounding context implies a generally pessimistic view.

Concerns About Chinese Growth Remaining Weak:
The publications express concerns that China's economic growth may remain weak, and there is an emphasis on the challenges China faces in sustaining high levels of growth.

Positive Aspects:

The Chinese government has announced a number of stimulus measures, indicating a proactive approach to economic challenges.

China is actively seeking a new economic engine beyond exports or property excess. This indicates an awareness of the need for economic diversification.

Concerns and Risks:

Despite the announced stimulus measures, the publications repeatedly highlight that none of these measures equate to the large-scale programs of the past. This suggests skepticism about the effectiveness of the current stimulus in driving significant economic growth.

China is struggling to find a new economic engine beyond exports or property excess. This is considered a significant challenge that may lead to much lower growth levels than in recent decades.

Struggle to find a new economic engine is entrenched, indicating a prolonged and possibly deep-rooted challenge for China's economic growth.

China is likely to grow at much lower levels than in recent decades. This reflects a cautious or pessimistic outlook for China's economic performance.

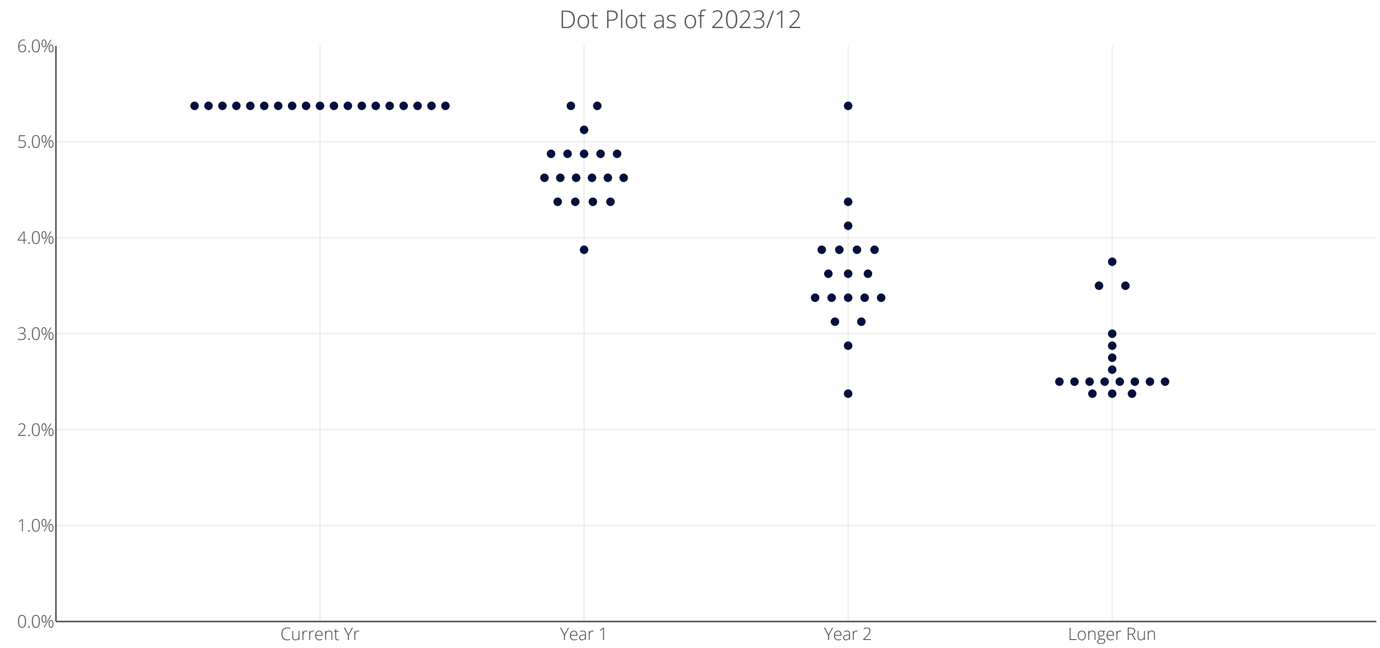
Inflation

The overall sentiment across the various comments on inflation suggests a cautious and skeptical outlook. The common theme is that it is too early for central banks to declare an outright victory over inflation. Many anticipate that rate cuts in 2024 may not get ahead economic weakness, and there is skepticism about the "goldilocks is back" narrative.

The publications generally believe that the risk of inflation staying stuck near 5% is lower than earlier in 2023. However, they do not fully buy into the idea that the current economic conditions are ideal ("goldilocks is back"). There is a consensus that it's premature for central banks to claim victory over inflation, and the possibility of further rate cuts is considered, with the expectation that they may not effectively address economic weakness.

Additionally, there is a consistent emphasis on the importance of locking in yields currently offered in the bond market, indicating a concern about potential market shifts. Overall, the comments reflect a nuanced view, acknowledging a decreased risk of high inflation persisting but maintaining a cautious stance and skepticism toward a quick resolution or a return to ideal economic conditions.

How the FED ended the year



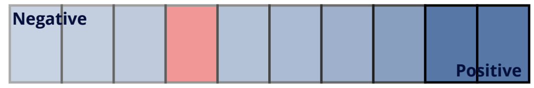
"Recent indicators suggest that growth of economic activity has slowed from its strong pace in the third quarter. Job gains have moderated since earlier in the year but remain strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated."

Federal Reserve press release December 13, 2023

Geopolitics

Numerous publications underscore the potential for geopolitical events, including elections and trade wars, to induce commodity price shocks and disrupt the global economy. Emphasizing the need for investor preparedness, the consistent recommendation is to focus on securing yields in core bond markets as a strategic insurance against economic uncertainties. Alternative assets and commodities are highlighted as essential components to augment the traditional role of bonds, providing shelter from diverse economic conditions. Investors are advised to exercise caution and humility in the face of unpredictable election outcomes and the limited fiscal headroom in the US and the UK. The importance of resisting the allure of cash rates and diversifying portfolios to navigate the complex geopolitical landscape is underscored throughout, with specific attention to upcoming elections and their potential impact on markets.

United States



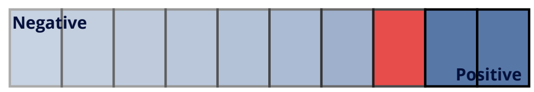
The publications present a mixed outlook on US stocks heading into 2024. While acknowledging that US stocks neither look cheap nor expensive but trade at a significant premium, the focus is on the sustainability of the expected 11% earnings growth. There are concerns that this growth may be overly optimistic, especially given potential challenges such as the lack of pricing power for firms in the face of high consumer demand.

The publications suggests that US stocks are trading at a premium, largely driven by megacaps. While acknowledging the potential flattery of valuations due to optimistic earnings expectations, there is also a recognition that a more benign macroeconomic scenario could favor value-tilted sectors.

Investors are advised to focus on quality and income, both in the equity market and by locking in yields available in the bond market. The potential pressure on margins is highlighted as a key concern, and strategies to mitigate risk, such as income-focused approaches, are recommended.

In summary, the sentiment is cautious, with a recognition of the premium valuations in the US stock market and a call for a strategic focus on quality, income, and risk mitigation, especially if the optimistic earnings expectations face challenges.

Europe



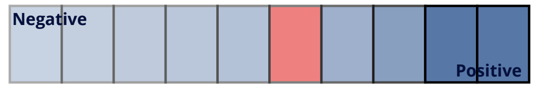
The publications consistently emphasize a positive outlook on European stock valuations, considering them reasonable in absolute terms and compelling relative to the US, with a significant 30% discount to the S&P 500. This discount is described as equivalent to levels last observed in the aftermath of the financial crisis.

The relative attractiveness of the UK is highlighted, attributed to its defensive characteristics. The UK market is noted for its high dividend yield, low beta to global stocks, and high weight in sectors likely to have pricing power. Despite potential challenges, such as margin pressure as economic activity slows, the publications suggests that much of the negativity in the European macro environment is now reflected in prices.

The recommendation for investors is to focus on locking in yields currently available in the bond market and to explore alternatives to enhance the role of bonds as diversifiers against different risks. Additionally, the emphasis is on quality and income when considering equity investments. The publication also notes that European companies trade at an above-average discount across various sectors, providing additional rationale for their appeal.

In summary, the sentiment conveyed in the comments is optimistic about European stocks, emphasizing their attractiveness in terms of valuation relative to the US, particularly considering the defensive characteristics and potential for cash returns to shareholders.

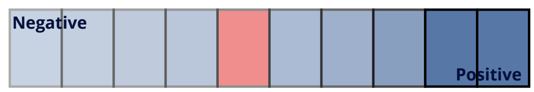
Emerging Markets



The publications consistently highlight the impact of tight US credit conditions as a current challenge for hard currency emerging market debt. However, there is an optimistic view that potential monetary easing from the US Federal Reserve, along with a subsequent relaxation of credit conditions, could lead to an improved outlook for the sector in the second half of 2024. This positive outlook is supported by the observation that emerging market fundamentals are on the rise, indicated by the increasing share of A and AA rated countries in the universe.

Additionally, the publications recommend that investors focus on locking in yields offered in core bond markets. It underscores the importance of quality and income in the investment strategy, particularly in the face of potential margin pressures. The publications suggest a preference for higher quality assets, such as A and AA rated countries in the Emerging Markets universe, and highlight that low payout ratios and solid balance sheets should provide room for management to return cash to shareholders.

Japan



The consistent theme across the comments is that Japan has experienced a significant re-rating, contributing to positive returns for equity indexes in the region. The commentary emphasizes that Japanese stocks have been a standout performer in local currency terms due to this re-rating. However, the magnitude of this re-rating is noted to be less pronounced when considering returns in sterling or euro terms.

The general sentiment is neutral regarding the outlook for Japanese stocks in 2024. While there is an acknowledgment of the positive impact of the re-rating on equity market returns, the comments refrain from making specific predictions about the future trajectory of Japanese stocks. The view is that Japanese stocks neither look cheap nor expensive heading into 2024, providing a balanced perspective.

There are also mentions of the relative attractiveness of Japanese stocks in comparison to other major equity markets. The publication suggests that Japanese stocks seem reasonable in absolute terms and compelling relative to the US, with a 30% discount to the S&P 500.

Additionally, there is a focus on the resilience of Japanese stocks, noting their strong earnings resilience and the potential for positive returns in a more benign macroeconomic scenario. The suggestion to focus on quality and income when considering Japanese stocks reflects an emphasis on a strategic and cautious approach to investments.

In summary, the comments consistently highlight the beneficial impact of a significant re-rating on Japanese stocks, positioning them as a standout performer in local currency terms. The outlook for 2024 is characterized as neither overly optimistic nor pessimistic, with a balanced assessment of valuation and potential returns.

Sectors & Styles

The publications consistently advocate for a balanced investment approach, emphasizing the benefits of combining both growth and value styles. They underscore the impact of a rising yield environment, stating that it typically favors value sectors over their longer-duration growth counterparts. Despite occasional instances of growth outperforming value, especially in the US market, a balanced strategy remains recommended.

In terms of sectors, there is a suggestion to explore both cyclical and defensive industries. Some publications recommend looking into more cyclical sectors such as industrials and financials, especially in anticipation of potential outperformance during a mild recession. Traditionally defensive sectors like healthcare are also highlighted as areas where investors can find quality and income.

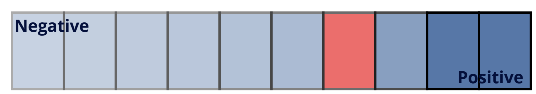
The technology sector is acknowledged for offering good examples of both growth and value, making it a versatile consideration for investors. Additionally, small-cap stocks with modest valuations are mentioned as potential components of a well-rounded portfolio.

Across styles and industries, the publications consistently stress the importance of focusing on quality and income when investing in equities. Moreover, they recommend considering alternatives to diversify against various risks, augmenting the traditional role of bonds in a portfolio.

Regional considerations are touched upon in this context, with some publications noting that regional differences, particularly in Europe, Japan, and emerging markets, may influence the performance of value sectors relative to growth.

In essence, the overarching theme is a call for a flexible and diversified investment strategy, taking into account various styles and industries. The emphasis on quality, income, and adaptability to different market conditions, particularly in the context of macroeconomic scenarios, is a common thread throughout the publications.

Commodities



The publications consistently suggest that selected alternatives and commodity strategies have the potential to outperform cash in the stagflation scenario, which is deemed as one of the most challenging situations for investors. The emphasis is on the likelihood of these strategies delivering positive returns when faced with stagflation.

While there is a strong focus on the potential benefits of selected alternatives and commodity strategies, the publications do not provide specific details on the outlook for gold/precious metals and commodities. However, the general implication is that these assets could be favorable in the context of a stagflation scenario.

The publications acknowledge the complexity of the stagflation scenario and positions selected alternatives and commodity strategies as a preferred option for investors seeking to navigate this challenging environment. The expectation is that these strategies would provide better performance compared to holding cash.

In summary, the comments consistently highlight the potential of selected alternatives and commodity strategies to outperform cash in the specific context of a stagflation scenario, without delving into specific projections for gold/precious metals and commodities.

United States

The comments in the publications consistently advocate for a preference for certain types of bonds and market segments based on various factors.

Preference for US Government and Investment Grade Bonds:
The publications overwhelmingly suggest that investors should favor US government bonds and investment-grade bonds over high yield. This preference is based on the belief that total returns could benefit from higher rate sensitivity if government bond yields start to fall.

Supply-Demand Mismatch in US Government Bonds:
The publications note a supply and demand mismatch in US government bonds, and as a result, there is some tendency to perfer higher quality core European sovereigns over US Government bonds or peripheral counterparts.

Corporate Bond Markets:
In corporate bond markets, the publications suggest investing in both investment-grade and high-yield bonds for maximum diversification but there is a preference for investment-grade. Comments point to relatively resilient growth and limited refinancing needs in investment-grade markets. Investors are also advised to lock in yields on high-quality fixed income in this segment.

Uncertainty in the Outlook for US Government Bonds:
The publications express some uncertainty about the outlook for US government bonds due to a potential supply-demand mismatch. A positive outlook for investment-grade and high-yield bonds, is mostly derived from the potential benefits from higher rate sensitivity if government yields fall.

Preference for Higher Quality Core European Sovereigns:
The publications consistently recommend a preference for higher quality core European sovereigns over peripheral counterparts, citing factors such as supply-demand dynamics and potentially more favorable monetary policy prospects.

Geographical Preferences:
Investors are advised to prefer US and European markets, with the belief that policy rates have likely peaked in those regions. Japan, on the other hand, may see upward pressure on long-term bond yields as the Bank of Japan normalizes policy further in 2024.

Refinancing Needs and Quality Emphasis:
Refinancing needs are highlighted as a factor warranting a step up in quality. The publication consistently recommends investors to lock in yields on high-quality fixed income.

Outlook for Different Bond Types:
There is a consistent theme of preferring investment-grade bonds over high-yield bonds, based on factors like higher rate sensitivity and lower refinancing needs.

Concerns about Central Bank Actions:
The publication expresses concerns about central banks no longer absorbing government issuance, leading to a potential supply and demand mismatch in government bond markets.

Bond Vigilantes and Fiscal Policy Concerns:
The concept of "bond vigilantes" is mentioned, suggesting that the bond market may influence governments to adjust spending. There are concerns about the uncontrollable profligacy of government spending, especially with central banks reducing their involvement.

Global Perspective:
The publications mostly take a global perspective, considering the outlook for government bonds, investment-grade bonds, and high-yield bonds in the US, Europe, and Japan.
In summary, the key themes include a preference for US government and investment-grade bonds, a focus on higher quality core European sovereigns, considerations of geographical factors, and an emphasis on locking in yields on high-quality fixed income.

Europe

Preference for European Government Bonds:
The consensus is that core government bonds in Europe are deemed more attractive than peripheral counterparts.
Investors are likely to favor sovereign bond markets with the most favorable monetary policy prospects.

Investment Grade Bonds Over High Yield:
There is a preference for investment-grade bonds over high-yield bonds.
The rationale is that total returns on investment-grade bonds could benefit from higher rate sensitivity if government bond yields decline.

Focus on Locking in Yields:
A recurring recommendation is to focus on locking in yields currently available in the bond market.
This implies a strategic approach to secure current favorable yield levels.

Corporate Bond Market Insights:
Both investment-grade and high-yield bond spreads in the corporate bond markets have held well during the year.
There's a mention of potential pressure on margins in high-yield bonds, suggesting a need to focus on quality and income.

Outlook on Policy Rates:
In terms of government bonds, the publications suggest that policy rates have likely peaked in the US and Europe.
However, it anticipates the Bank of Japan to normalize policy further in 2024, leading to upward pressure on long-term Japanese bond yields.

Diversification and Alternatives:
The mention of targeted alternatives suggests a consideration for diversification to enhance the role of bonds in a portfolio.

Summary of Preferences:
Overall, there is a consistent preference for higher quality core European sovereign bonds.
Investment-grade bonds are favored over high-yield bonds, with an emphasis on quality and income across different markets.
In summary, comments highlight a nuanced view of the bond market, emphasizing the importance of quality, income, and strategic yield locking, with regional variations and considerations for both government and corporate bonds.

Emerging Markets

Higher Rate Sensitivity and Total Returns:
Total returns could benefit from higher rate sensitivity if government bond yields fall.
Investors are advised to focus on locking in current yields in the bond market.

Preference for Investment Grade:
There is a consistent preference for investment grade bonds over high yield.
The belief is that total returns may benefit from higher rate sensitivity in the case of investment grade bonds.

Emerging Markets Performance:
Local currency emerging market debt stood out as a performer in 2023.
Factors contributing to this performance include rapidly falling inflation, stable domestic currencies, high real rates, and a shift to more dovish central bank policy.

Government Bonds Outlook:
Government bonds are expected to benefit from higher rate sensitivity if government bond yields decrease.
The outlooks suggest potential benefits in total returns, emphasizing the need to lock in yields.

Diversification and Alternative Investments:
Alternatives to bonds are recommended as diversifiers against different risks.
Global investment grade bonds are highlighted as potentially benefiting from higher rate sensitivity.

Specific Regional Considerations:
Latin America and Eastern Europe are mentioned as regions where a shift to more dovish central bank policy could provide tailwinds for local markets.

Inflation and Stability Considerations:
Rapidly falling inflation and stable domestic currencies are consistently noted as contributing factors to the standout performance of local currency emerging market debt in 2023.

Interest Cost and Refinancing:
Consideration of increasing interest costs during refinancing is mentioned as a factor guiding the recommendation to lock in yields.

Tailwinds for Local Markets:
High real rates and a shift to more dovish central bank policy are highlighted as tailwinds for local markets, particularly in Emerging Markets.

Investment Strategy Recommendations:
Investment strategy recommendations include a preference for investment grade bonds, locking in yields, and exploring alternatives for diversification.

Underlying market outlooks

J.P. Morgan https://shorturl.at/eltPT
J.P. Morgan Private Bank https://shorturl.at/eyzHK
Goldman Sachs https://shorturl.at/gqLX2
Goldman Sachs Asset Management https://shorturl.at/mCSW1
Morgan Stanley https://shorturl.at/jlmzA
Bank of America https://shorturl.at/iuxyF
Bank of America Private Bank https://shorturl.at/ajsv7
Citi https://shorturl.at/puW07
Wells Fargo https://t.ly/2bF1E
BNY Mellon https://t.ly/BCLLT
State Street https://t.ly/p47tE
Lazard https://t.ly/ZkkUm
T. Rowe Price. https://t.ly/e9b3d
TD Securities https://rb.gy/nnjx81
Charles Schwab https://rb.gy/lzcgh4
RBC Capital Markets https://rb.gy/0guz6u

UBS https://rb.gy/r6vi0m
HSBC https://rb.gy/43mdwp
Deutsche Bank https://lnkd.in/eVsPCNVR
BNP Paribas https://lnkd.in/erFVwJKR
Barclays https://lnkd.in/ec8WyWP3
Lombard Odier Group https://lnkd.in/ePHr8mK4
Macquarie Group https://lnkd.in/enqQSUmB (Australia)

BlackRock https://lnkd.in/eSxDA_bR
Amundi https://lnkd.in/ei6QXd7n
M&G plc https://lnkd.in/e_PaFDwR
Man Group https://lnkd.in/edXtr7NP

Wellington Management https://lnkd.in/exnzD8_E
Invesco US https://lnkd.in/egzQrPAu
Legal & General Investment Management (LGIM) https://lnkd.in/e7hjAkx6
Schroders https://lnkd.in/ewiRsg-t
Deutsche Bank (Wealth) https://lnkd.in/efw_cwRd
Allianz https://lnkd.in/ehuSey7i
AXA IM https://lnkd.in/e4iDZ9_M
PIMCO https://lnkd.in/eKA7hdBB
Capital Group https://lnkd.in/ehH2jW3a
Julius Baer (secular outlook) https://lnkd.in/eaN5EfJV
Pictet https://lnkd.in/eziFnGU8
Vanguard https://lnkd.in/e8Fnrs2C
Fidelity https://lnkd.in/eB6tJZb4
Cambridge Associates https://lnkd.in/eTHqAe4w

KKR https://lnkd.in/e_m6UE5F
Apollo Global Management, Inc. https://lnkd.in/eCHMuRvV
Blackstone https://lnkd.in/edyFqR63
BlackRock (Private Markets) https://lnkd.in/eiGcGCfy

Deloitte https://lnkd.in/e9Vz8dKU
PwC https://lnkd.in/ebENpssC
EY https://lnkd.in/ewKh8m9m
EY (Geostrategic) https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/geostrategy/ey-2024-geostrategic-outlook-report.pdf?download
Boston Consulting Group (BCG) https://lnkd.in/eDsnJRfQ

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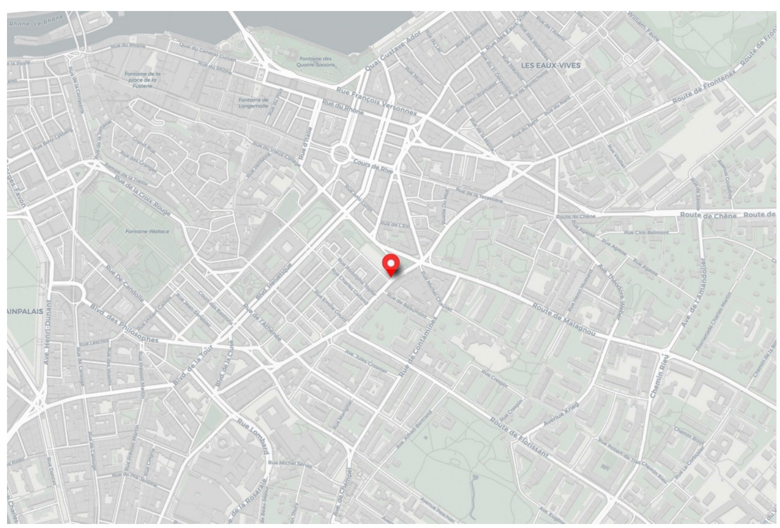

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