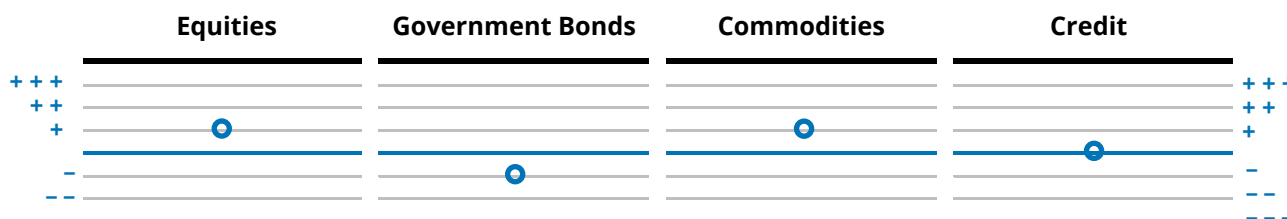


## Schroders Multi-Asset Investments

### Monthly Views

April 2017



	Category	View	Comments
MAIN ASSET CLASSES	Equities	+	We remain positive as global growth continues to improve, earnings are recovering and the downside risks from higher rates and a stronger dollar are contained for now.
	Government bonds	-	Government bonds remain vulnerable to rising growth expectations especially at the long end of the curve.
	Commodities	+	Prices have reached levels where we are seeing evidence of meaningful supply adjustment in some markets. This should support broad commodity prices.
	Credit	0	Although spreads continue to be resilient, the risk/reward prospects look less favourable as valuations have moved further into expensive territory.

	Category	View	Comments
EQUITIES	US	0	While relative valuations appear stretched, the Federal Reserve's commitment to a gradual pace of tightening and a fading US dollar lend support to the market.
	UK	0	We maintain our neutral score as price and earnings momentum have deteriorated and uncertainties around Brexit will continue to persist.
	Europe	+	Strong economic and earnings momentum allow us to maintain our positive view as better growth prospects in Europe surface amid fading political risks.
	Japan	0 ▽	We have downgraded Japan to neutral as diminishing US dollar strength is supporting the yen and negatively affecting the earnings outlook.
	Pacific ex-Japan	0	Asian markets such as Hong Kong and Singapore are supported by benign financial conditions amid a constructive cyclical backdrop.
	Emerging Markets	+ △	We have upgraded EM to positive as the market offers cheap access to the positive global economic growth and earnings environment.

	Category	View	Comments
GOVERNMENT BONDS	US	-	Despite an improvement in momentum, potential higher fiscal spending, expensive valuations and the global increase in inflation expectations threaten US bonds.
	UK	-	The Bank of England may be unable to implement more monetary stimulus amid post-Brexit uncertainty and increasing inflationary concerns following a weak pound.
	Germany	--	The prospects of a more hawkish European Central Bank over the summer and the potential reduction in political risk are likely to weigh on German bonds.
	Japan	0	Neutral, given no sign of change to the Bank of Japan's monetary policy.

	US inflation linked	0	Valuation support for break-evens has moderated following a significant improvement in sentiment.
	Emerging markets USD	0	While the cyclical environment and momentum remain positive, valuations are not compelling.
	Emerging markets local	+	We remain positive as inflation within emerging markets appears to have resumed its downward trend and valuations remain attractive.
IG CREDIT	US	--	Valuations remain unattractive relative to history and offer limited support against interest rate volatility and potential disappointment in future fiscal measures.
	Europe	-	Spreads continue to be expensive compared to history and their potential volatility remains relatively high due to European political uncertainty.
HY CREDIT	US	0	Although valuations remain expensive, the ongoing reflationary theme makes us unwilling to downgrade our score.
	Europe	0	We maintain our neutral score, with a downside bias, as European high yield remains expensive but is offset by continued strong economic momentum.
COMMODITIES	Energy	+	We believe that the action by OPEC to limit supply, along with data confirming accelerating global growth, should support prices around current levels.
	Gold	0	Real rates have been pushed higher on hopes of reflation. We wait to see if growth structurally picks up.
	Industrial metals	+	The market appears to be in deficit this year. So long as supply discipline remains in place and global growth remains steady, then prices will remain supported.
	Agriculture	+	Prices currently reflect the abundant supply of major grains. Farmers face increasing financial pressure from lower prices, which may impact supply.
CURRENCIES	US \$	0	US growth expected to moderate compared to other developed countries, partly due to high expectations for future fiscal policy not being realised.
	UK £	0	Neutral, as political risk and uncertainty over Brexit negotiations remain.
	EU €	-	Despite European growth, political risk expected to be key driver of the currency over next few months, while central bank policy expected to remain accommodative.
	JPY ¥	0	Neutral; the increase in economic activity is being offset by central bank intervention to keep the 10-year rates at zero.
	Swiss ₣	0	We await more evidence of a change in policy from the Swiss National Bank or of less FX intervention before revising our view.

Source: Schroders, April 2017. The views for corporate bonds and high yield are based on credit spreads (i.e. duration-hedged). The views for currencies are relative to US dollar, apart from US dollar which is relative to a trade-weighted basket.

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