

# Equities and fixed income have positive outlooks

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# Investment Strategy

We maintain a neutral outlook for the major asset classes of equities, fixed income and commodities for the fourth quarter of 2017. Historically, a neutral call infers a weaker or less certain outlook without being bearish. However, we argue that the outlook is “bullishly neutral”. This means we expect all asset classes to provide healthy returns over the coming months. Our message to investors who are seeking higher equity-like returns is that global growth is strong and equities should perform. And for investors who naturally lean toward the lower volatility of fixed income investments, our message is that the outlook is healthy, with low inflation and diminished risk of rising rates.

Our assessment scorecards on economic growth, leading indicators, corporate earnings, fund flows and inflation trends all point to a state of “Goldilocks Nirvana” where growth is healthy, however not as hot to trigger inflation. Within equities, we prefer Asia, followed by the US and Europe. Within fixed income, we prefer corporate credits over government bonds and are maintaining a neutral duration.

Commodities have performed well over the past quarter as prices of oil and base metals climbed during the period. As oil has rebounded back to the US\$50-\$60 range, we now think the outlook is more neutral. We continue to be overweight on gold as a useful hedge to some of the growing geopolitical risks in the world such as the provocations in North Korea. We think it is a strong environment for alternatives such as hedged strategies which perform well in stable environments.

# Global Asset Allocation

Sector Allocation	View	Notes
Equities 	■	<p><b>Rationale:</b> Solid broad-based global economic growth continues for Q4 2017. Corporate earnings are growing at healthy rates across most regions.</p> <p><b>Risks:</b> Market valuations are above average, the cycle has been in expansion mode for almost 9 years, and geopolitical risks could trigger more cautious positioning at some point.</p>
Fixed Income 	■	<p><b>Rationale:</b> Inflationary trends appear to have stalled. Corporate credit remains healthy and interest rate hikes will be slower.</p> <p><b>Risks:</b> Inflation trends could bounce back again in coming months and re-ignite pressures on rate hikes.</p>
Commodities 	■	<p><b>Rationale:</b> Strong supply and demand trends in gold, oil, and copper. A weak USD continues to be supportive of commodities.</p> <p><b>Risks:</b> Commodities appear to have priced in most of the macroeconomic improvements.</p>
Cash 	-	<p><b>Rationale:</b> We are underweight on cash in a pro-growth environment that should lead to strong returns in equities and commodities.</p> <p><b>Risks:</b> Any correction, even a temporary one, would benefit from having extra cash to deploy.</p>

Maximum Overweight: ++ Slight Overweight: + Neutral: ■ Slight Underweight: - Maximum Underweight: --

## Summary

Both equities and fixed income asset classes can produce positive returns, but the relative attractiveness of strong equity outperformance over fixed income will fade until the reflation theme returns. We remain overweight in commodities as we think gold, oil and other base metals have hit the commodity price targets we were expecting. We are overweight on alternatives (e.g. hedge fund strategies). Alternatives target more stable returns and lower volatility than equities. During periods where the upside in risk assets is more muted, we think the more market-neutral strategies such as hedge funds look more attractive.

Risks to our outlook include political risks in the US, weaker trends in China as it tightens to control credit growth, European elections in Germany and Italy, and geopolitical risks from North Korea and the Middle East.

# Global Investment Strategy

## Bullishly Neutral – Equities and fixed income have positive outlooks

Our view is that the fourth quarter of 2017 is not one of those periods where one asset class will sharply outperform another. We expect both healthy macroeconomic growth that will support equities and a benign inflation outlook which delays rate hikes to support fixed income. Hence, we argue the outlook for the fourth quarter of 2017 is “bullishly neutral”.

We maintain a global macro scorecard of key indicators of economic growth and market indicators supportive of asset class returns. The leading indicators, economic surprise trends, monetary policy, earnings revisions, fund flows and overall economic growth all look healthy and supportive of equity performance.


There were signs that emerged last quarter that leading indicators were starting to soften, but since then the indicators around the world for August and September have been very strong. In particular, manufacturing surveys in the US and Europe are at their highest points in six years with the US reading reaching 58.8 and the Eurozone reading hitting 57.4 (readings above 50 signal expansion). Earnings growth for 2017 remains at double digit levels for all the major regions. While there are usually some downside earnings revisions toward the end of the year, we only see modest downward revisions in the developed markets and still see upward revisions in the emerging markets. The current global economic expansion has progressed for eight years and it would be typically late in the cycle to be worried about overheating and inflation risks. While the global growth outlook has improved in recent months, there have been almost no signs of overheating and very few signs of inflation or wages picking up in the major regions. Thus, the global market appears set to continue a state of “Goldilocks Nirvana” where there is just enough growth to support equity prices but not too much growth to trigger overheating that would undermine bond performance.

“In the near term, we see geopolitical risks as being more likely to upset the stable environment than macroeconomic trends”

In the near term, we see geopolitical risks as being more likely to upset the stable environment than macroeconomic trends. There are several low probabilities but potentially significant negative events that have been threatening markets. Firstly, there is the concern of possible military conflict between the US and North Korea that could trigger a protracted war, and even the risk of a nuclear weapon launch. The downsides of such a scenario are so great that we think the deterrents are large enough for any of the parties involved to avoid a conflict. There are also risks of a US government shutdown due to the lack of agreement over the debt ceiling, but again we think this is a low probability event. And finally, we continue to monitor political events in Europe. Much of the ongoing concerns in Europe have dissipated following the French election and the stable polling for the German elections, but in 2018, the Italian election is likely to stir worries of anti-Euro sentiment again.

On the whole, global macro trends continue to be favourable. Economic indicators are healthy enough to justify an overweight in equities, but as the outlook for bonds is healthy as well, we maintain our neutral recommendation. Our message would be that if you are naturally a fixed-income investor, then we think it is fine to stay with the asset class and do not see a need to change. If an investor naturally seeks higher returns from equities then this is also a good quarter to seek those equity returns. Commodities have had a solid run in recent months and we have also neutralised our commodity positioning as oil has already bounced back to our targeted levels.

# US Equity

Country Allocation	View	Notes
US 	■	<p><b>Rationale:</b> Leading economic indicators continue to be resilient while fundamental conditions remain supportive. Proposed corporate and income tax cuts look to be delayed into 2018.</p> <p><b>Risks:</b> Uncertainty over proposed Trump policies such as border adjustment taxes, renegotiation of trade treaties and increased protectionism.</p>

## Summary

We remain neutral on the US as it remains attractive for selective value plays. Earnings growth is expected to be resilient with improving economic conditions. Labour conditions remain supportive and the US Federal Reserve (Fed) remains dovish which is positive for equities. We retain the view that the US remains on a strong recovery trajectory.


# Europe Equity

Country Allocation	View	Notes
Europe 	+	<p><b>Rationale:</b> Leading economic indicators continue to improve in Europe even as conditions in the UK decline. The earnings gap between Europe and the US has remained wide since the global financial crisis and the region remains highly leveraged to an earnings upswing.</p> <p><b>Risks:</b> Geopolitical risks have moderated but the region still faces a heavy political calendar for many countries, including uncertainty for the UK after its exit from the European Union.</p>

## Summary

We have an overweight position in Europe as economic recovery continues with positive corporate earnings revisions. A weaker euro has helped lift confidence and boost economic activity. The region also has significant operating leverage for an upturn in economic activity with profit margins currently at trough levels. However, we are cautious against the backdrop of potential geopolitical risks in the region.

# Japan Equity

Country Allocation	View	Notes
Japan 	-	<p><b>Rationale:</b> Economic conditions remain mixed in Japan as monetary policies continue to be supportive. Inflation appears to be picking up which should evict deflationary fears.</p> <p><b>Risks:</b> Structural issues such as demographic trends remain an overhang on the country.</p>

## Summary

We have an underweight position in Japan. Economic data remains mixed but we believe that the Bank of Japan (BOJ) will remain accommodative, which would help to support the market. Despite disappointments with policy and the anaemic economic backdrop, there are some positive developments in corporate governance and corporate performance.

Maximum Overweight: ++   Slight Overweight: +   Neutral: ■   Slight Underweight: -   Maximum Underweight: --

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Country Allocation	View	Notes
China 	■	<p><b>Rationale:</b> Moderating economic growth due to investment slowdown. However, strong corporate earnings, improving banks' non-performing loans (NPLs) and change in market structure towards more IT and consumer discretionary sectors could support the market.</p> <p><b>Risks:</b> Property sales roll over. Government pushes hard on deleveraging and rebalancing after the National People's Congress.</p>
Hong Kong 	■	<p><b>Rationale:</b> Soft US rate outlook supports property sector's resilience. Central office rental trends remain healthy, while visitor arrivals to HK and Macau are improving.</p> <p><b>Risks:</b> Lofty prices of HK residential property and government demand-tightening measures remain headwinds.</p>
India 	-	<p><b>Rationale:</b> High market valuations. Continued downward earnings revisions. Economic disruption caused by a roll-out of the goods and services tax.</p> <p><b>Risks:</b> Low inflation encourages monetary easing. The soft US dollar also encourages fund inflows to India.</p>
Indonesia 	-	<p><b>Rationale:</b> Political uncertainties remain ahead of the 2019 general election as well as economic growth weighed down by weak consumption.</p> <p><b>Risks:</b> Growth could improve in 2018 with higher infrastructure spending and energy subsidies. Low inflation raises the likelihood of monetary easing.</p>
Malaysia 	-	<p><b>Rationale:</b> Delay in general elections. Weaker oil prices worsen current account positions. Investors' sentiment remains fragile after the 1MDB corruption scandal. High valuations.</p> <p><b>Risks:</b> Upside to economy and earnings growth from strong construction orders, drop in bank provisions as NPLs peak. Restructuring of government linked companies.</p>
Philippines 	-	<p><b>Rationale:</b> Peso under pressure with widening current account and fiscal deficits. Progress on infrastructure development slower than expected. Corporate earnings under pressure from rising costs and competition. Expensive valuations.</p> <p><b>Risks:</b> Execution of tax reforms could boost domestic consumption next year.</p>
Singapore 	■	<p><b>Rationale:</b> Positive revisions to gross domestic product (GDP) growth. Recovering real estate sector.</p> <p><b>Risks:</b> Banks net interest margins dampened from a soft US rate outlook, rising NPLs from the distressed offshore and marine sector.</p>

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South Korea 	■	<b>Rationale:</b> Continued strong corporate earnings, improving ROE and cheap valuations. More evidence of improving corporate governance and shareholder-friendly policies. Rising escalation of war in the Korean Peninsula prompted us to pare down from our overweight position. <b>Risks:</b> North Korea's brinkmanship on a nuclear programme which affects Sino-Korea relations. Domestic regulatory risks.
Taiwan 	■	<b>Rationale:</b> Upcoming iPhone 8 launch continues to support the Taiwanese component supply chain. Corporates have strong free cash flow and high dividend yields. <b>Risks:</b> Earnings in the technology sector are cyclical. Possible profit taking in Apple supply chain post launch of the iPhone 8.
Thailand 	■	<b>Rationale:</b> The economy should rebound in 4Q17 led by tourism, consumption, and exports. There could be the possibility of government stimulus ahead of the announcement of elections. <b>Risks:</b> Worse than expected earnings due to oil price declines and impact of royal cremation on domestic consumption. Market valuations are still on the high side.

Maximum Overweight: ++ Slight Overweight: + Neutral: ■ Slight Underweight: - Maximum Underweight: --

## Summary

Asia continues to see improving returns on equity (ROE) for the first time in six years and upward revisions in corporate earnings outpacing global markets. Moreover, these improving ROEs have been achieved with rising margins and sales and lower corporate gearing.






Asia's earnings revisions have outpaced global markets over three other previous periods in the last 20 years. In 2002, 2004 and post-November 2008, Asian markets have outperformed global markets significantly for the next 18 months. Despite the Fed raising rates, the US dollar has remained weak as the US economic recovery remains mild and inflation trends remain soft. This has helped Asian currencies and markets.

Despite the strong run year-to-date, Asian market valuations are still reasonable at the 10-year historical mean level on a price-to-book basis, though above mean on price-to-earnings. Foreign fund inflows into the region have been strong for the second year in a row, but Asian markets still remain far from historical overbought levels, with net foreign buying at just 0.3% of market capitalisation.

Barring a catastrophic war with North Korea or a sharp correction in the US market, the stage is set for Asian markets to continue their trend of outperformance.

We continue to prefer North Asia over Southeast Asia and India on stronger earnings momentum and cheaper valuations. However, despite the region's robust fundamentals, we are tactically paring down our equity exposure, given the rising risk of war in the Korean Peninsula. Hence, we cut our overweight position in Korea to neutral, remaining underweight on Southeast Asia and India, and hold more cash now in our portfolios in anticipation of more market volatility.

# Global Fixed Income Strategy

Sector Allocation	View	Notes
Developed Market (DM) 	-	<p><b>Rationale:</b> Muted inflation pressure should weigh on US long-end yields, but on the flipside, with the European Central Bank (ECB) about to embark on the policy normalisation process, we expect European rates to head in the opposite direction.</p> <p><b>Risks:</b> The ECB may take a slower pace to bond purchases in 2018, which would extend yields lower for a longer time. Policymakers may delay tapering with EUR strength.</p>
DM Government 	-	<p><b>Rationale:</b> While the Fed might be reaching its terminal rate, positive economic and inflation news over the Atlantic should ensure that rates in Europe remain supported. We do not expect 10-year JGB yields to remain negative for prolonged periods.</p> <p><b>Risks:</b> Geopolitical risk in the Korean Peninsula remains the wild card, and any signs of aggravated tensions could see yields plummeting across the board.</p>
DM Credit 	-	<p><b>Rationale:</b> Relative to EM and Asian markets, we are underweight on DM credits.</p> <p><b>Risks:</b> DM credit valuation is looking tight relative to EM and Asian credits.</p>
Emerging Market (EM) 	+	<p><b>Rationale:</b> EM is expected to be one of the drivers of global growth. Growth in EM is broad-based and synchronised, creating a positive feedback loop. Accelerating growth lowers EM markets sensitivity to shifts in any one particular region's growth. A reduction in external vulnerabilities and increased resilience to potential external shocks reinforces the positive EM growth story. Valuations are fair to attractive.</p> <p><b>Risks:</b> The risks to watch include the pace of US monetary tightening and protectionist measures, Chinese deleveraging, inflation surprises, idiosyncratic EM political risks, geopolitical risks.</p>
EM Government 	+	<p><b>Rationale:</b> Generally more positive policy tone emanating from EM. Fundamentals have improved in aggregate since 2013. Most countries have deployed both monetary tools (currency depreciation and rates) and fiscal tools (subsidy cuts, VAT taxes) to improve their imbalances.</p> <p><b>Risks:</b> Sensitivity to sharp commodity price declines and/or sharply higher USD funding costs. In the event of higher long-term US rates, the search for yield may become more discerning. Countries that previously underwent difficult macroeconomic adjustments will attract the bulk of foreign direct investment.</p>

Maximum Overweight: ++ Slight Overweight: + Neutral: ■ Slight Underweight: - Maximum Underweight: --



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EM Corporate 	■	<p><b>Rationale:</b> EM corporate fundamentals showed improvement with defaults running at historic low rates, and stabilising leverage levels. Overall, EM corporate credit is trading relatively expensively to EM sovereigns and quasi-sovereigns.</p> <p><b>Risks:</b> Protectionist US trade policies, idiosyncratic EM political and geopolitical risks. A potential recovery in the capital expenditure or mergers and acquisitions cycle would be cash flow negative.</p>
EM Local Currency 	■	<p><b>Rationale:</b> Risky assets had a strong performance year-to-date. We believe the attractive valuations should continue to encourage inflows.</p> <p><b>Risks:</b> Risks from the Fed and US administration have receded while geopolitical risks have escalated. We believe the environment remains broadly benign.</p>
Duration 	■	<p><b>Rationale:</b> US balance sheet unwinding appears to have been mostly priced in. Investors also generally expect the ECB to consider reducing asset purchases in the near future.</p> <p><b>Risks:</b> A faster than expected pace of terminating monetary stimulus could see European yields shoot higher. On the other hand, continuing worries about EUR strength could induce policymakers into a more gradual normalisation process.</p>
Yield Curve 	■	<p><b>Rationale:</b> In the absence of any external shocks, we expect the front end of the US yield curve to remain mostly anchored even as tempered inflation expectations limits the upside in back-end yields.</p> <p><b>Risks:</b> Should oil prices turn sharply higher, we could see a spike in inflation expectations, and thus a steepening of the yield curve.</p>

Maximum Overweight: ++ Slight Overweight: + Neutral: ■ Slight Underweight: - Maximum Underweight: --

## Summary

Lacklustre inflation readings and geopolitical tensions meant that US treasury yields dipped below 2.10%, moving closer towards the psychological mark of 2.00%. However, we expect the support to hold for the time being.

European yields should be relatively supported going forward, though much would depend on the forward guidance of the ECB. Meanwhile, unless North Korean tensions escalate sharply, we do not foresee 10-year Japanese government bond (JGB) yields to stay in negative territory for too long.

Meanwhile, GDP growth in emerging markets (EM) has seen better domestic demand growth supported by solid export growth. The improved domestic demand picture follows several years of macroeconomic adjustments. Overall macroeconomic stability has also improved, with indicators such as fiscal balances, current accounts, foreign exchange reserves and inflation improving. In addition to significant real rates buffers, external vulnerability in EMs have declined significantly since 2013.

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Regional Allocation	View	Notes
Latin America 	■	<p><b>Rationale:</b> The region has undergone difficult macro adjustments in recent years and is now in better shape to deal with domestic and external shocks. High real rates and better current account balances act as a buffer should US rates move higher. On fiscal policy, policymakers are expected to stay on a path of consolidation but with reduced pressure to cut expenditure as tax revenues rise. We balance our overweight positions in Chile, Mexico, and Argentina with underweight positions in Colombia and Paraguay.</p> <p><b>Risks:</b> A renewed political crisis in Brazil might slow down the pace of reform. The region will see elections in Colombia and Mexico in mid-2018 and in Brazil in October 2018. Political and solvency risks in Venezuela could potentially lead to a repricing of Latam risk.</p>
CIS/EE* 	-	<p><b>Rationale:</b> Gradual recovery is supported by further improvement in domestic demand growth in Russia and solid growth in Poland and Turkey. Both Russia and South Africa are growing below their potential with inflation likely to trend lower and remain contained. In Turkey and Poland, strong domestic demand growth adds to inflationary pressures. Valuations are moderately expensive.</p> <p><b>Risks:</b> Geopolitical risks including Russia's involvement in US politics could result in further sanctions; weaker macro and political stability in Turkey could lead to further downgrades.</p>
Middle East/Africa 	■	<p><b>Rationale:</b> Moderate strengthening of oil and resource prices in the wake of OPEC production cuts has moderately eased pressure on oil exporters. Many countries have deployed both monetary tools and fiscal tools to improve their imbalances. With regards to the internal Gulf Cooperation Council (GCC) rift, Qatar has sufficient liquid resources to ensure the stability of its banking system.</p> <p><b>Risks:</b> A weakening of oil prices would negatively impact fiscal budgets. However, Middle Eastern sovereigns have the lowest debt/GDP ratios and strong access to capital markets. Further escalation in the political dispute between Qatar and the GCC might lead to price volatility in the region.</p>
Asia 	■	<p><b>Rationale:</b> Improvements in overall global macroeconomic data remains the key driver for risk appetite. However, rising financing costs are adding more pressure on corporates.</p> <p><b>Risks:</b> Geopolitical risks continue to haunt the market. China's efforts to balance financial reform and growth remain.</p>
Singapore 	■	<p><b>Rationale:</b> Economic data surprised on the upside in Q2 and we see a continuation of robust growth into Q3. Although there are some expectations the MAS would adopt a hawkish tilt in October, we think that it is unlikely, with any change in policy likely to come in April 2018.</p> <p><b>Risks:</b> Being an open economy, any outright war in the Korean Peninsula could impact Singapore negatively. A possible China slowdown towards the end of the year could also weigh on sentiment.</p>

Maximum Overweight: ++ Slight Overweight: + Neutral: ■ Slight Underweight: - Maximum Underweight: --

\* Commonwealth of Independent States and Central and Eastern Europe

# Currencies

FX Allocation	View	Notes
US Dollar <b>US\$</b>	■	<p><b>Rationale:</b> Inflation data has disappointed consistently in recent months, and a misplaced faith in the Philips curve should result in a repricing of the Treasury yield curve, which would weigh on USD.</p> <p><b>Risks:</b> If US inflation levels spike higher, the Fed might still hike in December, which would send hawkish signals into 2018.</p>
Euro <b>€</b>	++	<p><b>Rationale:</b> The expectation is that quantitative easing will end in 2018 and interest rates will turn positive in 2019. Growth momentum in the Eurozone is picking up.</p> <p><b>Risks:</b> High chances of a pullback given the relatively stretched market positioning of the Euro. In addition, the ECB might surprise the market by choosing not to announce the schedule for tapering in the upcoming meetings, which adds to uncertainty.</p>
Japanese Yen <b>¥</b>	++	<p><b>Rationale:</b> Fewer asset purchases compared to 2016 from the BOJ amounts to a tapering effect. Geopolitical risks in the Korean Peninsula will lend support to JPY strength.</p> <p><b>Risks:</b> JPY, as a traditional safe haven, has remained supported in times of heightened risk, even if the mentioned risk was in close proximity. However, this could change should a North Korean bomb land in Japan.</p>
Singapore Dollar <b>SG\$</b>	+	<p><b>Rationale:</b> With major currencies including the JPY and EUR expected to strengthen, FX speculators may take long positions that lend SGD support.</p> <p><b>Risks:</b> A broad rebound in the USD would reverse our base case position.</p>
China Renminbi <b>CNY</b>	+	<p><b>Rationale:</b> Evidence thus far this year showed that the CNY had remained supported in every quarter after GDP outperformed, and with growth expected to hold up till the National People's Congress, the immediate outlook for CNY looks rosy.</p> <p><b>Risks:</b> Medium term structural weakness remains, though it would be good to note that this has mostly been reiterated for the past decade. Trade and geopolitical tensions could also flare up.</p>







Maximum Overweight: ++ Slight Overweight: + Neutral: ■ Slight Underweight: - Maximum Underweight: --

## Summary

Inflation misses in the US indicates investors are realising disinflation could be structural and not temporary, which would have implications for a re-evaluation of the Fed dot-plot and thus the US dollar. A normalisation of monetary policy in developed markets outside of the US would encourage money outflows from the US.

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# Commodities

FX Allocation	View	Notes
Commodities 	■	<p><b>Rationale:</b> Global economic data indicates solid demand growth. Supply remains constrained due to lower capital expenditure on expansionary projects. China continues to close low quality domestic production, which is supportive for prices. Mixed US economic data and US political issues may result in further USD weakness.</p> <p><b>Risks:</b> Further US interest rate increases and monetary tightening could see the USD strengthen again. There are warning signs that China's property market is slowing, which will have a negative impact on demand. Growing speculation in commodity futures markets.</p>
Gold 	+	<p><b>Rationale:</b> Gold continues to benefit from mixed US economic data and uncertainty over Trump's policy agenda. Geopolitical risk has resulted in increased safe-haven buying. Positive investment demand from physical gold exchange traded funds (ETFs) and central banks.</p> <p><b>Risks:</b> The Fed may continue to hike interest rates based on improving US economic data or theoretical desire to normalise US policy rates. This is negative for gold, which does not pay interest.</p>
Base Metals 	■	<p><b>Rationale:</b> Strong global industrial production figures support demand. New supply remains constrained by lack of new investment into mines.</p> <p><b>Risks:</b> Weaker-than-expected demand caused by slowing economic data, or metal consumers destocking inventory on growth concerns. Country-specific risks on taxation and ownership remain a concern.</p>
Bulk Commodities 	-	<p><b>Rationale:</b> The Chinese government continues to close inefficient, low quality domestic production of iron ore, coal and steel. This benefits overseas producers with higher quality product specifications.</p> <p><b>Risks:</b> A slowdown in China's domestic property market will weaken demand. Evidence of speculative buying in the futures market.</p>
Energy 	■	<p><b>Rationale:</b> OPEC has extended its production cuts to March 2018 while non-OPEC production is stagnant. Production risk from Venezuela, Libya and Nigeria. Positive aggregate crude oil demand growth, particularly from China and India.</p> <p><b>Risks:</b> Technical innovation results in strong US shale production growth, particularly Permian fields. Possible breakdown in OPEC production discipline. Disappointing emerging market demand.</p>
Agriculture 	-	<p><b>Rationale:</b> Agricultural prices are trading at historically low levels, making them vulnerable to weather-related events that could result in poor harvests and supply shocks.</p> <p><b>Risks:</b> Favourable weather has seen bumper harvests. Poor supplier discipline has resulted in oversupplied fertiliser markets.</p>

Maximum Overweight: ++ Slight Overweight: + Neutral: ■ Slight Underweight: - Maximum Underweight: --

## Summary

Global industrial production and purchasing managers' index (PMI) remains in expansionary territory, which supports solid commodity demand. The US dollar has weakened amid uncertain policy signals from the Trump administration and further weakness should be positive for commodity prices. Given the low levels of mining investment and the continued efforts of the Chinese government to reduce pollution by closing inefficient, low-quality production facilities, future supply remains constrained.

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