Quarterly Investment Strategy
First Quarter 2023

UOB Asset Management

More clarity and opportunities in 2023

Right By You

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Summary

After a year of many deep uncertainties, we think 2023 is starting to become clearer. The economic outlook is likely to remain challenging for another quarter or two, but we expect that, by the second half of 2023, inflation should moderate and economic growth should start to pick up again. While 2022 was a year where almost all asset classes performed poorly, we think that 2023 is likely to offer several investment opportunities.

A moderation in inflation should open the door for fixed income investments in the first half of 2023. As such, we start the year overweight fixed income. We think this is more of a win-win situation at the start of the year given that current yields are high and inflation is moderating. If the global economy is able to avoid a significant downturn and we see continued growth, then fixed income should at least be able to offer returns in the form of high yields. If, on the other hand, the global economy slips into recession, then fixed income will benefit from the lower inflation and interest rates that tend to accompany a recession.

On the other hand, slowing economic growth in early 2023 will likely be a headwind to equity investments. We think it is possible that growth could halt altogether and turn into a classic recession, but it is also plausible that the slowdown is a modest one. In either case, we think growth assets like equities will not be able to recover until that growth slowdown has troughed later in 2023. We therefore have a neutral outlook on equities, commodities and alternatives at the start of the year and we are underweight cash.

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Global investment strategy

While 2022 was full of uncertainties that forced investors to stay cautious through most of the year, we think economic trends are starting to become clearer in 2023. This will allow investors more opportunities to position their investments to earn positive returns.

2022: A perfect storm for investors

We suspect most investors will not have fully appreciated what an unusually bad year 2022 was for investing. Equity markets tend to grab most investors' attention and in themselves, global equities were weak but not as bad as the 2008 financial crisis and the 2020 COVID crisis. While global equities were down between 15 to 25 percent for most of the year, this was still a long way from the over-40 percent correction seen in 2008 and 2020.

But what makes 2022 stand out is how poorly all asset classes performed. Fixed income had one of its worst years ever with broad benchmarks down by almost 20 percent. Oil and some commodities started the year well but slid through the second half of the year. Gold and crypto suffered declines and most currencies weakened versus the USD. For conservative multi-asset portfolios, we would argue that these were the worst market conditions investors had encountered in 100 years.

Light at the end of the tunnel

In many ways, 2022 did not seem like such a terrible economic year. Global employment was strong, and services like travel, dining and entertainment all rebounded. The fact that market corrections in 2022 were so broad-based speak, we think, to how sinister an inflation surprise can be when financial markets were pricing for disinflation.

And as we look forward into 2023, we are mindful that the real economy did not unwind as much as financial markets. This presents investment opportunities that we will be keen to tap.

Global growth outlook: A mixed picture

However, of all the big uncertainties that we tracked and discussed through 2022, including inflation, interest rate policy and supply chain disruptions, the one that is still difficult to forecast is economic growth. As of the end of 2022, many economists are warning of a recession in 2023. We take a more nuanced view, given the many conflicting signals.

Firstly, we note that the economic trajectory of the different major regions is not uniform. The US shows the most signs of overheating and its central bank appears determined to cool that off. China's growth slowed dramatically in 2022 due to COVID and other policies. However, this looks set to change to allow more growth in 2023. Europe is facing a lethal combination of an energy crisis and rising rates which is set to slow its growth. This region appears to be most at risk of a recession. Meanwhile Asia as a whole is affected by slowing global growth. However, local economies appear somewhat more resilient to rising interest rates, given that rates here have historically been higher than other regions.

US leads the way

But we acknowledge that it is the US that is most likely to lead the world into a global recession, or alternatively, support global economic growth resilience. It is the largest economy and at the center of the inflation battle. And there are already many indicators that are pointing to a recession in the US.

The yield curve has been inverted for most of the year. The manufacturing ISM indicator, which has a strong track record of predicting recessions, has been declining all year. Interest rates have risen sharply and the interest rate-sensitive parts of the economy like housing appear to be rolling over sharply. All of this makes it logical for economists to predict a US, and thereby global, recession.

Eye on US employment rates

However, we would note the surprising resilience of the US consumer. Spending is still buoyant amid a strong job market, relatively healthy incomes and strong consumer balance sheets. In the end, we would not expect the US to suffer a recession if unemployment does not rise by at least one percent from current levels.

Rising unemployment is of course a typical consequence of slowing growth, which then further depresses growth and increases unemployment. But this cycle appears complicated by COVID. Many employers are reporting that they would be reluctant to lay off workers that they just re-hired after the COVID lockdowns. Small businesses say labour shortage is their biggest business challenge, and that they are losing business because of the lack of workers.

It remains to be seen whether businesses will really lay off enough workers to cause a significant rise in unemployment. Should this not materialise, the US's economic slowdown may not descend into the classic recession that the majority of economists are expecting.

Easing inflationary pressures

Growth and unemployment aside, we think the trend in inflation and interest rates is finally becoming clearer. While the headline inflation data has not yet changed and may take a while more to moderate, we think it is clear that most of the real underlying economic drivers of inflation in 2022 are now easing.

At the start of 2022, these drivers were fuel and auto prices, plus the prices of goods related to supply chain issues. But by the end of the year, most of this inflationary momentum appeared to be receding. Energy prices had fallen back to negative growth on a year-on-year basis. Auto prices had also reverted to below last year's prices. Freight rates which have previously tripled were back to historical norms.

Will wages and services costs follow suit?

The key remaining uncertainty is the price of labour and services. These have risen over the course of the year and if, as most economists are forecasting, growth slows further and unemployment ticks up, this last part of inflation will dissipate as well.

However, as mentioned earlier, we do not think that higher unemployment is a foregone conclusion. Assuming the economy moves on from the post-COVID hiring frenzy, labour conditions could become less overheated without triggering unemployment.

Overall, this implies that inflation should moderate in 2023, but the uncertainty will persist until inflation gets below 3 percent. We expect this to be the case by the end of the year and should be a comfortable level for the US Fed given that inflation has tracked between 2 to 3 percent in all expansions without triggering major concerns. On the other hand, if inflation fails to get back toward 3 percent, we would expect the US Fed to remain in inflation-fighting mode.

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Greater interest rate clarity

Nevertheless, the outlook for interest rates has become much clearer than in 2022. The US Fed will likely hike the Fed funds rate to about 5 percent and then pause to see if inflation declines over the course of the year.

In turn the 2-year US Treasury yield will likely track about 50 basis points lower than the terminal rate and the 10-year US Treasury yield will likely track 75 to 100 basis points below that. For the first half of 2023, our 10-year US Treasury yield target is 3.5 to 4 percent. We do not expect further surges in yields that so undermined fixed income performance in 2022.

Key takeaways

- Economic growth is slowing in 2023 and a recession is possible although that is not our base case.
- Our base case is for an economic slowdown that does not see a significant rise in unemployment and thus fails to meet the definition of a classic recession.
- Asia appears more resilient to rising rates and should be buoyed by China's reopening.
- Inflation should moderate rapidly in 2023, but it remains uncertain whether it will fall to the critical threshold levels of 3 percent needed to give comfort to the US Fed.
- The outlook for bond yields has become clearer for 2023. The sharp rises that result in fixed income losses are far less likely. We expect a 10-year bond yield range of between 3.5 to 4 percent in the first half of 2023.

Preference for fixed income

Fixed income: Attractive regardless of economic outcome
Fixed income appears to be in a win-win situation. Bond yields have risen to attractive levels. If economic growth continues and central banks do not cut rates, then fixed income returns over the year should be attractive based on yields alone. But if the global economy does slide into recession, then central banks will likely end up cutting rates. This too is bond-positive and will help to further push up bond returns.

Equities: Potential to perform on multi-year basis
Equities are unlikely to perform in the near term as the economic slowdown poses a risk of turning into a recession. But having largely priced in a modest recession, we do not expect any downside in equities to be very significant. Furthermore, we anticipate an improvement in long-term returns of two or more percentage points amid solid company earnings and better valuations. We note that valuations in US markets are still above average, but most other market valuations are now lower than normal. Thus, for the coming quarter, we would hold equities based on a neutral weighting.

Tactical positioning: Time to deploy cash and lock in yields
As most asset classes performed poorly in 2022, investors are likely comfortable with cash especially as current cash rates are higher than we have seen in a decade. However, we would caution that these cash rates may not last that long. Investors would do well to lock in today's higher yields via exposure to slightly longer duration fixed income assets, and to underweight cash.

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Global asset allocation

For the first quarter of 2023, we recommend focusing on fixed income.

Sector	View	Notes
Equities	N	**Rationale:** Global equities are down close to 20 percent and have largely priced in much of the recession risk. But we expect growth to slow over the first quarter and fears of a recession could weigh on markets. We do not expect equities to outperform until either the recession has troughed, or the risks of a recession have passed. **Risks:** While labour is holding up well so far, it could start to deteriorate and trigger a sharper-than-expected recession which could imply further equity downside.
Fixed Income	+	**Rationale:** Bond yields are higher than they have been in a decade and inflation has peaked. The risks from 2022 have passed and it is an attractive time to build up fixed income investments. **Risks:** Inflation and the hawkish Fed remain downside risks for fixed income. However, geopolitics could provide upside risks to government bonds as a safe haven asset if risks heat up in Russia and China.
Commodities	N	**Rationale:** Slowing global growth is bad for most commodities but China's reopening could help cushion any potential downturn. Overall, we recommend staying neutral and then raising weights as slowdown risks pass. **Risks:** Fed hawkishness could drag down both growth-related commodities and the gold outlook.
Alternatives	N	**Rationale:** In rangebound markets, alternative assets can find returns in stock picking alpha opportunities. However, overall performance is likely to be held back by the lack of growth opportunism. **Risks:** The rotation in assets has proved unpredictable and investment strategies may get wrongfooted.
Cash	-	**Rationale:** Short term yields could be tempting to investors. But we recommend locking in attractive yields for longer by investing in fixed income. **Risks:** If global growth proves resilient and inflation can be tamed, then other asset classes could outperform and cash returns will be too low.

++ : Strong Overweight + : Overweight N : Neutral - : Underweight -- : Strong Underweight

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Global equity outlook

The global economic slowdown is expected to continue to weigh on equity market performance in the coming quarter. We expect developed markets to be hurt more by their inflation and rate challenges than developing markets. Furthermore, the US faces the headwind of having the most hawkish central bank while Europe bears the economic brunt of the Russia-Ukraine conflict.

Under these circumstances, we believe that Asia can perform better than most regions. We would note that Asia tends to underperform in global slowdowns. However, Asia's path throughout the year has appeared to be a counter trend to what was happening elsewhere in the world. The region continues to benefit from reopening activities while other markets are already open. Asia also has structurally higher growth that can operate better in higher interest rate environments.

Regional strategy

Country	View	Notes
US 	N	**Rationale:** The US corporate environment has proved more resilient to economic weakness during the current period and in prior economic slowdowns. Also, during periods of global economic slowdowns, the tendency for the US dollar to strengthen helps to deliver to better US market returns, especially after currency adjustments. **Risks:** US valuations are higher than other regions and the spike in inflation started in the US.
Europe 	-	**Rationale:** European growth is at risk due to the conflict in Ukraine. The sanctions against Russia are likely to slow growth in Europe as a whole, given the relatively high reliance on Russian energy and other imports. Additionally, European inflation has started to match the rise in the US and the ECB is looking equally hawkish. **Risks:** European earnings growth forecasts are lower than other major regions. Europe has struggled to maintain periods of better performance in the past and may disappoint again in 2023.
Japan 	-	**Rationale:** Japan's economy still has a heavy dependence on global trade and slowing global growth is likely to weaken Japan's industrial production. **Risks:** The yen is usually a safe haven asset, but in a world of higher rates, it is the least rates-supported currency.
Asia 	N	**Rationale:** Asia's equity valuations are at historically attractive levels. While higher interest rates tend to slow developed economies given their lower levels of absolute growth, we think Asia's economies can hold up against the expected level of interest rate hikes. **Risks:** China's property slowdown and the impact on its economy is a risk to both China and other Asian markets that are influenced by China's growth.

++: Very positive +: Positive N: Neutral -: Negative --: Very Negative

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Asia equity

Despite slowing global growth and monetary policy tightening, Asia looks better placed than other regions given its domestic demand resilience.

We turn slightly more constructive on North Asia, based on our modest earnings outlook for the region, largely led by China. In ASEAN, the on-going reopening impulse should drive a greater uplift in the services sector. This could partly cushion the slowdown in trade exports but still causes us to moderate our previous South Asia tilt.

Country strategy

Country allocation	View	Notes
Mainland China	+	**Rationale:** The country's risk/reward profile is turning more attractive as COVID policies are easing and regulatory concerns are overdone. **Risks:** Upside risks from faster-than-expected reopening but downside risks from its COVID management policy, cooling housing and external demand, and worsening geopolitical risks with US/Taiwan.
Hong Kong market	N	**Rationale:** Lacklustre GDP growth largely priced in and reopening is ahead of mainland China. **Risks:** Faster-than-expected reopening, improved China/HK political relationship.
India	-	**Rationale:** Valuation is extended against a weak outlook for corporate profitability. **Risks:** Corporate earnings outlook improves, oil price normalises.
Indonesia	+	**Rationale:** Private consumption remains resilient and is likely to sustain its relatively strong GDP growth. **Risks:** Collapse in commodity prices, weak rupiah.
South Korea	-	**Rationale:** Valuation is not cheap against a still deteriorating corporate earnings backdrop. **Risks:** Global semis downcycle normalises earlier-than-expected, strong non-tech consumption growth, improved geopolitical risks (US, Japan, China).
Malaysia	+	**Rationale:** Political overhang clearing but subsidy rationalisation and potential tax reform represent headwinds to growth. **Risks:** Slower-than-expected domestic economic recovery, political noise, sharp drop in oil prices could weaken MYR.

++: Very positive +: Positive N: Neutral -: Negative --: Very Negative

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Country allocation	View	Notes
Philippines	N	**Rationale:** Highest absolute GDP growth within the ASEAN region. **Risks:** Earlier-than-expected normalisation in economic activities, elevated inflationary pressures.
Singapore	+	**Rationale:** Likely to stand out for its relative earnings resilience, underpinned by a solid outlook across the financials, property and transport sectors. **Risks:** Drastic slowdown in growth with major trading partners (US, EU, China).
Taiwan market	+	**Rationale:** Valuation is attractive. Growth drag from global semis/hardware downcycle appears largely discounted by the market. **Risks:** Global semis downcycle normalises later-than-expected, weak consumption spending, worsening cross-strait relationship.
Thailand	N	**Rationale:** Uplift in economic activities driven by a rebound in inbound tourism is largely discounted by the market. **Risks:** Collapse in oil price, political noise/resurgence in political unrests.

Summary: We turn more constructive on North Asia.

China's risk/reward profile has turned more attractive as policy is easing and regulatory concerns appear overdone, with upside from a faster-than-expected reopening. Likewise, we upgrade Hong Kong from underweight to neutral as its lacklustre economic growth now looks priced in and its reopening is ahead of mainland China.

We have also upgraded Taiwan from neutral to overweight. Taiwan's relative valuation is compelling while the growth drag from the global semis/hardware downcycle appears largely discounted by the market. However we downgrade South Korea from neutral to underweight as valuations appear unattractive against a deteriorating corporate earnings backdrop.

We continue to underweight India given its extended valuations and weak corporate profitability due to elevated inflationary pressures.

++: Very positive +: Positive N: Neutral -: Negative --: Very Negative

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We are moderating our South Asia tilt

Within ASEAN, Singapore and Indonesia are our preferred markets. We retain our positive view on Singapore based on its relative earnings resilience. This is underpinned by a solid outlook across Singapore's financials, property and transport sectors. We upgrade Indonesia from neutral to overweight as private consumption remains resilient and is likely to sustain its relatively strong GDP growth. We have turned less bearish on the Philippines and upgrade this market from underweight to neutral. GDP growth is expected to be highest on an absolute basis among its ASEAN peers.

In contrast, we reduce our overweight on Thailand and Malaysia. We are now neutral on Thailand as the rebound in inbound tourism appears largely priced in. We are downgrading Malaysia to neutral as the political overhang is clearing but subsidy rationalisation and potential tax reforms represent headwinds to growth.

We remain cautious in our sector positioning and favour late-cycle defensive and value cyclical sectors such as consumer staples, materials, utilities and selective tech names. Companies which benefit from domestic demand opportunities, interest rate beneficiaries, inflation hedges and commodities margin relief are also better positioned.

Key risks to our cautiously optimistic positioning include a slower-than-expected rebound in China's economy, extended above-trend inflation and worsening geopolitical risks between US and China. A drastic global growth slowdown also represents downside risks to our view.

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Global fixed income outlook

As we head towards a much-anticipated pause in the current rate hiking cycle and market participants look to lock in yields, it is likely that we will see increasing bids for high quality government bonds.

While markets are focused on the downsizing of Fed hikes, we would note that we are also nearing the end of the rate hiking cycle, slated to be sometime in the second quarter of 2023. This is also in line with the schedule for other developed market central banks, like the European Central Bank (ECB) and Bank of England (BoE).

We also expect the yield curve to flatten further if central bankers are serious about keeping key rates at high levels for an extended period of time. This will invariably hurt long end growth and thus the long end of the curve.

Sector strategy

Sector	View	Notes
Developed Market (DM)	+	**Rationale:** End of hiking cycle traditionally sees the entry of large bids to lock in yields. **Risks:** The new year could yet bring about another surge in inflation.
DM Government	+	**Rationale:** We are likely to see ECB and BoE end their hiking cycle by Q1 2023, with the US Fed slated to end hiking by Q2. **Risks:** G7 central banks could yet extend their respective hiking cycles.
DM Credit	+	**Rationale:** DM investment grade bonds are still giving us attractive yields of near 5 percent. **Risks:** Recession risks might cause credit spreads to widen.
Emerging Market (EM)	+	**Rationale:** We are sanguine on an oversold asset class and a weaker USD, though a potential recession could lead to a deterioration in fundamentals. **Risks:** Stagflation in developed countries and the resulting impact on export-reliant emerging markets could hurt EM bonds.
EM Government	N	**Rationale:** Our preference is for high yield over investment grade bonds, based on supportive technicals and inexpensive valuations. **Risks:** Prolonged periods of challenging issuance conditions could further expend reserve buffers.
EM Corporate	+	**Rationale:** Corporates are experiencing higher funding costs after a year of aggressive rate hikes by EM central banks. However, domestic demand has yet to fully adjust to the monetary tightening. **Risks:** Continued cost pressures that will erode margins.

++: Very positive +: Positive N: Neutral -: Negative --: Very Negative

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Sector	View	Notes
EM Local Currency	-	**Rationale:** Local currency bonds may have rebounded somewhat but we see more weakness in 2023. **Risks:** A huge rebound in risk could see these bonds back in favour.
Duration	+	**Rationale:** We prefer to lock in yields over the longer term as the downdrift in US Treasury yields is just starting. **Risks:** A rise in inflation expectations could lead to long end yields rising yet again.
Yield Curve	-	**Rationale:** While the yield curve is heavily inverted by historical standards, we expect it to minimally go to negative triple digits. **Risks:** The yield curve could steepen very quickly if the Fed signals willingness to cut interest rates.

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Emerging market fixed income

Regional strategy

Sector	View	Notes
Latin America	-	**Rationale:** The high exposure to declining commodity prices poses headwinds for the region. **Risks:** Political risks may come to the fore in 2023 with populist policies highly likely to materialise following Brazilian president-elect Lula da Silva's inauguration in January. The impeachment of Peru's ex-president Pedro Castillo marks the country's latest political upheaval, and brings forth the possibility of early elections.
CIS/EE*	-	**Rationale:** Weather conditions may continue to deteriorate from here, while rate hikes are set to continue amid persistent inflation. **Risks:** Gas storage inventory levels remain decent but a complete cut in energy exports by Russia would pose problems after the winter season. The ongoing war in Ukraine poses further social and economic damage.
Africa	N	**Rationale:** Gradual removal of energy subsidies are positive, though a potential recession in the developed countries could have a knock-on effect on the region's growth prospects. **Risks:** Slowdown in Chinese lending and a lack of access to capital markets could exacerbate debt sustainability concerns.
Asia	+	**Rationale:** With the opening of China into a post-pandemic normalisation, credit fundamentals and sentiments are expected to improve. The region still offers value compared to DM and EM peers given the underperformance from China previously. **Risks:** A re-lockdown of China due to inadequate hospital space or a higher-than-expected death toll.
Singapore	+	**Rationale:** While growth is slated to slow next year, Singapore is still forecasted to grow at healthy levels of 1 to 2 percent. **Risks:** Singapore will not be immune to a hard landing if or when a global recession occurs.

* Commonwealth of Independent States and Central and Eastern Europe
Views above are hard currency-based unless stated otherwise

++: Very positive +: Positive N: Neutral -: Negative --: Very Negative

Global currencies outlook

While December tends to see a weaker USD amid strong seasonal factors, we remain constructive on dollar strength in 2023. We would view any extended dips as opportunities to add to dollar positions.

Softening US yields is a prime reason for USD weakness. However, fundamentals, technicals, elevated yield spreads and a unique safe haven status are still broadly supportive of USD over the medium term.

Currency strategy

Currency	View	Notes
US Dollar **USD**	+	**Rationale:** Four factor framework broadly supportive of USD strength. **Risks:** Should the war in Europe end or a growth impetus is seen elsewhere in the world, the USD will lose its fundamental advantage.
Euro **EUR**	--	**Rationale:** We are one year into the Russia-Ukraine war with no end in sight. **Risks:** Should the Russia-Ukraine war end and energy problems become a thing of the past, EUR will see a massive rebound.
Japanese Yen **JPY**	--	**Rationale:** The Bank of Japan (BoJ) is unlikely to end its yield curve control policy without some signs of wage growth. **Risks:** The JPY could spike higher if the BoJ decides to normalise policy.
Singapore Dollar **SGD**	N	**Rationale:** While the Monetary Authority of Singapore (MAS) is not likely to hike rates in April 2023, we expect inflation to remain elevated and the SGD to stay strong. **Risks:** A huge reversal in inflation could see the MAS turn dovish.
China Renminbi **CNY**	N	**Rationale:** While the economy has somewhat reopened, we need to see further signs of growth before overweighting the CNY. **Risks:** CNY could spike higher if consumer sentiment recovers to 2021 levels.

++: Very positive +: Positive N: Neutral -: Negative --: Very Negative

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Global commodities outlook

Global commodities are facing mixed conditions. There are headwinds from slowing global growth but tailwinds from China's reopening.

Commodities tend not to perform well when the global economy is slowing, but we would caution that this cycle has many abnormalities. While the global economy is slowing, China, which has the most influence on commodities, is picking up.

In addition, many commodities such as oil, gold and industrial metals all have significant supply constraints which could lead to a surge in prices if demand picks up. Overall, we are left with a more neutral outlook as the negatives offset the positives.

Sector strategy

Sector allocation	View	Notes
Commodities	N	**Rationale:** At this stage in a slowing cycle we would usually be underweight commodities, but the China reopening, the war in Ukraine and other supply constraints should keep commodity prices at least stable during the period. **Risks:** US Fed overtightening could both slow growth and raise real rates. This would be negative for both the cyclical commodities and the safe haven metals.
Gold	+	**Rationale:** The case for gold is improving as real rates are peaking. Emerging market buying of gold appears set to rise, and significant supply constraints exist. Additionally, when the US seized Russia's USD reserves, it made many countries realise that they may need to diversify their reserves and gold is a prime candidate. **Risks:** If central banks turn overly hawkish, and rapidly control inflation, the usefulness of gold for diversification will diminish.
Base Metals	N	**Rationale:** We think the multi-year outlook will be strong as new and green technologies are creating high demand for many of the metal commodities. **Risks:** Most base metals are very sensitive to global demand and any unexpected slowdown will weaken the outlook.
Energy	N	**Rationale:** Oil is benefitting from global supply disruptions due to the conflict in Ukraine, but is being hurt by the growth slowdown and the strength of the USD. **Risks:** Most of Russia's oil supply has found its way into markets and if a significant recession were to unfold then demand could fall significantly below supply again.
Others	-	**Rationale:** The demand for other broad commodities such as agriculture appears to have peaked and to have declined over the past couple of quarters. The supply concerns related to the Ukraine war appear to have faded. **Risks:** As always, supply disruptions remain a key risk to the strengths and weaknesses of many commodities.

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Global alternatives outlook

Alternatives remain an attractive asset class for investors looking for diversification beyond traditional investible classes which have exhibited high correlation during times of market stress.

Sector strategy

Sector allocation	View	Notes
Hedge Funds	+	**Rationale:** Tightening liquidity and weakening economic conditions will limit opportunities to profit from beta exposure but provide opportunities for absolute return oriented funds seeking alpha with active downside risk management. **Risks:** Bear market rallies which are not fundamentally driven could cause hedged strategies to underperform relatively.
Private Equity	-	**Rationale:** Tightening liquidity and weakening economic conditions wil not be supportive to strategies that have high valuations and rely on abundant and low-cost liquidity. **Risks:** Opportunistic strategies like secondary funds could do well in this environment.

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