Quarterly Investment Strategy
First Quarter 2024

UOB Asset Management

The Hard Part is Over

Right By You

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Executive Summary

A big sigh of relief

2023 turned out to be a good year for investing, with both stocks and bonds performing very well. But for many investors, it never really "felt" like that was the case. Instead, the year felt like a 2022 hangover, with issues like high inflation, interest rate hikes and recession risks continuing to dominate.

Yet 2022 and 2023 were different in several ways. In 2023, considerable progress was made around the world to achieve a moderation of inflation, an end to interest rate hikes and no recessions.

And as we move into a new year, we note that the risks around inflation, rates and recession have all declined further. After four long years of the Covid pandemic and its aftermath, 2024 should allow us to feel like we are entering a more normal economic and financial environment. We think investors can breathe a sigh of relief that the "hard part is over".

Global Investment Strategy

Return to more normal conditions

After two years of Covid-induced market swings, and another two years of post-Covid market overhangs including inflation concerns, rate hikes and recession risks, this year we are likely to see more "normal" investing.

Equities will be driven by earnings growth and bonds will be driven by lower-but-still-attractive yields. While 2024 looks to be a year of only modest growth, we think the more comfortable investing environment is going to come as a big relief to investors.

Inflation is under control

In hindsight, we were right to assume that inflation was being driven by largely temporary Covid-related factors, but it was a mistake to expect that those factors would disappear quickly. It appears the world had a case of long Covid, but in country after country irrespective of their applied policies, inflation is now waning.

In the US, the six-month annualised rate of core inflation has shrunk from 9.0 percent in early 2022 to 3.2 percent by the end of 2023. Excluding rent inflation, the trend of inflation is already back to the central bank target of close to 2.0 percent. Rent inflation data in CPI calculations are lagging real world rents which have already fallen to near zero percent.

As such, we expect core inflation to ease to about 2.5 percent in 2024. In our view, inflation has already fallen to levels that would allow Developed Market (DM) central banks to back away from the extreme inflation-fighting agenda they have had in place over the past two years.

Central Banks set to reverse course – but more slowly than expected

We think interest rate hikes at the US Fed and the ECB are done and in 2024, we would expect to see interest rate cuts from DM central banks. Taylor Rule calculations - a policy tool that guides central bankers on the appropriate level of interest rates – also suggest interest rate cuts in 2024 if inflation trends continue.

However, unlike consensus, we think core inflation trends will justify two rate cuts from the US Fed and the ECB this year. Fed fund futures data is currently implying four or more rate cuts. However, we would argue that when employment is full and during an election year, the Fed is unlikely to be as aggressive about cutting rates as markets are anticipating.

The economic expansion should continue

The global economy defied expectations of a recession in 2023 and we think better economic breadth should help sustain continued growth in 2024. In the past year, manufacturing and the goods sectors have been very weak in most countries and service sectors have been providing most of the economic strength.

But as economies normalise from their Covid after-effects, we are expecting services to moderate while goods and manufacturing sectors should rebound in 2024. We think this will result in a better balanced and more normal global economic backdrop. Manufacturing PMIs in most regions appear to be recovering and this is already spilling over into increased global trade, a development that should be supportive of Asian economies.

Back to the basic market drivers

It has been a while, so investors may have forgotten that the usual driver of equities is earnings growth rather than inflation and central banks. Currently the forecast for earnings growth in the US and Asia is in the double-digits, and mid to high single-digits for Europe and Japan.

We are somewhat more cautious, and our assumption is that revenues will grow at a rate consistent with economic trends. We believe margins should still be able to support high single digit earnings growth in the major markets. This in turn should translate to high single digit market returns for global equities, but with improvements in economic breadth reflected in a similar broadening out of the market.

Global Investment Strategy

Higher-for-longer is taking shape

We think investors should be cognisant of the structural shift to a higher inflation and interest rate regime that marks a break from the ZIRP (zero interest rate policies) of the pre-pandemic 2010s decade. The 2020s looks set to be defined by a radically different environment of higher-for-longer inflation and interest rates that will have significant investment implications.

A higher-for-longer era can be both positive and negative for investors. On the plus side, sustainably higher interest rates will offer better yields for years to come. However, yields and bond returns are likely to be more volatile than in the past decade.

For a detailed discussion of what higher-for-longer means, and how to invest in this new environment, refer to our whitepaper which is available to download HERE

Key takeaways

- The hard part is over and 2024 should be a more normal year for investing
- Economic growth is proving resilient for 2024 and should come with better sectoral and regional breadth
- Inflation is improving and should allow central banks to stop focusing on interest rate hikes and instead shift to interest rate cuts
- Equity markets should see better breadth in 2024 after being narrowly supported in 2023
- Perceptions are changing about long term interest rate trends. It is time for investors to start embracing the implications of a new "higher-for-longer" investment landscape

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Global Asset Allocation

Fixed Income: Bonds offer attractive yields and the threat of rate hikes has passed

Bond yields are higher than they have been in 15 years and future returns will benefit. The near-term risks of interest rate hikes have faded but we recommend not to expect bond markets to rally on overly large interest rate cuts. Rather, invest in fixed income for the good yield carry and protection that it offers if a recession does eventuate in the next couple of years.

We prefer to focus on credits including high yield. Credit spreads have been tightening all year, enabling investment grade credits to offer better returns and offsetting the negative repricing effects of rising bond yields. **As such, we are underweight government bonds but overweight investment grade and specific high yield credits.**

Equities: Potential to perform on multi-year basis

Equities had a strong year in 2023 with global benchmarks up over 15 percent. But market excitement was limited by the very narrowly driven growth, with overall returns much more modest when megacap tech firms are excluded.

However, we believe market performance will broaden in 2024 as the economy broadens and there will be more opportunities to stock pick. We expect continued expansion, leading to further earnings growth, which should be good for equities in the coming quarter. Growth risks remain, but we think expectations are not overly elevated. For the coming quarter, we are holding global equities based on a modest overweight position.

Cash: Consider deploying to lock in yields

As most asset classes performed poorly in 2022, many investors were comfortable holding cash in 2023, especially as cash rates were higher than they had been for over a decade. However, these investors would have lost out, as stocks and bonds beat cash in 2023.

We think both asset classes will do so again in 2024, and with less volatility than was seen in 2023. As such, investors may want to think about putting their cash to work. Income seekers will want to lock in today's higher yields via slightly longer duration (1 to 3 years) fixed income, while growth seekers will find opportunities not only in conventional but also some non-conventional asset classes.

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Asset Allocation Strategy

Sector	View	Notes
Equities	+	**Rationale:** Earnings forecasts are for better growth in 2024 which should lead to continued equity performance. As the economy broadens with better goods sector performance, better global trade and better global manufacturing, we would expect equity performance to broaden as well. **Risks:** If excess savings dwindle and loan growth stays weak, consumers may start to run out of gas and the earnings story could weaken.
Fixed Income	N	**Rationale:** Bond yields are more attractive than they have been in a decade and inflation has peaked. But the market may be expecting too much when it comes to rate cuts in 2024. We suggest letting current yields drive your return expectations. **Risks:** Inflation could surprise on the high side and trigger further rate hikes.
Commodities	N	**Rationale:** Economic resilience is good for commodities but China growth weakness offsets much of that benefit. **Risks:** Higher-than-expected interest rates could drag down both growth-related commodities and the gold outlook.
Alternatives	N	**Rationale:** Stocks and bonds are doing well at reducing the focus on alternatives. However, alpha opportunities should improve as the expansion matures. This is a source of attraction for alternatives. **Risks:** Market breadth has been weak and thus limits alpha opportunities.
Cash	-	**Rationale:** Cash rates are tempting to investors. But yields are already falling and investors may wish to lock in good yields for longer. **Risks:** The global economy could end up trapped for an extended period in the slowdown quadrant where cash outperforms. This would be a risk to our underweight view.

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

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Global Equity Outlook

DEVELOPED MARKETS: Developed market indices have performed well but with narrow breadth. In 2024 we should see better diversity in returns and market leaders

Developed markets outperformed in 2024 as developed economies managed inflation better than expected and defied expectations of recessions. But now that expectations are less dire, it will take earnings growth to drive market returns. We think developed markets should see mid to high single digit earnings growth and this will translate into mid to high single digit returns in 2024. This may be more modest than the total return in 2023 but we expect it to come with less volatility and uncertainty.

EMERGING MARKETS: Global trade and manufacturing is picking up. This bodes well for emerging markets even if China needs more time to fully recover

China surprised us in early 2023 when the reopening trade faded so quickly. The focus instead turned to China's dependence on its property and infrastructure investments as an engine of growth over the past decade. The country is now struggling to grow without those drivers. We think China still has strong economic and growth prospects but it will take time to become less reliant on its property sector.

But even without China leading the way, we think growth in the emerging markets and in Asia in particular will be healthy. We see global trade and manufacturing picking up from weak levels and this will lead to better expansion opportunities in Asia. The US dollar's (USD) upward strength has subsided and this will create a better environment for Asian outperformance. Asian markets have better valuations and now that interest and discount rates are higher, we would expect Asian markets' higher growth potential to be well-rewarded.

Equities Regional Strategy

Region	View	Notes
US 	N	**Rationale:** The US was the top performer in 2023 but global market performance is expected to broaden, primarily driven by earnings growth. As such, we see the US as a good but neutral performer. **Risks:** Growth risks remain elevated. It could be that there is a lag in the impact of interest rates on the economy, and if so, this will start to show up in the coming quarters.
Europe 	-	**Rationale:** Economic surprises have been weaker in Europe than other regions. Earnings growth expectations are also weaker in Europe than the other regions. **Risks:** Europe still faces risks of energy constraints and other negative effects arising from the war in Ukraine.
Japan 	+	**Rationale:** Japan emerged as a 2023 global outperformer and we think it will continue to benefit from the rebound in global trade and manufacturing. **Risks:** The monetary policy that has been very accommodative for years may finally start to normalise in the coming quarter which could trigger more volatility.
Asia 	+	**Rationale:** We think Asia can perform even if it takes more time for China to rebalance. We see the best earnings growth in Asian markets, and we expect the region to benefit from the rebound in global trade, the peaking of interest rates and the USD. **Risks:** Markets appear focused on the developed markets and may continue to ignore Asia despite better economic growth.

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

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Asia Equity

We are constructive on Asia and expect moderate returns for the region heading into 2024. We expect Asia's growth to turn firmer in the second half of the year, contingent on a modest, policy-driven recovery in China's growth. However, while we see modest improvements in its economic indicators, we remain cautious on China in the near term.

We have a slightly more defensive positioning on Asia in the first few months of the year. A more pronounced slowdown in global growth is likely to constrain recovery in Asia's exports and this underpins our caution.

We retain our underweight on **China**. Notwithstanding upsized fiscal deficit stimulus, near term upside is likely capped given subdued consumer and business sentiment in the absence of a sustainable turnaround of the property sector.

Hong Kong remains an overweight with private consumption strength and continued momentum in inbound tourism likely to sustain pace of economic recovery. **Korea** remains an underweight given lacklustre private consumption whilst the domestic market appears vulnerable to lingering concerns over global electric vehicle (EV) demand.

Within the region, we have a relative preference for **Taiwan** and **India**, and we are increasing our overweight in both markets. Valuations in Taiwan are attractive against nascent signs of a gradual bottoming in the global tech cycle. Meanwhile, India's GDP growth is the highest in the Asia region. Its supply side reform, along with the government's focus on macro stability, is supportive of a strong capex cycle and corporate profitability outlook.

Within ASEAN, **Singapore** and **Malaysia** remain our preferred overweights. Singapore is a relative safe harbour. The market's higher concentration of dividend-paying stocks should provide some support. Likewise, Malaysia is a relatively defensive and low beta market. A more gradual rollout of subsidies rationalisation suggests inflation is likely manageable. We also upgrade Vietnam to neutral from underweight. We expect 2024 earnings to rebound on the back of infrastructure investments, foreign direct investments (FDI) and recovery in exports.

In contrast, we downgrade **Indonesia** and **Philippines** from Neutral to Underweight. Whilst we like Indonesia's longer term structural growth story, there are potential policy overhangs from the upcoming Presidential election which present near-term downside risks. In the Philippines, we see downgrade risk to corporate earnings from slowing private consumption against an elevated inflationary environment. We remain neutral on **Thailand** as an acceleration in fiscal impulse could provide some offset to slower tourism recovery.

Our defensive positioning is tilted towards sectors such as Consumer Staples, REITs and Utilities. We are selective within the Consumer Discretionary and Technology space. On the other hand, we are reducing our exposure in Financials.

Key risks to our cautious outlook include a US hard landing, a stronger than expected rebound in China's economy and geopolitical risks (US/China tensions, Israel-Hamas war).

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Asia ex-Japan Country Strategy

Country	View	Notes
China	-	**Rationale:** Notwithstanding upsized fiscal deficit stimulus, near term upside is likely capped given subdued consumer and business sentiment in the absence of a sustainable turnaround of the property sector. **Risks:** Real estate market recovers earlier/greater than expected, domestic consumption accelerates, geopolitical relationship improves.
Hong Kong market	+	**Rationale:** Private consumption strength and continued momentum in inbound tourism likely to sustain pace of economic recovery. **Risks:** China/HK political relationship deteriorates, inbound tourism weakens.
India	+	**Rationale:** Supply side reform along with government's focus on macro stability supports a strong capex cycle and corporate profitability outlook. **Risks:** Spike in inflationary pressures, delays in infrastructure spending.
Indonesia	-	**Rationale:** Near-term downside risk from potential policy overhang arising from upcoming Presidential elections. **Risks:** Landslide election win, spike in commodity prices, strong Rupiah.
South Korea	-	**Rationale:** Domestic market appears vulnerable to lingering concerns on EV industry end-demand whilst private consumption remains lacklustre. **Risks:** Global EV demand picks up, global semiconductor cycle inflects upwards. Strong non-tech consumption growth.
Malaysia	+	**Rationale:** Relatively defensive and low beta market within ASEAN. A more gradual rollout of subsidies rationalisation suggests inflation likely manageable. **Risks:** Delays in implementation of fiscal policies.
Philippines	-	**Rationale:** Rising earnings downgrade risk from slowing private consumption against an elevated inflationary environment. **Risks:** Inflationary pressures easing faster than expected, domestic consumption strength.
Singapore	+	**Rationale:** A relative safe harbour. The domestic market's higher concentration of dividend-paying stocks should provide some support. **Risks:** Inbound tourism disappoints, drastic slowdown in growth with major trading partners (US, EU, China).
Taiwan market	+	**Rationale:** Tech sector valuation is attractive against nascent signs of a bottoming in global tech cycle. **Risks:** Global tech cycle demand weakens, cross-straits relationship improves.

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

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Asia ex-Japan Country Strategy

Country	View	Notes
Thailand	N	**Rationale:** An acceleration in fiscal impulse could provide some offset to slower tourism recovery. **Risks:** Slump in oil price, earlier-than-expected government stimulus.
Vietnam	N	**Rationale:** Earnings rebound forecast for 2024. Positive drivers from infrastructure investments, FDI and recovering exports. **Risks:** Delays in infrastructure investments, global exports falters.

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

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Global Fixed Income Outlook

Central banks' rate hiking cycle appears to be done but continued US economic expansion could temper the extent of monetary easing. The Fed has signalled three rate cuts next year – less than the market was expecting but more aggressive than our own expectations. Regardless whether two, three or four cuts, the "higher-for-longer" theme will be central to fixed income investing.

We would expect growth momentum in the US, Japan and China to remain relatively stronger than that of Europe. The moderation in inflation trends in US and Europe have been largely priced into bond markets. On the other hand, the slower monetary tightening in Japan could lead to higher inflation.

In terms of Treasury yields, 2H23 saw them move sharply higher and then sharply lower, as concerns over impending large Treasury issuances eased towards the end of the year. Going forward, we expect yields to stay in a trading range with an upwards bias. Assuming the "higher-for-longer" macro cycle holds true, yield curves are expected to steepen and approach normalisation in the coming months.

The continued economic expansion suggests that, on a risk-reward basis, investors may wish to neutralise or reduce mid-to-long duration fixed income plays.

Fixed Income Sector Strategy

Sector	View	Notes
Developed Market (DM)	N	**Rationale:** Developed market economies have trudged along steadily with consumer spending and capital investment data holding up. **Risks:** While disinflation has proceeded quickly in the US and Europe, core inflation may remain above central banks' inflation targets.
DM Government	-	**Rationale:** As the global growth expansion continues, markets will price out the series of rate cuts, driving a bear steepening of the yield curve. **Risks:** Growth disappointment could see yields move lower.
DM Credit	+	**Rationale:** Corporate fundamentals should remain strong, risk-reward considerations will likely focus on carry trades given narrow spreads. **Risks:** Credit spreads could widen should recessionary fears take hold.
Emerging Market (EM)	N	**Rationale:** EM central banks have remained relatively dovish. This is supportive of spreads and markets exposed to Chinese growth. **Risks:** EM credit markets exposed to Chinese growth may be more vulnerable should the Chinese economy slow down.
EM Government	N	**Rationale:** Credit fundamentals should remain positive in the majority of EM markets. Considerations will focus on carry trades being the main driver of returns. **Risks:** An external tail risk event such as a reversal of the disinflationary trend led by commodity prices, coupled with a global growth slowdown.
EM Corporate	N	**Rationale:** EM corporates have performed mostly in line with EM sovereigns and we expect this to continue. **Risks:** An extended period of high interest rates could start to weigh on corporate profitability, especially for those companies that are highly leveraged.

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

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Global Fixed Income Outlook

Sector	View	Notes
EM Local Currency	N	**Rationale:** EM central banks are ahead of DM central banks in terms of inflation control, and their bond yields are higher and more attractive. **Risks:** The EM local currency space could see losses should the US dollar strengthen more (in a "no-landing" scenario).
Duration	-	**Rationale:** Against a base case of continued US expansion, we expect yields to be mostly range-bound with an upwards bias over the coming months. **Risks:** Rates could rally should there be growth disappointments, or if disinflationary pressures increase.
Yield Curve	+	**Rationale:** The yield curve can continue to steepen in a "higher-for-longer" macro cycle. **Risks:** Should the Fed hike the policy rate further, we could see the yield curve further invert.

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

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Emerging Market Fixed Income

We have a preference for the high yield versus investment grade sector, driven by valuations and spread compression.

We stressed last quarter that within emerging markets (EM) as a whole, the investment grade (IG) sector appeared over-valued. Similarly, the high yield (HY) sector was not exactly cheap, but valuations were less stretched. We have been vindicated so far, with both IG and HY spreads widening in Q423. Both have tightened back since and HY spreads are actually tighter than they were in August. We continue to overweight EM HY at the expense of EM IG, with carry still the main theme for the upcoming quarter.

This holds true for Asia fixed income. Asia IG is attractive based on a current absolute yield averaging about 6 percent. This is the highest in 10 years. However, spreads are also at one of their tightest-ever levels, thus there does not seem to be much room for spread compression going forward.

Asia HY, on the other hand, is even more attractive with a total yield of 14.6 percent. Spreads have compressed but are still at very high levels and we expect it to compress further. We are still unconstructive on China Property and expect more defaults from the space.

However, the space is very small now and a lower level of default is expected in 2024 for Asia HY, mostly concentrated in the China Property space. Aside from China Property, we expect most of the existing high yield bonds in Asia to be able to refinance and thus will see spread compression.

Emerging Fixed Income Regional Strategy

Region	View	Notes
Latin America	+	**Rationale:** Slight overvaluation in the double B space means bargains are few and far between. However, carry is still attractive. **Risks:** The B/CCC names still face various headwinds.
CIS/EE*	-	**Rationale:** The region is awash with IG names which are overvalued. **Risks:** If the Russia-Ukraine war reaches a truce, the region could benefit.
Middle East	-	**Rationale:** Again, although economic metrics are good, the region is severely overvalued from a spread perspective. **Risks:** Falling oil prices could be a headwind.
Africa	+	**Rationale:** The only region where valuations are not very rich, although this is for good reason. However, carry is attractive enough for the next three months. **Risks:** Certain countries like Ethiopia/Kenya still remain landmines and we will underweight said countries.
Asia	-	**Rationale:** Within the IG space, spreads are continuing to trade at historical tights with limited space for compression. **Risks:** If China introduces massive fiscal stimulus, the region could benefit as a whole.
Singapore	-	**Rationale:** 2023 may have turned out fine, but we see increasing headwinds for the country going into 2024. **Risks:** Should the S$NEER slope be eased in a proactive manner, growth could be boosted.

* 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

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Global Currencies Outlook

We expect the USD to be neutral and range-bound against other major currencies, including Asian currencies.

So far this year, the USD has traded in a fairly volatile fashion has been correlated with the directional trends in US Treasury yields.

In 2024, we would expect the currency to trade sideways against the major currencies. The high rate differentials between the US and other G4 economies tend to be supportive of a stronger USD, but an increasingly risk-on environment can be expected to exert an opposite force. The result is a net zero impact.

Currency Strategy

Currency	View	Notes
US Dollar USD	N	**Rationale:** : Despite real rate differentials between the USD and other major currencies, an improvement in risk appetites is typically associated with a weaker dollar. **Risks:** Should inflationary pressures continue to ease, the USD would weaken as this would enable the US Fed to dial down on their restrictive policy stance.
Euro EUR	-	**Rationale:** With the end of its hiking cycle, growth developments and growth concerns may potentially outweigh inflation concerns, resulting in ECB easing earlier than expected. **Risks:** Should markets reprice the terminal rate of the ECB much higher, the EUR could gain further strength.
Japanese Yen JPY	+	**Rationale:** The BoJ has tweaked its yield curve control policy and is expected to tighten policy further as inflation has materially overshot their 2 percent target through the year. **Risks:** Increasing domestic wage pressure, a focus of the BoJ, could disappoint to the downside, leading to slower than expected tightening.
Singapore Dollar SGD	N	**Rationale:** The overall outlook for the economy is expected to improve in 2024. However, the outlook for the export sector remains challenging. **Risks:** Should export figures rebound quickly, we might still see growth surprises on the upside.
China Renminbi CNY	N	**Rationale:** High-frequency leading economic indicators have stabilised. However, the structural rebalancing towards more sustainable growth engines remains a headwind to short term growth. Potential PBOC intervention during periods of CNY weakness leaves us neutral. **Risks:** The Chinese government could introduce even more policy measures, including yet more fiscal stimulus to boost growth prospects, thereby strengthening the CNY.

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

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Global Commodities Outlook

The global economy appears to have avoided a recession in 2023 and thus the global economic cycle looks to be in a late cycle stage of continued expansion. Historically, commodities have performed well in late cycle periods and the commodity outlook appears to be picking up after a mixed year in 2023.

The global commodity cycle did not benefit as expected from a post-Covid China rebound, given this failed to materialise. However, the energy and precious metals sector had a good year anyway. Structurally, electric vehicle (EV) and green energy trends are going to support metal commodities for many years to come.

We expect the outlook to improve in 2024 but would still rate our overall positioning as neutral in the near term as late cycle demand is partly offset by slowing growth.

Commodity Sector Strategy

Sector	View	Notes
Commodities	N	**Rationale:** Gold has been a standout performer as the interest rate cycle has peaked. We expect energy and other metals to perform better as the market becomes more convinced that recession risks are diminishing. **Risks:** China growth is disappointing due to the continued weakness in housing. We expect China's growth to moderately improve in 2024 but China remains a big driver of commodity demand and its muddled economic outlook remains an overhang for commodities.
Gold	+	**Rationale:** The case for gold remains strong. In the near-term, the peaking of the interest rate cycle will continue to be supportive of gold. In the medium to long term, 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 inflation returns and central banks turn hawkish again then the usefulness of gold for diversification decreases.
Base Metals	N	**Rationale:** We think the multi-year outlook will be strong as new green technologies are creating high demand for many of the metal commodities. EV automobile growth is surpassing expectations. **Risks:** Most base metals are very sensitive to global demand and any unexpected slowdown will weaken the outlook.
Energy	N	**Rationale:** Oil demand remains healthy as the global economy has been resilient and miles driven remains high. Additionally, OPEC continues to try to cut production to prop up prices. But supply has surprised on the upside as regions like Iran and Venezuela have added more to global supply than expected. **Risks:** There are both upside and downside risks in oil prices. If the US avoids recession and China's reopening gets back on track, energy prices could surge again. A global recession would of course be a key downside risk for energy prices.
Others	-	**Rationale:** The demand for other broad commodities such as agriculture has remained steady but supply has been stronger due to last year's better prices and favourable weather. **Risks:** As always, supply disruptions remain a key risk to the strengths and weaknesses of many commodities.

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

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