Global Asset Allocation Viewpoints
October 2024

1 Market Perspective
As of 30 September 2024

- Economic data showing resilience as inflation nearing central banks' targets, providing room for further easing.
- U.S. data holding up confirming soft landing as inflation nears target. European growth remains modest and bolstered by services, while manufacturing lags. Japanese growth rebounds from earlier in the year contraction supported by exports. Chinese policymakers take decisive action to support growth.
- Path of Fed cutting largely dependent on incoming data, while European Central Bank (ECB) looks to advance easing as inflation data provides support. Bank of Japan signals commitment to their divergent path of rates hikes. China cuts rates as part of broad stimulus measures to shore up the economy.
- Key risks to global markets include elevated geopolitical tensions, upcoming U.S. election, central bank policy missteps, and path of Chinese growth.

2 Portfolio Positioning
As of 30 September 2024

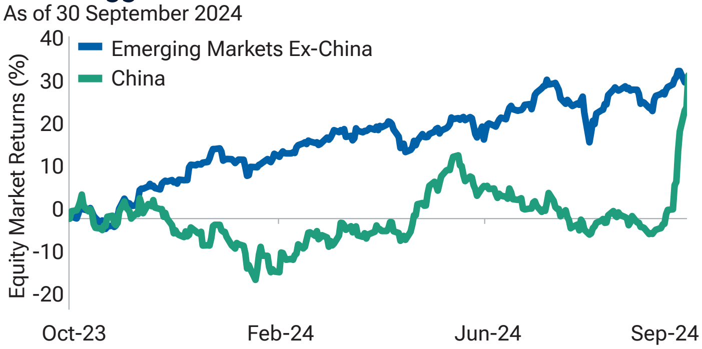
- We remain modestly overweight equities. While valuations are elevated, easing monetary policy, Chinese stimulus measures and potential broadening earnings growth should be favorable for equities.
- Within equities, we remain overweight value, globally, based on more attractive relative valuations and as global central bank easing should provide a backdrop for broader market participation.
- We maintain an overweight to cash relative to bonds. Cash yields remain attractive even as Fed embarks on easing as we expect a gradual path, while longer duration fixed income remains vulnerable to higher rates.
- Within fixed income, we continue to favor higher-yielding sectors including high yield bonds, floating rate loans, and emerging markets bonds. We shifted to neutral in U.S. Treasury Inflation-Protected Securities (TIPS) as upside risks to inflation have moderated.

3 Market Themes
As of 30 September 2024

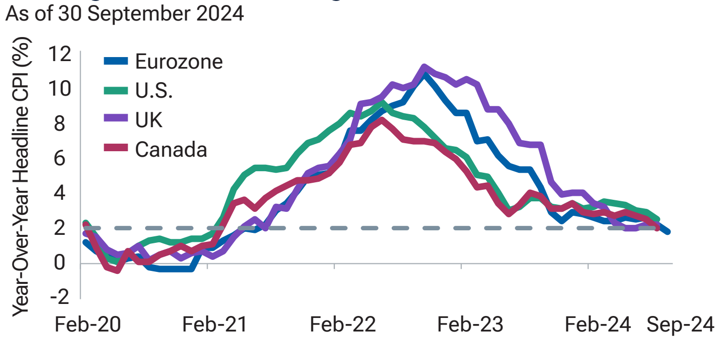
Out of the Woods
The Chinese equity market is up nearly 30% since announcing a larger-than-expected stimulus package intended to help stave off further deterioration in growth and quell concerns about its troubled property sector. The PBOC and financial regulators' coordinated efforts span across monetary and fiscal measures, including lower rates to support housing and loans to encourage share buybacks. Chinese equities had been a notable laggard this year, reflecting the struggles of policymakers to reverse slumping growth and falling well short of their 5% growth target. And with the potential threats of a shift in U.S. policy on the horizon, their export-heavy economy could find itself under more pressure. So, while the far-reaching measures are a step in the right direction and have been cheered by emerging markets investors, the structural headwinds facing China are vast, leaving many skeptical China is out of the woods just yet.

Hold the Bubbly
Amongst major central banks, the ECB just saw their first read on inflation below their 2% target, down from an 11% peak in September 2022, freeing up the path to lowering rates further. This is welcomed news for other central banks as well, who are seeing similar progress toward their targets. Notably this progress is being achieved while global growth is holding up, with some areas showing surprising resilience. The forces that had driven inflation higher, including COVID-related supply shortages, excess savings supporting consumer spending, and unleashed pent-up demand driving services inflation have faded. By all measures, it is looking like central bankers may have pulled off the once unthinkable "soft landing" and should be celebrating. But unfortunately, the current backdrop of geopolitical tensions and the threat of policy shifts having an impact on growth and possibly reigniting inflation concerns has them holding off on popping the bubbly, for now.

From Laggard to Leader[1]
As of 30 September 2024



Nearing Their Inflation Targets[2]
As of 30 September 2024



Past performance is not a reliable indicator of future performance.

[1] Source: MSCI. Emerging Markets ex-China and China are represented by the MSCI Emerging Markets ex-China Index and MSCI China Index, respectively. Please see Additional Disclosures for more information about this sourcing information.

[2] Source: Bloomberg Finance L.P.

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4 Regional Backdrop

As of 30 September 2024

	Views	Positives	Negatives
United States	N	▪ Fed has begun cutting rates ▪ Resilient corporate earnings ▪ Wage growth is moderating to sustainable levels ▪ Recent inflation reports have been favorable	▪ Stock valuations have become challenging ▪ Economic growth is modest ▪ Consumption trends are weakening ▪ Political uncertainty is heightened
Canada	N	▪ Bank of Canada has started cutting rates ▪ Wage growth has moderated to sustainable levels ▪ Economic growth remains stable ▪ Corporate profit margins remain healthy	▪ Unemployment is rising ▪ Services inflation remains high ▪ Consumer debt levels are elevated ▪ Equity valuations are slightly elevated
Europe	U	▪ Monetary policy expected to ease further ▪ Inflation has been steadily declining ▪ Unemployment remains low ▪ Equity valuations are attractive	▪ Economic growth remains weak ▪ Geopolitical uncertainty remains heightened ▪ Earnings growth is structurally weak, with minimal tailwinds from innovative technologies
United Kingdom	N	▪ The Bank of England has begun cutting rates ▪ Inflation has been steadily declining ▪ Economic growth outlook has stabilized	▪ Fiscal consolidation may need to be accelerated ▪ Tight labor markets could keep wage inflation stubbornly high
Japan	O	▪ Reflationary environment remains intact ▪ Corporate governance continues to improve ▪ Valuations are again supportive after a soft Q3	▪ The Bank of Japan is maintaining a hawkish bias due inflation ▪ Equities may face headwinds from a stronger yen
Australia	U	▪ Valuations have become less challenging ▪ The Aussie Dollar should benefit from monetary policy divergence ▪ Consumer activities are rebounding thanks to a resilient job market	▪ Market pricing appears to be too sanguine about future rate cuts ▪ Equity valuations are elevated ▪ Earnings expectations remain weak ▪ The China rebound may not feed through to iron ore prices
Emerging Markets	O	▪ China has enacted coordinated stimulus efforts ▪ Monetary policy is loosening in many emerging markets ▪ A weaker US dollar favors emerging markets	▪ Chinese property deleveraging continues to weigh on activity ▪ Export demand from developed markets remains muted ▪ Geopolitical risks are rising

O Overweight N Neutral U Underweight

Views are informed by the Asset Allocation Committee and Regional Investment Committees (United Kingdom, Europe, Australia, Japan and Asia) and reflect the equity market.

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5 Asset Allocation Committee Positioning

As of 30 September 2024

▼ or ▲ Month-Over-Month Change

These views are informed by a subjective assessment of the relative attractiveness of asset classes and subclasses over a 6- to 18-month horizon.

		Change	Underweight	Underweight	Neutral	Overweight	Overweight	
ASSET CLASS	Equities					O		Potential for broadening of earnings growth as Fed cuts rates, however, concerns remain on peaking AI spending, modest economic growth, and rising geopolitical tensions.
ASSET CLASS	Bonds			U				Weaker growth, moderating inflation, central bank easing could bias yields lower, but a lot has been priced in. Credit fundamentals remain supportive; however, spreads remain tight.
ASSET CLASS	Cash					O		Despite recent shift downward on the back of Fed easing, cash still provides attractive yields as the yield curve is fairly flat and offers liquidity should market opportunities arise.
EQUITIES	*Regions*							
EQUITIES	U.S.				N			Valuations elevated, particularly for mega-cap tech stocks. However, monetary policy easing could stimulate broader economic activity and earnings growth. Technology and pharmaceutical innovation remain key differentiators.
EQUITIES	Global Ex-U.S.				N			Valuations and dividend yields are attractive on a relative basis. Improving European inflation outlook, easing monetary policy, and Chinese stimulus are supportive. However, economic growth remains weak.
EQUITIES	Emerging Markets (EM)					O		Valuations are attractive, monetary policy is easing and China has signaled a willingness to provide significant monetary and fiscal support.
EQUITIES	*Style & Market Capitalization*							
EQUITIES	U.S. Growth vs. Value[1]			U				Easing monetary policy has been supportive of rate sensitive sectors and could lead to earnings broadening. Meanwhile growth stocks face elevated expectations, challenging valuations, and growing AI skepticism.
EQUITIES	Global Ex-U.S. Growth vs. Value[1]			U				Value stocks are cheap and could benefit from improving financial conditions. Growth stocks' valuations are more expensive and face headwinds from structural consumer weakness in emerging markets.
EQUITIES	U.S. Small vs. Large-Cap[1]				N			Small-caps offer attractive relative valuations and could continue to benefit from dovish tilt in Fed expectations. However, small-caps could be challenged by a modest economic growth backdrop.
EQUITIES	Global Ex-U.S. Small vs. Large-Cap[1]					O		Small-caps offer very reasonable valuations and should benefit from monetary policy easing.
EQUITIES	*Inflation-Sensitive*							
EQUITIES	Real Assets Equities					O		Commodity-related equities can offer a hedge against a resurgence in inflation. Oil prices may ultimately be set for structural increases and some industrial metals could benefit from AI and decarbonization.
BONDS	U.S. Investment Grade (IG)			U				Yields face downward pressure and possible steepening with slowing economic growth, moderating inflation, and dovish central banks, though a lot has been priced in. However, credit spreads remain tight.
BONDS	Developed Ex-U.S. IG (USD Hedged)				N			Most global central banks have begun rate cutting cycles, with the exception of the BoJ. Yields remain attractive on a hedged basis, but could fade as the Fed continues to cut.
BONDS	U.S. Treasury Long				N			Longer term yields remain rangebound as slowing growth and moderating inflation contend with potential for further Treasury issuance, particularly if recession risks remain moderate.
BONDS	Inflation-Linked	▼			N			Inflation making significant progress towards target, but sector offers hedge should inflation remain sticky, as well as against the risk for any escalation in geopolitics.
BONDS	Global High Yield					O		Overall yield levels remain attractive, fundamentals remain supportive, and default expectations are expected to remain near long-term averages. However, upside beyond carry from further spread compression is limited.
BONDS	Floating Rate Loans					O		Sector's overall yield and spread level remain attractive, and offer reasonable compensation for risk of potential defaults. However, as the Fed cuts rates, the sector will likely see their coupons reset to lower levels.
BONDS	Private Credit				N			Despite tight spreads, the sector continues to offer pockets of attractive yields. Economic backdrop uncertainty highlights the importance of credit selection and underwriting.
BONDS	EM Dollar Sovereigns					O		Yields look modestly attractive, however, higher quality sovereign spreads look tight. Constructive backdrop as central banks embarking on easing cycles and inflation continuing to moderate.
BONDS	EM Local Currency					O		Lower inflation and weaker dollar could continue to be tailwinds, along with the global central bank easing cycle.

[1] For pairwise decisions in style & market capitalization, positioning within boxes represent positioning in the first mentioned asset class relative to the second asset class.

The asset classes across the equity and fixed income markets shown are represented in our Multi-Asset portfolios. Certain style & market capitalization asset classes are represented as pairwise decisions as part of our tactical asset allocation framework.

ADDITIONAL DISCLOSURES:

Certain numbers in this report may not equal stated totals due to rounding.

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Key risks - The following risks are materially relevant to the information highlighted in this material: Even if the asset allocation is exposed to different asset classes in order to diversify the risks, a part of these assets is exposed to specific key risks.
Equity risk - in general, equities involve higher risks than bonds or money market instruments.
ESG and Sustainability risk - May result in a material negative impact on the value of an investment and performance of the portfolio.
Credit risk - a bond or money market security could lose value if the issuer's financial health deteriorates.
Currency risk - changes in currency exchange rates could reduce investment gains or increase investment losses.
Default risk - the issuers of certain bonds could become unable to make payments on their bonds.
Emerging markets risk - emerging markets are less established than developed markets and, therefore, involve higher risks.
Foreign investing risk - investing in foreign countries other than the country of domicile can be riskier due to the adverse effects of currency exchange rates; differences in market structure and liquidity, as well as specific country, regional, and economic developments.
Interest rate risk - when interest rates rise, bond values generally fall. This risk is generally greater the longer the maturity of a bond investment and the higher its credit quality.
Real estate investments risk - real estate and related investments can be hurt by any factor that makes an area or individual property less valuable.
Small- and mid-cap risk - stocks of small and mid-size companies can be more volatile than stocks of larger companies.
Style risk - different investment styles typically go in and out of favour depending on market conditions and investor sentiment.

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