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2020 Global Market Outlook

Investors will need to be “comfortable with the uncomfortable” to seek out potential opportunities in 2020. Economic uncertainty, political turmoil, and technology disruption are all risks that could challenge global markets. Attractive opportunities exist, but skillful security selection backed by in-depth fundamental research is likely to be critical to success.

Four Key Themes in 2020

Challenges to Global Growth

Key central banks appear to have put the global economy back on a growth path, but the strength of the upturn is still unclear.

Central Banks and the Search for Yield

Low or even negative yields create duration risk, but opportunities can still be found in corporate bonds and other credit sectors.

Disruption 4.0

Innovation, technological change, and automation are transforming business models across the entire global economy.

Politics, Populism, and Policy

A variety of geopolitical risks, including elections, trade, and political unrest, are likely to impact global markets.

Challenges to Global Growth

Central Banks and the Search for Yield

Politics, Populism, and Policy

UNITED STATES

Inequality is fueling populism on the right and a progressive tilt on the left—the latter may pose the more immediate risk to investors.

Consumers continue to drive growth, but sluggish capital spending could keep the brakes on earnings momentum.

GERMANY

The slowdown in global trade has badly hurt manufacturers, but a bigger problem for equity investors may be negative lending margins for banks.

Growth remains constrained, but fiscal stimulus could help. Berlin is considering cutting Germany's corporate tax rate from 32% to 25%.

UNITED KINGDOM

Completing Brexit passage might harm growth longer term, but reduced uncertainty could help UK equities and the pound.

ITALY

Support is eroding for Italy’s anti-establishment Five Star Party, threatening the country's most recent coalition government.

Negative yields elsewhere in Europe have pushed Italian yields to record lows despite a worsening fiscal situation.

RUSSIA

Spending on President Vladimir Putin's 13 “national projects” could boost growth, but sanctions are likely to continue and may even become tougher.

CHINA

Growth is likely to continue decelerating in 2020, only partially due to the trade war. High debt levels and aging demographics also weigh.

Curbing excess debt in the financial system is likely to take priority over stimulating credit and spending.

JAPAN

The Bank of Japan is likely to continue quantitative easing, but the economy remains vulnerable to the global economic cycle.

A recent increase in the value-added tax has weighed on consumers, but spending should stabilize in the near term.

NIGERIA

The economy has suffered as a result of the closure of the country’s land borders to tackle smuggling.

HONG KONG

Mass protests have evolved into a smaller and more radical movement demanding democratic political reforms.

LATIN AMERICA

Populists from opposite sides of the political spectrum have taken power in Mexico, Argentina, and Brazil, while protests in Chile have forced increased pension benefits.

The currency crisis in Argentina (and in Turkey) has failed to spread to other emerging markets, demonstrating how the asset class has matured.

INDIA

Growth is being hampered by rising food costs and a deteriorating fiscal situation.

Following his landslide reelection in early 2019, Prime Minister Narendra Modi has struggled to spur investment. His Bharatiya Janata Party has fared poorly in regional elections.

SOUTH AFRICA

Financial troubles have pushed state-owned utility Eskom to the brink of collapse and have raised concerns that the country could lose its investment-grade credit rating.

AUSTRALIA

The worst housing crash in over a century was partly to blame for Australia’s slowest growth in nearly three decades in 2019, but home prices have begun to recover in major cities.

The Reserve Bank of Australia cut rates to record lows in 2019, but the bank expects tax cuts and infrastructure spending to support growth in 2020.

INDONESIA

President Joko Widodo is seeking to boost foreign investment and curb a slowdown in growth through economic reforms, including cutting corporate taxes and easing labor restrictions.

Critics complain that Widodo is prioritizing his economic agenda over democratic reforms and fighting corruption.

Disruption 4.0

Innovators are increasingly taking market share from legacy companies.

Key Industries at Risk

This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action. The views contained herein are those of the authors David Giroux, Justin Thomson, Mark Vaselkiv. They are Chief Investment Officers of Equity & Multi-Asset, Equity and Fixed Income respectively.
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