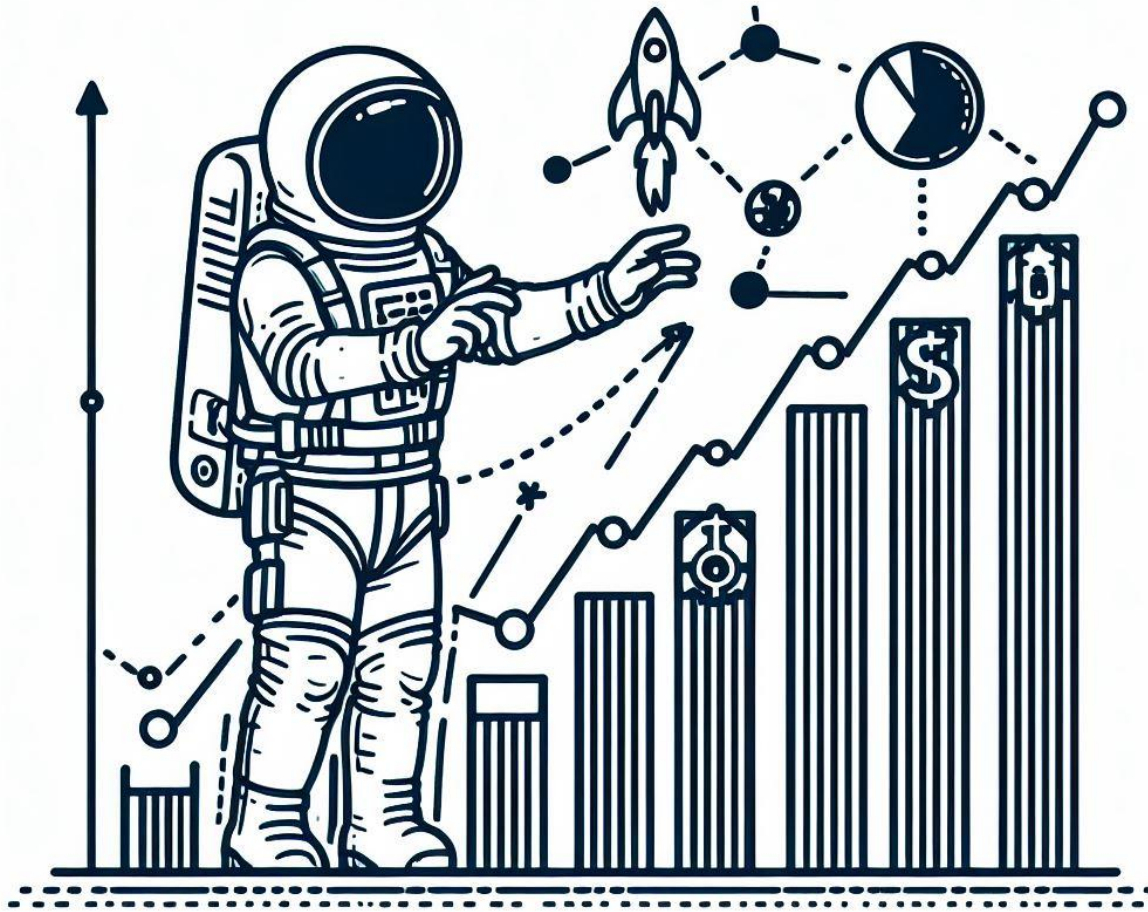




CONSOLIDATED INVESTMENT OUTLOOK (2024)

2024 Investment Outlook from Leading Investment Banks and Asset Managers



Sources, 2024 Investment Outlooks by:

J.P.Morgan

BLACKROCK



MorganStanley



KKR

Executive Summary: Consolidated Investment Outlook 2024

JPMorgan

- **Economic Outlook:** Cautiously optimistic, focusing on monetary policies and economic resilience.
- **Investment Strategy:** Recommends focusing on bond market yields, exploring alternative investments, and prioritising quality in equities.

Goldman Sachs

- **Economic Performance:** Forecasts robust growth and disinflationary trends with low recession risk.
- **Market Outlook:** Suggests diversified asset mix over a cash-focused approach, emphasising fixed income and a strong US dollar.

Citi Bank

- **Economic Resilience:** Projects continuing inflation decline and a rolling recession in some US sectors without a broad collapse.
- **Investment Strategy:** Advocates for balanced portfolios and exploiting bond yields and equity appreciation opportunities.

UBS Bank

- **Global Economic Landscape:** Highlights pandemic impact and geopolitical shifts.
- **Investment Recommendations:** Focuses on quality stocks and bonds, emphasising adaptability and long-term economic trends like AI and decarbonisation.

Morgan Stanley

- **Global Economic Challenges:** Suggests cautious investment with opportunities in fixed-income.
- **Portfolio Construction:** Recommends a lower risk profile with a balanced approach in bonds, stocks, and underweight in commodities.

BNP Paribas

- **Economic Volatility:** Anticipates continued volatility as a new normal.
- **Investment Strategy:** Prefers government bonds over equities, focusing on AI and sustainable growth opportunities.

Cambridge Associates

- **Sectoral Opportunities:** Identifies varied opportunities from private equity to global financial trends.
- **Investment Landscape:** Advises monitoring macroeconomic trends and technological advancements for growth opportunities.

Macquarie

- **Economic Overview:** Outlines global economic resilience and regional challenges.
- **Investment Strategies:** Recommends active strategies, considering structural changes in the global economy.

BlackRock

- **Macroeconomic Environment:** Emphasizes increased volatility and uncertainty.
- **Investment Management:** Focuses on active management and harnessing mega forces like digital disruption and low-carbon transition.

KKR

- **Regime Change Thesis:** Foresees a transition year with below-consensus inflation initially but higher long-term inflation.
- **Investment Focus:** Advocates for thematic investing in areas like automation, digitalisation, and infrastructure, with a shift from traditional government bonds.

Consolidated Conclusion

The consolidated outlook for 2024 presents a range of perspectives, from cautious optimism to strategic adaptability. Common themes include the importance of diversification, quality investments, and active management in navigating global economic and geopolitical shifts. Emphasis is placed on leveraging opportunities in fixed income, technology, sustainability, and emerging sectors while being mindful of ongoing volatility and macroeconomic trends.

Several key themes and action points emerge as we consolidate the insights from major financial institutions for the 2024 investment landscape. These provide a roadmap for investors navigating an environment characterised by cautious optimism, economic resilience, and strategic adaptability amidst global volatility and macroeconomic shifts.

1. Economic Resilience and Inflation Management

Action Point: Investors should closely monitor inflation trends and central bank policies. Anticipating a gradual decrease in inflation rates necessitates a vigilant approach to interest rate movements and their impact on various asset classes.

2. Diversification Across Asset Classes

Action Point: Building a diversified portfolio is crucial. This includes a balanced mix of equities, bonds, and alternative investments. Diversification will help mitigate risks and capitalise on opportunities across global markets, given the different perspectives on market recovery and growth sectors.

3. Fixed-Income Opportunities

Action Point: Focus on the fixed-income market, especially high-quality government and corporate bonds. With the changing interest rate environment, locking current yields could be beneficial. The potential rate cuts in late 2024 should also be factored into bond investment strategies.

4. Geopolitical Risks and Global Economic Shifts

Action Point: Keep a close watch on geopolitical developments and their implications for investment. This includes understanding regional dynamics, such as the impact of US-China tensions, European economic challenges, and emerging market vulnerabilities. Investors should consider hedging strategies to safeguard against geopolitical risks.

5. Technology and Sustainability as Long-Term Trends

Action Point: Allocate resources to sectors driven by technological advancements (AI, digitalisation) and sustainability. These sectors present growth opportunities and are aligned with long-term economic transition goals. Investments in infrastructure debt and green technologies could be particularly promising.

6. Active Management and Tactical Asset Allocation

Action Point: Emphasize active investment management. Given the market volatility and complexity, a dynamic and granular approach to portfolio management is recommended. This involves regularly adjusting asset allocations based on macroeconomic views and market conditions.

7. Embracing Emerging Opportunities

Action Point: Explore opportunities and themes in emerging sectors. This includes private credit, distressed situations, and real estate investment trusts (REITs). Additionally, pay attention to niche markets and sectors like nuclear energy and infrastructure.

8. Digital Assets and Currency Dynamics

Action Point: Monitor the evolution of digital assets, including cryptocurrencies, as they may offer unique investment opportunities. Additionally, currency movements, especially in the US dollar and Japanese yen, should be tracked for their potential impact on global investment portfolios.

9. Preparing for Interest Rate Adjustments

Action Point: Anticipate and prepare for interest rate cuts in mid-2024. This requires adjusting portfolios to benefit from potential rate reductions, especially in the bond market.

10. Leveraging Megatrends

Action Point: Capitalize on global megatrends such as digital disruption and low-carbon transition. Investments that align with these long-term trends could offer significant returns.

Overall, the investment outlook for 2024 underscores the need for a nuanced, informed, and flexible approach. Investors are advised to stay abreast of global economic developments, adjust their strategies in response to changing market dynamics, and seize opportunities in growth sectors while maintaining a diversified and balanced portfolio. This approach will be vital in navigating the challenges and capitalising on the potential of the evolving financial landscape.

Consolidated Key investment themes for 2024

The key investment themes for 2024, based on the comprehensive insights from various sources in my knowledge, include:

Global Economic Slowdown and Recession Risks

A common theme across various outlooks is the potential for a global economic slowdown, with heightened recession risks in major economies like the US. The slowdown is primarily attributed to ongoing geopolitical tensions, inflationary pressures, and the impact of interest rate hikes by central banks.

According to the International Monetary Fund (IMF), the global economy is expected to grow by 3.9% in 2024, down from 5.9% in 2023, reflecting a moderation of the post-pandemic recovery and the impact of higher interest rates and energy prices¹. The IMF also warns of a 20% probability of a global recession in 2024, with the US, China, and the euro area facing elevated risks of a sharp slowdown. Some factors that could trigger a global recession include a worsening COVID-19 pandemic, a further escalation of geopolitical tensions, a disorderly adjustment of financial markets, and a failure to address climate change and inequality.

Continued Focus on Inflation and Central Bank Policies

Inflation remains a critical factor, with many outlooks suggesting that while it may moderate from the peaks of the past year, it will likely remain elevated. Consequently, central banks' policies will be closely watched, especially the Federal Reserve's approach towards interest rates.

Inflation has surged to multi-year highs in many economies, driven by supply chain disruptions, rising energy and commodity prices, and strong demand. The IMF projects that global inflation will average 5.6% in 2023 and 4.2% in 2024, well above the pre-pandemic levels¹. Central banks have responded by tightening their monetary policies, with the US Federal Reserve, the Bank of England, and the Bank of Canada raising their policy rates in 2023 and more hikes expected in 2024. The pace and timing of

monetary policy normalisation will depend on the evolution of inflation and growth and the balance of risks. Investors will closely monitor the communication and actions of central banks, as they could have significant implications for asset prices and exchange rates.

Increased Market Volatility and Divergence

Many reports anticipate increased market volatility in 2024, driven by economic uncertainties and differing regional monetary policies. This could lead to divergent performances between asset classes, sectors, and geographies.

The combination of slowing growth, rising inflation, and diverging monetary policies will likely increase market volatility and uncertainty in 2024. According to a survey by Natixis, geopolitical conflicts are the top risk for the global economy and markets in 2024, followed by inflation and interest rate shocks. Moreover, the performance of different asset classes, sectors, and regions could vary significantly, depending on their exposure to these risks and their resilience to shocks. For example, emerging markets could face more challenges than advanced economies, as they are more vulnerable to capital outflows, currency depreciation, and higher debt servicing costs. Within sectors, cyclical and value stocks could outperform defensive and growth stocks, as they tend to benefit from higher inflation and interest rates.

Shift Towards Quality Investments in Equities

A notable shift towards quality investments in equity markets exists. Amidst uncertainty, investors are advised to focus on companies with solid balance sheets, robust cash flows, and sustainable business models.

In this uncertain and volatile environment, investors are advised to focus on quality investments in equities, defined as companies with solid balance sheets, robust cash flows, and sustainable business models. These companies are more likely to withstand external shocks, generate consistent earnings growth, and deliver attractive returns to shareholders. According to a report by Goldman Sachs, quality stocks have historically outperformed the broader market during periods of rising interest rates, inflation, and economic slowdowns. Some examples of quality stocks include Alphabet, O'Reilly Automotive, Church & Dwight, and Accenture.

Reassessment of Fixed Income Markets

With interest rates rising to levels not seen in years, fixed-income markets are being reassessed for their potential to offer attractive returns. This includes re-evaluating government bonds, corporate credit, and high-yield bonds.

With interest rates rising to levels not seen in years, fixed-income markets are being reassessed for their potential to offer attractive returns. While higher interest rates reduce the value of existing bonds, they also increase new bonds' yield and income potential. Therefore, investors must balance the trade-off between duration risk and income opportunity and adjust their portfolio allocation and duration exposure accordingly. According to a report by BlackRock, government bonds remain a preferred exposure, as they provide a hedge against equity market downturns and a source of diversification. On the other hand, corporate bonds are priced for a slowdown, but not a recession, so that they could carry heightened risk in case of a negative growth shock¹³. High-yield bonds could offer higher returns, volatility, and default risk, especially in sectors more exposed to energy prices and geopolitical tensions¹.

Private Markets and Infrastructure Investments

Private market investments, particularly in infrastructure, are gaining attention. These investments offer the potential for steady returns and protection against inflation, especially given the global focus on energy transition and infrastructure development.

Private market investments, particularly in infrastructure, are gaining attention, as they offer potential for steady returns and protection against inflation, especially given the global focus on energy transition and infrastructure development. According to a report by BlackRock, private infrastructure assets have historically delivered higher returns than public infrastructure stocks, with lower volatility and correlation to other asset classes. Moreover, private infrastructure investments align with the long-term megatrends reshaping the world, such as climate change, urbanisation, and digitalization¹⁶. Private infrastructure opportunities include clean energy, electrification, waste management, sustainable transport, and digital infrastructure.

Sustainable and ESG Investing

Environmental, Social, and Governance (ESG) considerations remain a key theme. Investors are increasingly integrating ESG factors into their investment decisions, driven by both societal pressures and the potential for long-term sustainable returns.

ESG considerations remain a key theme as investors increasingly integrate ESG factors into their investment decisions, driven by societal pressures and the potential for long-term sustainable returns. According to a report by MSCI, ESG investing is expected to grow further in 2024 as more investors adopt ESG frameworks and standards, such as the Taskforce on Climate-related Financial Disclosures (TCFD) and the Taskforce on Nature-related Financial Disclosures (TNFD). Moreover, ESG investing is expected to evolve from a risk mitigation approach to a value creation approach as investors seek to capture the opportunities arising from the transition to a low-carbon and nature-positive economy. Some examples of ESG investment opportunities include renewable energy, green bonds, circular economy, social impact bonds, and ESG-themed funds.

Technological Advancements and Digital Transformation

The ongoing digital transformation and technological advancements, such as AI, influence investment strategies. There is a growing focus on sectors poised to benefit from these technological shifts.

The ongoing digital transformation and technological advancements, such as AI, influence investment strategies as they create new sources of growth, innovation, and competitive advantage. According to a report by Accenture, AI is becoming more human by design, and enterprises that prepare now will win in the future. AI is expected to enable new human potential, productivity, and creativity levels and transform various industries and sectors. There is a growing focus on sectors poised to benefit from these technological shifts, such as cloud computing, software, e-commerce, biotechnology, and healthcare.

Geopolitical Tensions and Global Trade

Geopolitical risks, including tensions in key regions and the impacts on global trade, are significant factors affecting the investment landscape. These tensions contribute to market uncertainties and could influence commodity prices and supply chains.

Geopolitical risks, including tensions in key regions and the impacts on global trade, are significant factors affecting the investment landscape. These tensions contribute to market uncertainties and could influence commodity prices and supply chains. According to a report by McKinsey, trade between geopolitically distant economies accounts for nearly 20 per cent of global goods trade, but close to 40 per cent of trade in globally concentrated products, such as laptops and iron ore²⁰. Therefore, any disruption or reconfiguration of trade flows could significantly affect the global economy and markets. Examples of geopolitical risks that could affect trade in 2024 include the US-China rivalry, the Russia-Ukraine war, the Israel-Palestine conflict, the Iran nuclear deal, and the Brexit negotiations.

Diversification and Dynamic Asset Allocation

Given the uncertainties and potential for market volatility, there is an emphasis on diversification and dynamic asset allocation. Investors are advised to maintain a well-diversified portfolio and be agile in adjusting their investment strategies as market conditions evolve.

Given the uncertainties and potential for market volatility, there is an emphasis on diversification and dynamic asset allocation. Investors are advised to maintain a well-diversified portfolio and be agile in adjusting their investment strategies as market conditions evolve. According to a report by Goldman Sachs, diversification and dynamic asset allocation can help investors enhance their risk-adjusted returns, reduce portfolio drawdowns, and capture market opportunities. Moreover, investors are advised to manage their portfolios in an integrated way, considering both traditional and alternative investments and long-term disruption from sustainability trends and technological innovation.

These themes highlight a cautious but opportunity-driven approach for 2024, focusing on navigating through economic uncertainties, market volatility, and the evolving investment landscape.

FIRM	ECONOMIC OUTLOOK	INVESTMENT STRATEGY	FOCUS AREAS
JPMorgan	Cautiously optimistic	Bond yields, alternative investments, quality equities	Monetary policy, economic resilience
Goldman Sachs	Robust growth, disinflation	Diversified asset mix, fixed income, strong USD	Cash alternative, low recession risk
Citi Bank	Rolling recession, inflation decline	Balanced portfolios, bond yields, equity appreciation	Sector-specific opportunities, risk-adjusted returns
UBS Bank	Pandemic impact, geopolitical shifts	Quality stocks & bonds, adaptability, AI, decarbonisation	Long-term economic trends, resilience to change
Morgan Stanley	Cautious investment, fixed-income opportunities	Lower risk profile, balanced bonds/stocks, underweight commodities	Volatility management, income generation
BNP Paribas	Continued market volatility	Government bonds, AI, sustainable growth	Risk mitigation, long-term thematic investments
Cambridge Associates	Varied sector opportunities, global financial trends	Macroeconomic trends, technological advancements	Growth identification, diversification across asset classes
Macquarie	Global resilience, regional challenges	Active strategies, structural economic changes	Adapting to evolving market dynamics, identifying new opportunities
BlackRock	Increased volatility, uncertainty	Active management, mega forces (digital disruption, low-carbon transition)	Harnessing long-term trends, navigating an uncertain environment
KKR	Below-consensus inflation initially, higher long-term	Thematic investing (automation, digitalisation, infrastructure), non-traditional bonds	Identifying future-proof sectors, managing inflation risks

The Callan Periodic Table of Investment Returns

Annual Returns for Key Indices Ranked in Order of Performance (2014–2023)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Real Estate 15.02%	Large Cap Equity 1.38%	Small Cap Equity 21.31%	Emerging Market Equity 37.28%	Cash Equivalent 1.87%	Large Cap Equity 31.49%	Small Cap Equity 19.96%	Large Cap Equity 28.71%	Cash Equivalent 1.46%	Large Cap Equity 26.29%
Large Cap Equity 13.69%	U.S. Fixed Income 0.55%	High Yield 17.13%	Developed ex-U.S. Equity 24.21%	U.S. Fixed Income 0.01%	Small Cap Equity 25.52%	Large Cap Equity 18.40%	Real Estate 26.09%	High Yield -11.19%	Developed ex-U.S. Equity 17.94%
U.S. Fixed Income 5.97%	Cash Equivalent 0.05%	Large Cap Equity 11.96%	Large Cap Equity 21.83%	High Yield -2.08%	Developed ex-U.S. Equity 22.49%	Emerging Market Equity 18.31%	Small Cap Equity 14.82%	U.S. Fixed Income -13.01%	Small Cap Equity 16.93%
Small Cap Equity 4.89%	Real Estate -0.79%	Emerging Market Equity 11.19%	Small Cap Equity 14.65%	Global ex-U.S. Fixed -2.15%	Real Estate 21.91%	Global ex-U.S. Fixed 10.11%	Developed ex-U.S. Equity 12.62%	Developed ex-U.S. Equity -14.29%	High Yield 13.44%
High Yield 2.45%	Developed ex-U.S. Equity -3.04%	Real Estate 4.06%	Global ex-U.S. Fixed 10.51%	Large Cap Equity -4.38%	Emerging Market Equity 18.44%	Developed ex-U.S. Equity 7.59%	High Yield 5.28%	Large Cap Equity -18.11%	Emerging Market Equity 9.83%
Cash Equivalent 0.03%	Small Cap Equity -4.41%	Developed ex-U.S. Equity 2.75%	Real Estate 10.36%	Real Estate -5.63%	High Yield 14.32%	U.S. Fixed Income 7.51%	Cash Equivalent 0.05%	Global ex-U.S. Fixed -18.70%	Real Estate 9.67%
Emerging Market Equity -2.19%	High Yield -4.47%	U.S. Fixed Income 2.65%	High Yield 7.50%	Small Cap Equity -11.01%	U.S. Fixed Income 8.72%	High Yield 7.11%	U.S. Fixed Income -1.54%	Emerging Market Equity -20.09%	Global ex-U.S. Fixed 5.72%
Global ex-U.S. Fixed -3.09%	Global ex-U.S. Fixed -6.02%	Global ex-U.S. Fixed 1.49%	U.S. Fixed Income 3.54%	Developed ex-U.S. Equity -14.09%	Global ex-U.S. Fixed 5.09%	Cash Equivalent 0.67%	Emerging Market Equity -2.54%	Small Cap Equity -20.44%	U.S. Fixed Income 5.53%
Developed ex-U.S. Equity -4.32%	Emerging Market Equity -14.92%	Cash Equivalent 0.33%	Cash Equivalent 0.86%	Emerging Market Equity -14.57%	Cash Equivalent 2.28%	Real Estate -9.04%	Global ex-U.S. Fixed -7.05%	Real Estate -25.10%	Cash Equivalent 5.01%

The Callan Periodic Table of Investment Returns conveys a strong case for diversification across asset classes (stocks vs bonds), capitalisations (large vs small), and equity markets (U.S. vs global ex-U.S.). The Table highlights the uncertainty inherent in all capital markets. Rankings change every year. Also noteworthy is the difference between absolute and relative performance, as returns for the top-performing asset class span a wide range over the past ten years.

Source: Callan Institute 2024

Third-party Investment Summaries

J.P.Morgan

Executive Summary: JP Morgan 2024 Investment Outlook

Overview

As 2024 approaches, JPMorgan's investment outlook is cautiously optimistic, expecting solid economic activity and a decreasing inflation rate. However, the firm expresses scepticism regarding the rapidity and extent of these positive trends. The central theme concerns monetary policies, economic resilience, and strategic investment approaches.

Key Insights

1. **Soft Landing Possibility and Economic Resilience:** The current market narrative leans towards a favourable soft-landing scenario driven by stable economic activities and declining inflation. JPMorgan, however, cautions against over-optimism. They attribute the ongoing economic resilience partly to the delayed effects of monetary policy rather than a direct reflection of fundamental economic strengths.
2. **Monetary Policy and Inflation Outlook:** The outlook suggests it's premature for central banks to claim a complete triumph over inflation. Contrary to market expectations of early rate cuts to counter economic weaknesses, JPMorgan anticipates that any such policy adjustments might come later than expected. They predict that when rate cuts occur, they could be more profound than currently anticipated by the market.
3. **Interest Rate Projections:** A significant part of the outlook is dedicated to interest rates, foreseeing a potential delay in their reduction but an eventual steeper decline. This projection aligns with the view that the full impact of current monetary policies is yet to unfold in the economy.
4. **Investment Strategies:**
 - **Bond Market:** Investors are advised to capitalise on the current yields offered in the bond market. JPMorgan sees value in locking in these yields, considering the uncertain trajectory of interest rates.
 - **Alternative Investments:** The firm recommends exploring targeted alternative investments. These alternatives could be crucial in diversifying investment portfolios, especially against varying risks.
 - **Equities:** JPMorgan emphasises a strategy centred around quality and income in the equities market. Given the potential margin pressure, focusing on high-quality stocks with reliable income streams is prudent.

Conclusion

JPMorgan's 2024 investment outlook presents a balanced view, acknowledging the positive signs in the economic landscape while maintaining a cautious stance on the pace and scale of these developments. Their strategic recommendations highlight a careful approach, focusing on yield opportunities in bonds, diversification through alternatives, and quality in equities to navigate the potential challenges and uncertainties of 2024.

Executive Summary: Goldman Sachs 2024 Investment Outlook

Overview

Goldman Sachs' 2024 Investment Outlook presents an optimistic assessment of the global economy, highlighting robust growth, disinflationary trends, and a low risk of recession. The focus is on the gradual normalisation of markets post-Covid and the implications for various asset classes.

Key Insights

1. **Economic Performance and Inflation:** The global economy has exceeded expectations in 2023, with GDP growth surpassing forecasts. In the US, growth exceeded expectations by two percentage points. Core inflation has significantly decreased from 6% in 2022 to 3% and is projected to reduce further to 2-2.5% by the end of 2024.
2. **Recession Risk and Growth Tailwinds:** Goldman Sachs assigns a low 15% probability to a US recession, citing multiple factors supporting global growth in 2024. These include increased real household income, reduced impacts from monetary and fiscal tightening, a resurgence in manufacturing activity, and potential central bank rate cuts as a growth safeguard.
3. **Monetary Policy and Interest Rates:** The forecast suggests most major Developed Market (DM) central banks have concluded their rate-hiking cycles. However, rate cuts are not anticipated until the second half of 2024, with policy rates expected to remain above long-term sustainable levels.
4. **Global Economic Dynamics:**
 - The Bank of Japan is predicted to exit yield curve control and increase rates in 2024H2, assuming inflation exceeds 2%.
 - China is expected to see near-term growth due to policy stimulus, but a multi-year slowdown trend will likely persist.
5. **Market Outlook and Asset Allocation:** Markets are well-positioned for the central case scenario, with an expectation that rates, credit, equities, and commodities will outperform cash in 2024. Each asset class offers protection against different tail risks, suggesting a balanced asset mix over a cash-focused approach. There is a significant emphasis on the role of duration in portfolios.
6. **Fixed Income and Interest Rate Environment:**
 - The transition to a higher interest rate environment has been challenging but presents better forward returns on fixed-income assets.
 - The likelihood of returning to a pre-Global Financial Crisis (GFC) rate environment is higher in the US than in Europe, where sovereign stress might resurface.

7. **US Dollar Outlook:** Given the absence of a clear challenger to the US growth story, the dollar is expected to maintain its strength.

Conclusion

Goldman Sachs' outlook for 2024 is cautiously optimistic, highlighting solid economic growth, further disinflation, and manageable recession risks. The focus for investors should be on a well-diversified asset mix, with an increased role for fixed income and a strong dollar in the international context. The outlook underscores the importance of strategic asset allocation in a transitioning economic environment.



Executive Summary: Citi Bank 2024 Investment Outlook

Overview

Citi Bank's 2024 Investment Outlook presents a broadly optimistic perspective, emphasising the potential opportunities in the global market's "big reset." Despite the challenges faced in 2023, Citi Bank projects a positive trajectory for the global economy, focusing on realistic, data-driven analysis.

Key Insights

1. **Market Sentiment and Investor Behaviour:** Citi Bank acknowledges the unpredictability in investor sentiment witnessed in 2023, with significant shifts in perspectives on equities and interest rates. Despite this uncertainty, they stress the importance of clear thinking and wise analysis in investment decisions.
2. **Economic Resilience and Inflation Trends:**
 - Inflation is expected to continue its downward trend, moderating wage growth.
 - Employment growth is slowing, but the US economy has shown more resilience than anticipated.
 - A rolling recession in certain US sectors is expected to unfold throughout 2024, but a broad-based economic collapse is unlikely.
 - Corporate profits are rebounding, potentially reaching an all-time high by 2025.
3. **Interest Rates and Monetary Policy:**
 - High short-term interest rates are expected to decrease, with the Federal Reserve likely to reduce rates in response to employment impacts.
 - Inflation is projected to stabilise around 2.5% by the end of 2024, with 10-year rates falling into the 3.5% to 4.0% range.
4. **Global Economic Growth:**
 - Citi Bank's "Slow then grow" thesis anticipates a deceleration in economic activity in early 2024, followed by acceleration later in the year.
 - Global GDP estimates for 2024 and 2025 are +2.2% and +2.8%, respectively, led by US economic recovery.

5. **Investment Strategy:**

- Emphasis on balanced portfolios, with expected returns rising across all asset classes.
- Bond yields have significantly increased, presenting attractive investment opportunities.
- Equity appreciation is expected to broaden, with a focus on profitable small- and mid-cap growth shares and global opportunities.

6. **US Economic Resilience:**

- The US economy has weathered the impact of the Fed's rate hikes, with inflation and labour demand beginning to cool.
- Industries and profits have adjusted to this slowdown, setting the stage for normalisation and growth in the coming years.

7. **Opportunistic Portfolio Investments:**

- Citi Bank identifies special situations and opportunities that may comprise a significant portion of an investor's portfolio, including country-specific ideas in Japan, private credit, and AI impacts.

Conclusion

Citi Bank's outlook for 2024 is cautiously optimistic, highlighting the potential for a global economic recovery and a range of investment opportunities across markets. The focus is on diversified, balanced portfolios to navigate the evolving macroeconomic environment and capitalise on the "big reset" in financial markets. The outlook suggests this is an opportune time for global investors, with the potential for solid returns and portfolio resilience.



Executive Summary: UBS Bank 2024 Investment Outlook

Overview

UBS Bank's 2024 Investment Outlook presents a comprehensive global economic landscape analysis, emphasising the pandemic's long-lasting impacts and geopolitical shifts. It underscores the need for strategic planning, balanced investment approaches, and adaptability in a rapidly evolving world.

Key Insights

1. **Global Economic Landscape:**

- The pandemic has led to significant economic disruptions, resulting in inflation, labour market stress, and increased interest rates and bond yields.
- Geopolitical changes, including tensions in oil-producing regions, a maturing Chinese economy, and AI advancements, are reshaping the global scenario.

2. Growth and Inflation Outlook:

- Slower growth is expected in the US, with consumer headwinds, while Europe will likely experience subdued growth. China may enter a phase of lower but higher-quality growth.
- Central banks are anticipated to start reducing rates in 2024, and bond markets might overestimate the long-term high-interest-rate environment.

3. Equity and Fixed Income Strategies:

- Equity investments should focus on quality stocks, particularly in the technology sector, capable of delivering earnings growth in a slowing global economy.
- In fixed income, the advice is to limit cash allocations and lock in yields in quality bonds, anticipating a fall in yields in 2024.

4. Geopolitical and Political Factors:

- The US presidential election, ongoing conflicts in Israel-Hamas and Russia-Ukraine, and US-China tensions could significantly impact global markets.
- Political decisions related to fiscal spending present both investment risks and opportunities. Hedging strategies, including capital preservation, macro hedge funds, oil, and gold, should be considered.

5. Long-Term Economic Trends:

- AI is expected to drive value creation across various sectors.
- China's economy is transitioning to a new normal, suggesting investment alignment with its strategic goals.
- The global shift towards decarbonisation offers growth potential for solution providers.
- Rising global debt levels will likely lead to increased volatility and opportunities in private financing.

6. Investment Strategy Recommendations:

- Emphasize planning to navigate a world of increased information and rapid opinion shifts.
- Balanced portfolios are expected to yield positive returns, with multi-asset diversification effectively hedging risks.
- Maintain discipline in investment but stay adaptable to evolving market conditions and personal needs.

7. Lessons from History:

- Despite historical challenges, including wars, pandemics, and economic crises, global diversification, patience, and human resilience have proven essential to successful investing.

Conclusion

UBS Bank's outlook for 2024 calls for a balanced and disciplined investment approach, mindful of the complexities of the current global environment. It highlights the importance of diversification, the potential in emerging technologies and sectors, and the need to prepare for economic and geopolitical shifts. The outlook is cautiously optimistic, acknowledging—the challenges ahead and recognising opportunities in a world marked by technological innovation and changing geopolitical dynamics. Investors are advised to stay informed, flexible, and focused on long-term goals amidst the ongoing transformation.

Morgan Stanley

Executive Summary: Morgan Stanley 2024 Investment Outlook

Overview

Morgan Stanley's 2024 outlook emphasises cautious investment choices amidst global economic challenges. The report suggests fixed-income opportunities and advises caution in emerging markets and commodities.

Key Insights

1. **Monetary Policy Focus:** Investors need to be vigilant about monetary policy to navigate potential pitfalls and find opportunities in a world with cooling inflation and slowing growth.
2. **Income Investing Opportunities:** High-quality fixed-income and government bonds in developed markets are bright spots. A balanced approach is necessary to exploit small market openings that generate positive returns.
3. **Global Growth Slowdown:** The US, Europe, and the UK will likely experience slower growth. With concerns about a debt-deflation spiral, China's tepid growth may impact emerging markets.
4. **Rate Cuts Forecast:** US and European policymakers are expected to start reducing rates in June 2024, potentially improving the macroeconomic outlook in the latter half of the year.
5. **Equity Market Outlook:** A divided year is expected, with a cautious first half leading to stronger performance later. Investors should be selective early in the year, with potential recovery in equities anticipated in the second half.
6. **Emerging Markets and Commodities Caution:** Investors are advised to be cautious in emerging markets due to challenges like a strengthening dollar and China's growth issues. Commodities, except copper, are expected to face challenges.
7. **Bright Spot in High-Quality Fixed Income:** High US corporate and government bond yields suggest attractive income opportunities. US Treasury and German Bund yields are at a decade high, offering potential for income investing.
8. **Japanese Equities:** With Japan maintaining low-interest rates, Japanese stocks are recommended as an overweight investment.
9. **US Equities:** An equal weight in US equities is suggested, with expectations of fair returns. Healthcare is forecasted to outperform, with a preference for industrials.
10. **Emerging Markets:** A cautious approach is advised, except for Mexico and India, which show growth potential.
11. **Commodities Outlook:** Oil is expected to trade at stable prices in 2024, with geopolitical concerns still a factor. Gold may be overvalued, while copper could outperform due to demand from China.
12. **Strategic Portfolio Construction:** The report recommends a lower risk profile with overweight in bonds, equal weight in stocks and cash, and underweight in commodities.

Navigating the Economic Landscape

- **Global Geopolitical Tensions:** The ongoing geopolitical landscape, marked by conflicts and economic shifts, necessitates a vigilant approach to investment strategy.
- **Rate Hikes and Economic Impact:** The past rate hikes are expected to slow growth, impacting various markets.
- **Opportunities in Fixed Income:** Investors are encouraged to focus on income generation through high-quality fixed-income investments.
- **Preparing for Market Changes:** The report underscores the importance of preparing for market shifts in response to central bank policies and global economic trends.

Conclusion

Morgan Stanley's 2024 outlook presents a cautious yet opportunistic approach to investing in a complex global economic environment. The emphasis is on strategic choices in fixed income, careful consideration of emerging markets, and a balanced portfolio construction to navigate the year's challenges and opportunities.



Executive Summary: BNP Paribas Investment Outlook for 2024

Overview

The BNP Paribas Investment Outlook for 2024 anticipates continued volatility as the new normal in the global economy and financial markets. This environment offers opportunities for active managers to deliver value to their clients.

Key Insights

Central Banks and Inflation:

- Central banks have continued to raise interest rates to manage inflation, with a cumulative 500 basis points increase since 2021.
- Despite these rate hikes, a global recession has been avoided, with robust growth and employment resilience, particularly in the United States.

Market Focus in 2024:

- Financial markets will concentrate on growth and inflation outlooks and their implications for asset valuations.
- Long-term bond yields have risen, reflecting changing investor views on the economy's long-term trajectory, including where policy rates will stabilise.

Impact of Technological Advances:

- Rapid advancements in artificial intelligence (AI) are reshaping expectations about productivity and profitability. This optimism, particularly in the impact of AI on future earnings, explains the resilience of the US equity market.

Active Management Strategy:

- Active managers aim to stay ahead of market trends and re-pricing by conducting targeted research, astute security selection, and maintaining high conviction positions.

Macroeconomic Overview:

- The US is expected to experience a reduction in excess savings and business investment, while Europe faces stagflation risks and China continues to grapple with its property crisis.
- Tighter financial conditions may impact economic growth and corporate profits, with the potential for growth to slow more than anticipated by markets.
- Geopolitical complexities continue to increase, with tensions impacting market dynamics in regions like Ukraine, Taiwan, and Israel.

Asset Allocation Strategy:

- A preference for government bonds over equities is advised, with expectations of lower bond yields and equity prices.
- The focus on sustainable long-term growth includes opportunities in environmental sustainability, the energy transition, and a shift to a low-carbon economy.

Long-Term Investment Themes:

- AI's broad applicability is expected to drive innovation across healthcare, education, logistics, and mobility sectors.
- The release of ChatGPT has sparked a technological race, with AI expected to drive semiconductor demand significantly.
- Infrastructure debt within private assets presents a rich pipeline of opportunities aligned with sustainable economic transition goals.

Regional Outlook:

- The US may avoid recession but experience a brief slowdown in GDP growth.
- Europe faces potential recession risks and may experience minimal growth in 2024.
- China's growth trajectory remains uncertain due to unresolved property market issues and trade relations with the US.

Market and Investment Positioning:

- Heightened volatility in macroeconomic narratives and financial assets is anticipated, particularly in fixed income.
- The asset allocation strategy favours long-duration fixed-income positions, with caution advised on developed market equities.
- In equities, there is particular caution regarding Europe, given the weaker growth outlook and potentially over-optimistic earnings forecasts.

Conclusion

The BNP Paribas Investment Outlook for 2024 underscores the importance of active management and strategic asset allocation in navigating the complex and volatile global financial landscape.



**CAMBRIDGE
ASSOCIATES**

Executive Summary: Cambridge Associates 2024 Investment Outlook

Overview

Cambridge Associates provides a comprehensive outlook for 2024, encompassing various sectors, from private equity to global financial trends. The focus is identifying investment opportunities amidst evolving economic conditions and market dynamics.

Key Insights

1. **Foreign Capital Flows to China PE/VC:** Ongoing US-China tensions and restrictions will continue affecting private equity and venture capital in China, with a slowdown in USD-denominated fundraising. Opportunities, however, remain for non-US investors.
2. **Natural Capital Strategies Fundraising:** Land-based investments supporting sustainable practices are anticipated to hit record fundraising levels in 2024, driven by government policies, public demand, and valuation tools recognising the importance of nature.
3. **Private Equity Secondary Transaction Volume:** After peaking at over \$130 billion in 2021, the secondary market is set to a resurgence in 2024, spurred by factors like significant dry powder and liquidity needs among limited partners.
4. **US High-Yield Bonds vs Loans:** Despite the recent outperformance of leveraged loans, US high-yield bonds are expected to gain an edge in 2024. They face fewer economic headwinds and exhibit higher coverage ratios, although the sector remains neutral overall due to current spreads and increasing defaults.
5. **European Opportunistic Private Credit:** A shift in corporate financing strategies in Europe is likely to lead to more attractive opportunities in private credit, especially in distressed situations, offering potentially higher returns.
6. **Equity Long/Short Performance:** Equity long/short hedge funds are predicted to exceed the industry's long-term average performance in 2024, benefiting from improved short rebates and more diverse investment opportunities.
7. **US REIT Performance:** After underperforming since 2021, US REITs are poised for a rebound in 2024, leveraging acquisition opportunities and attractive valuations following previous underperformance.
8. **Infrastructure Performance:** Public infrastructure equities, currently underperforming, are expected to improve in 2024 due to favourable policies and advancements in core technologies like blockchain, driving demand for clean energy infrastructure.
9. **Nuclear Energy Investment Opportunities:** With technological advancements and changing public perceptions, nuclear energy is emerging as a viable investment opportunity. Support from policymakers and a growing need for clean, reliable electricity position nuclear energy as a key player in the energy transition in 2024.
10. **The US Dollar and Gold:** Both assets, seen as value stores, are expected to stay range-bound in 2024 despite anticipated economic weaknesses and market volatility. The dollar's cycle peak may have passed, while gold's pricing reflects geopolitical risks, making tactical positioning challenging.
11. **Direct Lending Performance:** Direct lending strategies are forecast to yield returns above the long-term average, benefiting from current yields and solid underwriting standards. These strategies provide steady cash flows and quick capital distribution, which are especially attractive in the current financial environment.

12. **The Japanese Yen:** The yen has been persistently weak against the dollar, but 2024 may see some appreciation driven by potential monetary tightening in Japan. The yen's valuation is historically low, but inflationary pressures may prompt modest policy shifts by the Bank of Japan.
13. **The Crypto Winter:** The digital asset market is poised for a rebound in 2024 after an extended bear period. Regulatory clarity and technological advances are expected to drive innovation and broader adoption, creating potential investment opportunities in this emerging sector.

Conclusion

The 2024 outlook suggests a nuanced investment landscape, with opportunities in various sectors affected by macroeconomic trends, regulatory changes, and technological advancements. Investors are advised to monitor these dynamics closely to capitalise on potential growth areas in the global market.



Executive Summary: Macquarie Investment Outlook 2024

Key Insights

Performance Review and Current Trends:

- 2023 has seen improved returns compared to 2022, with the US equities (S&P 500® Index) gaining 11.5% YTD and bonds (10-year Treasuries) returning -5.4%.
- The standard 60/40 portfolio returned 4.7% YTD in 2023, recovering from -15.0% in 2022.
- Historical analysis shows rare instances of US equities and bonds yielding negative returns in the same year.

Global Economic Overview:

- United States: Demonstrated resilience in 2023, defying recession expectations. Challenges include monetary policy tightening, real income hits, geopolitical tensions, and political volatility.
- Europe and UK: Facing economic struggles, Germany is experiencing a notable contraction. The region faces imminent recession risks due to energy price shocks and tighter monetary policy.
- China: Disappointed growth expectations due to ongoing property market issues and domestic demand weaknesses. Medium-term challenges include demographics and declining productivity growth.

Investment Landscape:

- Cyclical headwinds remain, presenting both challenges and opportunities.
- Active investment strategies are recommended to navigate the volatile economic backdrop.
- Structural changes in the global economy necessitate a deep understanding of these dynamics for successful investment.

Macroeconomic Regime Shift:

- A new macroeconomic regime is emerging, characterised by slowed supply-side growth, increased geopolitical tensions, and changing demographics.
- Key points include erratic inflation, lower returns on assets and equity, and constrained fiscal and monetary policies.

Geopolitical Tensions:

- Increased geopolitical risks, especially with US-China relations and global trade frictions.
- The fading post-Cold War unipolar world and rising great-power rivalries reshape global economics and politics.

Regional Focus:

- US Economy: Despite challenges, showed remarkable resilience in 2023. However, the risk of a slowdown or recession remains due to inverted yield curves, monetary policy, and credit conditions.
- Euro Area and UK: Facing the aftermath of energy price shocks and higher interest rates, likely leading to recession.
- China: Sluggish growth with property market woes and policy constraints, predicting moderate GDP growth.

Inflation and Monetary Policy:

- Decreasing headline inflation but persistently high core inflation.
- Structural pressures on inflation include globalisation slowdown, demographics, and reduced productivity growth.

Investment Implications and Strategies:

- Bonds are attractive, especially low-risk options.
- Infrastructure investments appeal due to defensive characteristics and exposure to secular growth trends.
- Equities, Large US caps, face headwinds. Small caps and real assets offer opportunities.
- The real estate sector faces challenges due to high interest rates and changing work habits, but logistics and rental housing remain strong.

Conclusion

The report emphasizes the importance of navigating the changing global economic landscape with informed and strategic investment decisions, considering both cyclical challenges and structural shifts.

BLACKROCK

Executive Summary: BlackRock Investment Outlook 2024**Overview**

- The new macroeconomic and market environment is characterised by greater volatility and uncertainty, contrasting with the stable growth and inflation of the Great Moderation era.
- Active investment management is now crucial, as traditional static asset allocations are less effective.

Key Insights

Managing Macro Risk:

- The focus is on understanding the shift in the macro environment, not just on recession possibilities.
- Investors should be selective and deliberate about macro exposures due to increased market volatility and uncertainty.
- Heightened inflation and policy rates necessitate adjustments in investment strategies.

Steering Portfolio Outcomes:

- Active portfolio management is emphasised to navigate heightened volatility and dispersion of returns.
- Alpha-seeking strategies and dynamic indexing are crucial for achieving above-benchmark returns.
- Granularity in portfolio allocations is recommended, focusing on short-term Treasuries and selective sector investments.

Harnessing Mega Forces:

- Five mega forces are reshaping markets: Digital Disruption, Low-Carbon Transition, Fragmenting World, Global Diversification, and Real Assets.
- These forces create new investment opportunities essential for building portfolios that transcend traditional asset classes.
- Key areas include technology (AI), climate resilience, and strategic sectors influenced by geopolitical fragmentation.

Regional and Sectoral Insights:

- Japan and emerging markets like India and Mexico are highlighted for their potential due to favourable economic and geopolitical conditions.
- Real estate and infrastructure are essential for portfolios due to their link to inflation measures and potential for long-term benefits.

Investment Implications:

- An active, dynamic, and granular approach to investing is necessary in the current regime.
- Tactical asset allocation should focus on macro views, alpha opportunities, and mega forces.
- Strategic investment priorities include private credit, inflation-linked bonds, and short- to medium-term bonds.

Conclusion

- The new regime requires investors to be dynamic and agile, moving away from traditional, broad asset allocation strategies.
- BlackRock's approach emphasises adapting to macro shifts, exploring alpha opportunities, and leveraging mega forces for long-term investment success.

KKR

Executive Summary: KKR Investment Outlook 2024

Overview

KKR views 2024 as a crucial transition year, aligning with their 'Regime Change' thesis. They forecast below-consensus inflation for the next 12 months, suggesting opportunities for tactical investors. However, they maintain a long-term perspective of higher inflation due to key pillars like fiscal impulses, labour costs, energy transitions, and supply chain restructuring.

Inflation and Interest Rates:

- A temporary disinflationary period is anticipated, but KKR believes in "higher resting heart rate" for inflation in the long term.
- Central bank policies are expected to remain tight, with the potential for rate cuts being less aggressive than the market expects.

Equity and Credit Markets:

- There's an expectation of compelling equity stories beyond the major indices like the S&P 500, with opportunities in private equity and credit markets.
- KKR suggests a constructive tilt in investing, focusing on areas needing capital for growth or repositioning.
- In credit markets, flexible capital is favoured due to attractive yields, higher debt quality, and periodic dislocations.

Investment Themes and Opportunities:

- KKR emphasises investing in themes that address current global challenges, such as Industrial Automation, Intra-Asia Connectivity, Digitalization, and Global Infrastructure.
- These themes are seen as growth opportunities and hedges against current economic and geopolitical issues.

Asset Allocation and Strategy:

- KKR advocates for a shift in asset allocation strategies, reducing the role of government bonds in diversified portfolios.
- They suggest focusing on collateral-based cash flows (like Infrastructure, Energy, Asset-Based Finance, Real Estate Credit) and control-based private equity investing.

Market Dynamics:

- Despite recent market volatility, KKR maintains an optimistic outlook, citing opportunities for long-term investors in various asset classes and regions.
- KKR highlights the need for a nuanced approach, balancing fiscal policy impact with monetary tightening.

Differing from Consensus:

- KKR's views diverge from the consensus, including growth expectations, inflation rates, interest rates, earnings projections, oil prices, and the USD outlook.
- They stress the importance of recognising historical macroeconomic inconsistencies that will likely persist in the current cycle.

Conclusion

KKR's 2024 outlook adopts a 'glass half full' approach, focusing on opportunities amidst challenges, advocating for a dynamic and thematic investment strategy, and emphasising the need for a shift in traditional asset allocation models.

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