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Prior to joining Fidelity, he spent ten years at Merrill Lynch, where he was Director of Asset Allocation. Trevor began his career with UK life insurer Provident Mutual.

He holds an MA in Mathematics from Cambridge University and is a qualified actuary.

## Scope for upside growth surprises in 2010

The growth and inflation picture has not changed much in the last few weeks and it still feels to me that there is scope for upside growth surprises in 2010. Weaker Japanese survey data has reduced the strength of the growth reading on the Investment Clock, but lead indicators are likely to peak soon anyway. The model may end up recommending defensive positions some time later this year; we will need to see if any slowdown ends up being to slower-but-still-strong growth. A drop in unemployment should help boost consumer spending and sustain the recovery. The German and Japanese unemployment rates already look to have peaked (after a really modest rise in the case of Germany).

### LEAD INDICATORS IN FOCUS

#### Inflation

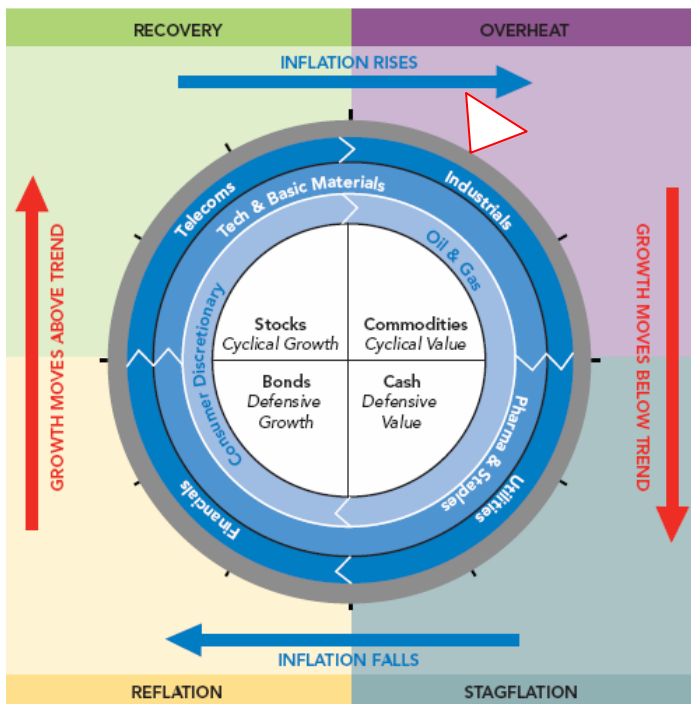
- The inflation scorecard remains positive and headline CPI rates are rising rapidly, as expected
- Core inflation will probably drift lower due to spare capacity

#### Growth

- Growth indicators have dipped back a little bit due to a weaker Economy Watchers' survey in Japan
- Labour market data is improving

### CURRENT ASSET ALLOCATION POSITIONING

Commodities remain the largest overweight, followed by equities and property. Government bonds are underweight. Regionally, the tilt remains away from the US and towards the emerging markets and Asia. The funds are overweight industrials (including resources), technology and financials. We are likely to see growth lead indicators come off the boil over Q1 and Q2, which will probably result in a gradual scaling back in my pro-cyclical positions, but hopefully this would be selling into strength.



	Underweight	Neutral	Overweight
Equities			
Property			
Commodities			
Bonds			
Cash			

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