

What's on the Horizon for 2017?

Last year, investors experienced a significant degree of volatility as a slew of issues reinforced economic and political risks. This has left many wondering whether it will be more of the same in 2017, or should investors be bracing for a strong turnaround in risk assets.

While it is still early to predict the outcome, there are some broad investment themes that have emerged:

- Policies of a new US administration
- Rising US interest rates
- China growth and government policy
- Currencies

The surprise result in the recent US Presidential Elections underscores the rise in anti-globalisation sentiment, prevalent in both Europe and the US. Even if populist parties do not take control of Europe, their rise has significant implications for policymakers, who need to address general concerns regarding free trade and immigration.

In the US, the economy is on an upward trajectory. Consensus estimates indicate a pick-up in US growth for 2017, breaking a pattern of downward revisions. A rise in investment would allow the US economy to meet these expectations, even without the help of Trump's proposed policies. This has implications for Asia and China, where growth forecasts are moving higher.

In this environment, US interest rates are a key risk. The Fed's actions could drive market volatility, as markets are expecting a shallow rate hike cycle, and the Fed may hike more quickly than anticipated.

There is likely to be continued pressure on long-term bond yields. We are aligned with the Fed's guidance of three rate hikes in 2017 and expect 10-year Treasury yields to move in the range of 2.4% to 2.6% in the short term.

In the near term, we could also see the CNY weakening and this could contribute to emerging market volatility, along with a stronger USD.

In light of the ongoing volatility and bifurcation in markets, identifying the correct investment opportunities, and applying a disciplined investment approach, will be the key to generating returns. This applies equally across asset classes – equities, fixed income and alternatives.

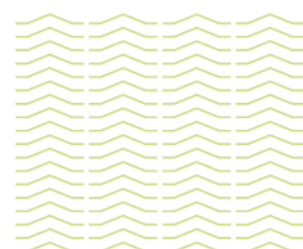
	Value	% wow Change
Equities		
Dow Jones Indus. Avg	19,762.6	-0.9
S&P 500 Index	2,238.8	-1.1
MSCI AC Asia Pacific	135.0	+0.4
S&P/ASX 200 Index	5,665.8	+0.7
Hang Seng Index	22,000.6	+2.0
Ho Chi Minh Stock Index	664.9	+0.1
Jakarta Composite Index	5,296.7	+5.4
FTSE Bursa Malaysia KLCI	1,641.7	+1.5
KOSPI Index ¹	2,026.5	-0.5
Karachi 100 Index	47,807.0	+2.5
S&P BSE Sensex Index	26,626.5	+2.2
Shanghai SE Composite	3,103.6	-0.2
Stock Exch Of Thai Index	1,542.9	+2.2
Straits Times Index	2,880.8	+0.3
Taiwan TAIEX Index	9,253.5	+1.9
TOPIX Index (Tokyo)	1,518.6	-1.6

Bonds / Currencies		
US 10YR Treasuries	2.4443	-9 bps
EUR/USD	1.0517	+0.6
USD/JPY	116.9600	-0.3
GBP/USD	1.2340	+0.5

Commodities		
Gold (Spot)	1,152.3	+1.6
Crude Oil (WTI)	53.7	+1.3
RJ/CRB Commodity Index	192.5	+1.0

Source: Bloomberg (last trading price for week ended 30 December 2016)

¹ As of 29 December 2016



Disclaimer

No offer or invitation is considered to be made if such offer is not authorised or permitted. This is not the basis for any contract to deal in any security or instrument, or for Fullerton Fund Management Company Ltd (UEN: 200312672W) ("Fullerton") or its affiliates to enter into or arrange any type of transaction. Any investments made are not obligations of, deposits in, or guaranteed by Fullerton. The contents herein may be amended without notice. Fullerton, its affiliates and their directors and employees, do not accept any liability from the use of this publication.

For additional information on Fullerton and its funds, please contact:

Fullerton Fund Management Company Ltd
60B Orchard Road #06-18 Tower 2
The Atrium@Orchard Singapore 238891

T +65 6828 6100 fullertonfund.com
F +65 6828 6484 info@fullerton.com.sg