STREET VIEWS

2021 OUTLOOK SUMMARY

Content

At a Glance

	Credit Suisse	UBS	JP Morgan	Goldman Sachs	Bank of America
Global Macro	• Global GDP forecast: 4% • Inflation expectations continue to rise • Range-bound bond yields will not be allowed to rise	• Global GDP forecast: 6.1% • Anticipate few inflationary threats • Interest rates to remain low	• Global economy will continue to heal • International growth will depend on pandemic trends and vaccine	• Global GDP forecast: 6.0% • Inflation is likely to remain low and policy rates are anchored.	• Global GDP forecast: 5.4% • Fed unlikely to hike rates in 2021
Asset Class View					
Equities	• Global equities to rise15% • EM remains overweight	• Going cyclical, small, and global • Rebalance out of US large-caps and global consumer staples	• Overweight Eurozone, Japan and EM and Neutral US • A temporary rotation from growth to value	• Equities outperform bonds • A pro-cyclical tone across sectors, styles, themes and baskets	• EM/EAFE>SPX, small>large, value>growth
Fixed Income	• Core government bonds' gains will be meager • EM hard currency bonds remain appealing	• Asia HY and EMBI are top picks for HY and IG total returns; • EU IG and US IG are laggards	• Greater exposure to upper tier HY and EM • Shorten portfolio duration and countries with strong credit fundamentals	• Credit valuations are not expensive but yields are low • EM still upside	• HY outperform IG • Forecasts IG total return of -1.6%
Currencies	• USD further decline • EUR and JPY will benefit • CNY will gain	• USD weaken • Diversify across G10 currencies to EM currencies	• USD is expected to depreciate • Overweight RUB, MXN, CNY & IDR	• USD downtrend to continue • EUR boosted by growth and policy	• USD plummeting on US fiscal stimulus • CNY to appreciate to 6.30 in 2021
Commodities	• Gold: have the potential to rise to $2500, 12M target $2200 • Oil: more room to catch up	• Gold: find support in 1H and consolidate in 2H	• Oil: Brent strip to average $43/bbl in Q1, rising to $56/bbl by Q4	• Gold: help diversify USD risk • Oil: price will recover	• Gold >2000

At a Glance

	Morgan Stanley	Citi	HSBC	Nomura	Invesco	BCA
Global Macro	• GDP growth forecast: 6.4% • Synchronized global growth, an emerging-market rebound and the return of inflation	• GDP forecast: 5% • Inflation forecast: 2.2% • Real rates remain negative	• GDP forecast: 4.7% • Economy needs policy support • Little risk of inflation in near term	• Bumpy growth into early 2021 • Low inflation • Policy rates unchanged	• In base case scenario, economy will recover and China will outperform	• Global economy will strengthen in 2021 • Inflation will remain well contained for the next 2-3 years
Asset Class View						
Equities	• Valuation looks reasonable • To trust the recovery and favor early-cycle outperformers	• Rotation towards Value stocks • Overweight US and UK	• Equity will climb by over 12% • Overweight US and EM • Prefer tech and consumer cyclicals	• Asia will benefit from negative implications of US equities	• Favor cyclicals, value and small/mid cap stocks • EM equities outperform	• International stocks > US; small cap > large cap; banks > tech; value > growth
Fixed Income	• Favor HY over IG • Credit spreads tighten	• Underweight government bonds • EM outperform US/EU credit	• Prefer USD HY over IG • Bullish on Asia credit	• Short-dated Asia bonds and HY should perform	• Spread compression may offer attractive return • Yield curve steepen	• Maintain below average duration • Spread product > government bonds
Currencies	• USD weaken • EUR benefited when vaccine distribution starts	• Remain USD bear • EUR positive • CNY appreciation bias	• USD weakening against AUD, EM currencies	• USD will be weaker • JPY less attractive	• USD will depreciate	• USD will continue to weaken
Commodities	• Commodity prices tend to rise in the early stages of recovery	• Gold: 6-12 month at $2100 • Oil: rally a further 10-15%	• Gold: future upside limited	• Oil and commodity price should rise	• Precious metal will be benefited	• Gold: should favor gold over bitcoin • Oil: demand will support oil price

Credit Suisse
Living forward

Global Macro	
We expect • GDP to be **4% in 2021**, well above trend on the back of an effective vaccine and supportive policies; • **The US dollar will continue to weaken**; • Inflation expectations continue to rise; • Range-bound bond yields will not be allowed to rise meaningfully anywhere in the developed world, particularly in the US given that the Fed will cap any disruptive rise in US bond yields.	
Asset Class View	
Equities	• We expect a **15% rise in global equities** by the end of 2021. The fundamental supports are the accommodative policy, the equity risk premium and the beginning of a bond-for-equity switch, as bonds increasingly do not offer diversification. Near term, earnings revisions and excess liquidity are both supportive. We acknowledge tactical indicators suggest a pause, but not a correction. • **Emerging markets remain our highest conviction overweight**, focusing on Thailand, Korea, Brazil and India, while we decrease China to a small overweight.
Fixed Income	• In 2021, core government bonds' gains will be meager, while emerging market hard currency bonds remain appealing. • IG: In credit, investment grade offers a good risk/reward. • HY: In high yield bonds, we see selected opportunities to enhance returns in the lower-rated credit segments.
Forex	• We expect further USD depreciation in 2021 on the back of improving global growth, a declining US real yield and the widening of fiscal and external deficits. • The EUR and JPY should benefit from this trend. We believe the CNY will also gain, supported by portfolio flows.
Alternatives& Commodities	• Backdrop should stay conducive for real assets and commodities in particular. • Real Estate: We favor sectors underpinned by structural growth such as industrial and logistics real estate. • Gold: Our **end-21 forecast is $2200/oz**. We continue to believe that gold has the potential to rise to **$2500/oz** in the long run, driven by the TIPS yield going to -2.5%, higher inflation and a weaker dollar. • Oil: Oil in particular has some more room to catch up toward and potentially above equilibrium levels • HF & PE: We expect hedge funds to deliver low single-digit returns, and **patient PE investors with access to best in class managers should be able to achieve an attractive excess return over public markets**.

UBS
Year of Renewal

Global Macro

- Baseline assumes global and US real GDP growth of 6.1% and 4% in 2021, 0.7% and 0.2% above consensus. Start to shift back to pre-pandemic norms while simultaneously accelerating forward into the post-pandemic future.
- A faster recovery in US labor markets will lead the Fed to reduce UST/MBS purchases by $20bn/10bn in June and every other month thereafter
- Anticipate few inflationary threats in 2021, and expect interest rates to remain low for the foreseeable future.
- Future returns are likely to be lower than in recent years across all major financial assets. **But the outlook for equities and other real assets is more favorable than for government bonds and cash**.

Asset Class View

Equities	• Forecasted 4,100 for the S&P 500. • Going cyclical, small, and global as the sectors and markets most heavily affected by lockdowns start to revive. • Diversify for the next leg with exposure to global equities, cyclicals with catch-up potential, and long-term winners. • Rebalance out of US large-caps and global consumer staples. • Invest in "The Next Big Thing", **reallocating existing technology exposure into 5G, Fintech, Healthtech, and Greentech**.
Fixed Income	• Forecast: 1.5% for the US 10-year yield and 370bp for US high yield at end-21; Asia HY and EMBI are top picks for HY and IG total returns; EU IG and US IG are laggards. • Investors in USD-denominated bonds should note that a weaker dollar is expected in 2021, and **so hedging this currency exposure may be beneficial.**
Forex	• USD: Dollar is expected to weaken in 2021. Investors should diversify across G10 currencies **or into selected emerging market currencies and gold**. • EUR: Vaccine roll-out to set the glide path; GBP: Directional curve set to bear steepen, with front-end anchored by guidance; AUD: Supply/demand outlook to turn supportive in 2021.
Alternatives& Commodities	• PE: Investor should **diversify into private equity by switching up to 20% of the public equity exposure in your portfolio to private equity**. • Gold: Gold should find support in 1H amid rising inflation expectations and falling real interest rates, but in 2H, the building recovery should lead to consolidation in the current range. Expect gold to trade at USD 2,000 by end 1Q21.

JP Morgan

The Global Economy Will Heal. Embrace The Optimism

Global Macro

- The global economy will continue to heal through 2021 and beyond.
- Following a winter slowdown, widespread vaccination should allow U.S. growth to surge later in 2021, precipitating a relatively fast rebound from a deep recession. However, the recoveries for GDP, jobs and inflation are on different timetables with important policy implications.
- International growth will depend on regional pandemic trends early in the year but should broadly accelerate once vaccines are distributed.

Asset Class View

Equities	• **International equities should benefit from a falling dollar and lower valuations relative to the U.S., with the more cyclically-geared regions outperforming.** • Earnings should rebound but overall U.S. equity returns may be constrained by high valuations. A cyclical rebound should produce at least a temporary rotation from growth to value. • Overweight Eurozone, Japan and EM and Neutral on US and see some mean reversion after being OW US and China in 2020.
Fixed Income	• A commitment to maintain very low short-term rates could lead to a steepening of the yield curve in the year ahead, **requiring an active and diversified approach to fixed income allocations.** • Investors will need to consider spread products like credit, **particularly upper tier high yield, and emerging market debt in order to minimize duration risk.** • Investor should gradually shorten portfolio duration while **identifying companies and countries with strong credit fundamentals.**
Forex	• USD: A more predictable trade policy from the incoming Biden administration and stronger international economic growth should push the U.S. dollar lower.
Alternatives & Commodities	• Investors should **focus on assets that do well during periods of modestly rising inflation, such as equities, real estate, infrastructure and commodities.** • Real Estate: Industrial properties look set to benefit from the continued growth and adoption of e-commerce, while the success of retail properties will depend on the reopening of the economy, as well as tenant mix. • PE: **Private equity and private credit can help address the return challenge faced by many investors.**

Goldman Sachs
A V(accine)-Shaped Recovery

Global Macro

- Forecast 2021 global GDP will grow by 6.0% (vs. consensus of 5.2%) and the near-term risks remain on the downside.
- As the global economy rebounded quickly (albeit partially) from the lockdowns in the spring, expect the current weakness to give way to much stronger growth when the European lockdowns end and a vaccine becomes available.
- Inflation is likely to remain low and policy rates are anchored. Expect the Fed, the ECB, and the Bank of England to wait until 2025 before hiking rates; besides, the ECB looks set to deliver additional QE next month.
- Diversification across assets become less effective, more benefits within assets

Asset Class View

Equities	• **Equities are likely to outperform bonds in the medium-term. Strong EPS growth into 2021.** • Low yields and bullish growth scenarios can drive strong returns from equities. Relationship between inflation, rates and growth to drive equities performance. • A pro-cyclical tone across sectors, styles, themes and baskets.
Fixed Income	• Credit valuations are not expensive vs. equities but yields are low • **EM Credit: Still upside,** led by HY left-tail risks linger, but **risk premium still attractive**. • Spreads have recently resumed their tightening, inching closer to pre-pandemic levels. The **compression theme has been relatively range-bound in the USD market** while it has underperformed in the EUR market.
Forex	• USD: Dollar downtrend to continue. • EUR: Euro boosted by global growth, monetary policy.
Commodities	• Gold: Gold can help diversify Dollar risk, but tailwind from lower real yields might fade. • Oil: Oil price recovery, oil on the boil.

Bank of America
A Year of Rotation Not Rally

Global Macro

- BofA economists and strategists predict global GDP to surge 5.4% (best since 1973), US GDP to surge 4.5% (best since 1999), China GDP to surge 8.5% (best since 2011)
- Fed is unlikely to hike rates in 2021; the probability of a repeat $21tn of monetary & fiscal stimulus in 2021 is close to zero
- BofA Bull & Bear Indicator far from dangerously bullish, but may other sentiments indicators indicate peak positioning arrive in early 21
- 2021 reopening/recovery/rotation means **outperformance of commodities>credit**, commercial real estate>housing, HY>IG, EM/EAFE>SPX, small>large, value>growth. **Optimal asset allocation is 25/25/25/25 in bond/stock/cash/gold**.

Asset Class View

Equities	• EM/EAFE>SPX, small>large, value>growth. • If risk asset correction occurs next 3-6 weeks, investors should buy the dip in cyclical value; if correction in 3-6 months, investors should buy defensive growth.
Fixed Income	• BofA forecasts IG total return in 21 to be -1.6%. • High yield bonds will outperform investment grade bonds.
Forex	• USD: USD plummeting on US fiscal stimulus; "dollar debasement" theme real as new administration devalues to finance deficits. Should DXY break 90, disorderly decline in USD leads to disorderly jump in US Treasury yields. • CNY: China's PBoC positioning renminbi as new "hard currency"; PBoC only central bank tightening financial conditions, unwilling to sacrifice balance sheet to finance government spending & debt; expect CNY to appreciate to 6.30 in '21.
Alternatives& Commodities	• Bitcoin >20,000, Gold >2000, DXY <90 would all be harbingers of higher volatility & yields.

Morgan Stanley
Back to Life, Back to Liquidity

Global Macro

- GDP growth forecast: 6.4%. Three key factors will characterize the next stage of the V-shaped recovery: synchronized global growth, an emerging-market rebound and the return of inflation.
- Continued easy monetary policy and another wave of liquidity should ease tensions and help investors scale walls of worry.
- Overweight equities and credit vs. government bonds and cash, along with positioning for U.S. dollar weakness.

Asset Class View

Equities	• 5% to 30% earnings growth across major equities markets and significant declines in corporate leverage. • **Global equity valuations look reasonable by many measures.** • The strategists are inclined to trust the recovery and **favor early-cycle outperformers. Owning small-caps over large-caps.** • The early-cycle playbook also favors high-quality cyclicals, such as U.S. and European financials, materials, and segments hard hit by COVID-19 lockdowns, such as travel and leisure.
Fixed Income	• **Favor selected high-yield over investment-grade corporates across all regions**, based on the view that, as credit spreads tighten, excess returns will match or exceed historical averages. • In securitized credit, strategists call for going down in quality and up in risk, given expectations for a sustained V-shaped recovery and key U.S. interest rates holding near zero until 2023.
Forex	• USD: Forecast **USD weakness especially versus commodity currencies** as risk markets strengthen in a global economic recovery. Expect DXY to weaken 4% by end-2021. • EUR: Expect EUR/USD rises to 1.25 when COVID vaccine distribution starts. • GBP: GBP gets a Brexit boost to 1.36, but then weakens as UK real yields are low. • Others: NOK and SEK are set to strengthen most in Europe. AUD/USD sees another year of outperformance. USD/JPY trades slightly lower.
Commodities	• Commodity prices tend to rise in the early stages of recovery, but strategists think this strength will be back-loaded and with high dispersion. • Oil: To pass on the commodity and buy the options instead. • **Copper**: "ticking all the boxes" for a bull market in 2021.

Citi

The New Economics

Global Macro

- Citi economists expect real GDP and inflation for the Global economy to recover to +5% YoY (from -3.9%) and +2.2% YoY (from +2%) respectively.
- Signs of normalization of services, business investment, and trade are mixed.
- Monetary policymakers will ensure via (either explicit or implicit) yield curve control that **real rates remain materially negative until unemployment and medium-term inflation expectations normalize** to at least pre-COVID levels.
- Tend to see **outperformance of equities and commodities** relative to fixed income, whilst the USD depreciates.

Asset Class View

Equities	• Expect S&P 500 at 3800 by end 2021. • Looking ahead, the global equity absolute P/E is likely to revert back towards its long term historical average, with high 2021 EPS expectations now perhaps more likely to be realized given successive vaccine announcements. • Rotation towards Value stocks should continue as 10y UST yields (currently 0.93%) head towards 1.25%, so neutralized the Growth vs Value exposure. Overweight the US and the UK. Amongst the two big Value sectors, **prefer Energy to Financials**. **Underweight DM vs. EM overall**.
Fixed Income	• Using credit underweight to fund equity overweight. Suggest to rotate out of corporate bonds into more cyclically exposed equities. • Government Bonds: First Underweight Since May 2018. • Outlook for **a lower dollar and compressed G10 real yields, will allow EM External to outperform US & EU credit**.
Forex	• USD: Remain USD bears until an inflexion point in the Fed's dovish bias. • EUR: Expect the global growth backdrop to materially improve next year and experience less trade friction, EUR positive. • GBP: Widespread distribution of a vaccine, and an agreement on a Brexit deal can support GBP. • CNY: **Appreciation** bias is here to stay for a while **until policy interventions kick in** again.
Commodities	• Gold: Continue to **advocate buying the dip in Gold** one more time. 6-12m target is $2,100/oz with an average of $1,900/oz over the next year. • Oil: Crude oil rallying a further 10-15% during 2021 on the back of a sustained market deficit of around 2mb/d. • Metal: In industrial metals, most bullish on aluminium price between now and the Chinese New Year, followed by zinc.

HSBC
Amped-up

Global Macro

- HSBC forecasts the rebound in 2021 GDP is 4.7 per cent.
- After the initial surge, growth is now set to moderate as economies enter the next phase of the recovery: the "flatter part of the swoosh"
- There are relative winners (China, industrialised Asia) and relative losers. Europe faces a double-dip recession on the back of more stringent measures to control a pronounced second wave of COVID
- Recent events have reduced key uncertainties around US politics and chances of an effective vaccine. We are reaching the end of the age of uncertainty
- The global economy needs ongoing policy support. **There is little risk of inflation in the near term**

Asset Class View

Equities	• Believe global equity markets will climb by over 12% next year. Overweight Technology, Industrials and Consumer Services, underweight Financials, Healthcare, Consumer Goods and Telecoms. • With the value rally more likely to be a temporary rotation, investors should avoid the deep-value sectors – notably Financials and Oil & Gas – which face a number of structural headwinds and focus on more quality-value sectors. • Overweight the US and **prefer tech exposure and high quality consumer cyclicals**. • EM is our other overweight. Within EM, we like banks and semiconductors.
Fixed Income	• For US treasuries HSBC is bullish versus the forwards. Prefer USD HY over IG credit given valuations. • **Bullish on Asia credit** as a clearer global growth trajectory and less unpredictable geo-politics should drive spread. compression. Bullish view on Australia government bonds. Mildly bullish on mainland China and New Zealand.
Forex	• Expect a divergent dollar, with the USD weakening against the AUD, NZD, NOK, and SEK and certain EM currencies • Given the low global yield environment, believe high-yielding EM currencies with strong fundamentals are likely to be supported in the current market environment. IDR and MXN should likely remain supported. SGD and KRW could also attract investors.
Alternatives& Commodities	• Gold: Future upside could be limited as economies recover, geopolitical tensions ease, and uncertainty falls • Real Estate: For investors able to accept continued high volatility, HSBC believes prospective long-run returns imply a sufficiently attractive premium over extremely low policy rates. • Metal: Copper and other industrial commodities could benefit from a rollout of vaccines and a rebound in global growth in 2021.

Nomura
Brace for reflation

Global Macro

- Nomura expects bumpy growth into early 2021, but ingredients are in place for a sharp rebound in the business cycle.
- Low inflation, a negative output gap and a strong currency should keep most policy rates unchanged in 2021 (except in ASEAN).
- Nomura expect an above consensus growth in the two largest economies in APAC, China and India, and also in Korea and Singapore.

Asset Class View

Equities	• A Biden presidency against a likely Republican-led Senate should limit market expectations of US tax hikes and their potential negative implications for US equities/global risk markets are positive factor for Asia market. • The bank has forecast a 21% jump in earnings-per-share next year for the MSCI Asia excluding Japan Index.
Fixed Income	• Short-dated Asia bonds/rates and high yield bonds should perform. • For China SOE default: **No need to overreact to recent SOE bond defaults, but stay cautious.** • In Asia, our rates valuation models suggest that Indonesia 10y bonds are most undervalued in the region, while TWD bonds are most overvalued.
Forex	• USD: Nomura expect the weaker USD trend to continue into 2021 with around 3% depreciation by Q1 2021 and a total 4% by end 2021. **Short USD against CNH (to ~6.30 levels)**, KRW, EUR and GBP, and long EUR/JPY and AUD/JPY. As we move into H2 2021, USD negativity could ease. • EUR: Expect consistently higher USD FX hedging and a slowdown of banking outflows to support EUR/USD. • JPY: Nomura view JPY as a less attractive vehicle to express our broad USD weakness view, as its low beta status, fundamentals, and flow picture point more muted upside potential than other major currencies.
Commodities	• **The containment of Covid-19 should raise global oil and commodity prices.** • Non-oil commodities (e.g. LNG, CPO, metals and minerals), are expected to increase more modestly in 2021 following the sharp rebound since Q2.

Invesco

China Outperforms, Accelerated Vaccine, or Double-Dip

Global Macro

- Base Case: **China outperforms**. US and Eurozone pause their reopening with partial lockdowns, while fiscal and monetary policy continue to support activity. Manufacturing continues to lead, while a recovery in service sectors transpires, assuming a vaccine is rolled out broadly in H2 2021.
- Our Upside Case : "V" for Accelerated Vaccine – assume a vaccine is approved early and broadly in use in H1 2021, driving a faster recovery. Incorporating further expansionary fiscal policy actions.
- Our Downside Case: Double-Dip In this scenario, assume multiple waves of the virus which are difficult to control, requiring renewed national lockdowns in many countries and weighing down the global economy.

Asset Class View

Equities	• Equities expected to outperform fixed income as growth moves above trend, the global earnings cycle recovers, and **risky assets are supported by ample money supply growth**. • Gradual re-opening of face-to-face sectors to **favor cyclicals, value and small/mid cap stocks**, also supported by attractive valuations and rising bond yields. • Improving risk appetite and a depreciating US dollar to drive outperformance in EM equities over developed markets. • Currency and local market valuations favoring DM ex-US over US equities, also supported by cyclical outperformance in 2021, and a rotation away from growth into value sectors and regions.
Fixed Income	• Credit markets have room for additional spread compression and may offer attractive risk-adjusted returns. • Global yield curves may steepen with gradually rising bond yields but remain well-anchored by asset purchase programs and low inflation expectations.
Forex	• USD: in base-case scenario, **a depreciating US dollar drives outperformance in emerging market (EM)**.
Commodities	• Precious metals: should **benefit from anticipated continued low real yields and the potential for inflation and dollar weakness**. The tightening supply/demand balance for Industrial metals should continue into 2021. • Energy markets: still face substantial excess inventory but suppliers have already reduced capex substantially. Agricultural markets should benefit from likely increases in Chinese demand and potential weather challenges.

BCα

Navigating A Post-Pandemic World

Global Macro

- The global economy will strengthen in 2021 as the pandemic winds down.
- There is no doubt that the availability of a safe and effective vaccine will bolster economic activity over the medium-to-long term. The short-term impact, however, is ambiguous.
- Inflation will remain well contained for the next 2-to-3 years before moving sharply higher by the middle of the decade.

Asset Class View

Equities	• Stocks are technically overbought and vulnerable to a short-term correction. Nevertheless, investors should favor equities over bonds in 2021 given the likelihood that earnings will accelerate while monetary policy stays accommodative. • **This year's losers will be next year's winners**. In 2021, international stocks will outperform US stocks, small caps will outperform large caps, **banks will outperform tech, and value stocks will outperform growth stocks**.
Fixed Income	• Bond yields will rise modestly next year, implying that investors should maintain below average duration exposure. **Spread product will outperform safe government bonds.** • Favor inflation-protected securities over nominal bonds.
Forex	• USD: The US dollar will continue to weaken in 2021. The collapse in US interest rate differentials versus its trading partners, stronger global growth, and a widening US trade deficit are all bearish for the greenback.
Commodities	• **Gold: Investors should favor gold over bitcoin as a hedge against long-term inflation risk.** • Oil: Tight supply conditions and a cyclical recovery in oil demand will support crude prices.