

With 2018 drawing to a close, analysts are beginning to cast their gaze towards 2019. Here are outlooks for the year ahead that were published on Tuesday.

Credit Suisse: Predicts continued global growth



Equities: growth stocks and risk assets expected to outperform in current late stage of growth cycle

- Despite the Singapore market's poor performance in 2018, earnings growth in 2019 is projected at 7 to 8 per cent.
- Credit Suisse is overweight in sectors including energy, technology and healthcare.
- 2019 is shaping up to be an emerging markets (EM) story, as earnings peak in the US and investors see attractive valuations in underpriced EM.
- "We've seen a constant repricing of EM over the last year or so, to the point now that the divergence between EM and global markets is quite pronounced. Inevitably, these differentials tend to correct over time, and I think that's exactly what's going to happen over the course of next year." – John Woods, chief investment officer, Asia Pacific, Credit Suisse



Bonds and interest rates: bond yields rise no surprise with recent interest rate hikes; 10-year Treasury yields likely to top out around 3.3 per cent

- Credit Suisse projects three more Federal Reserve rate hikes by mid-2019
- "We have turned negative on investment-grade fixed income. In the late stage of a business cycle, we tend to see bond yields rising and risk outperforming, and that's precisely what we anticipate over the next six months or so. At the same time, spreads are tight, and there is expectation of some widening in such an environment." – Mr Woods



Currencies: USD likely to weaken once rate hikes cease in H1 2019; European Central Bank (ECB) expected to start rate hikes in H2

- "Already, the technical charts are setting up for some dollar weakness, but at the point the market genuinely anticipates the Fed to hold and the ECB to start tightening, you will start to see the dollar meaningfully revalue and the euro strengthen." – Mr Woods
- The Chinese yuan will likely weaken against the USD to as low as 7.2 over the next 12 months to offset deflation in domestic prices.



Commodities: Credit Suisse is overweight oil around the US\$50 mark, citing potential for upside despite supply shocks.

- "We felt that the commodity had been almost egregiously oversold, and that some of the supply shocks were more one-off than structural in nature. There is some upside in WTI to around US\$65 to US\$67. If we continue to see momentum towards a cut of 1.3 million barrels per day, that target is eminently achievable." – Mr Woods

Standard Chartered: Picks alpha over beta in emerging macro



Equities: emerging markets stabilising, but face uncertainty from China's slowdown and a deteriorating trade backdrop

- "We prefer to focus on alpha over beta, and we are mindful of the risk to changing correlations. Negative correlations between bond yields and equities are a key threat to risk sentiment." – Standard Chartered Global Research



Bonds and interest rates: US Treasury yields have peaked; less volatile US rates to support EM local currency debt

- Standard Chartered is long low-beta local currency markets that benefit from structural demand, ample onshore liquidity and relatively stable policy outlooks, e.g. Thai and Malaysian government bonds.



Currencies: USD overvalued and reaching a medium-term top

- US growth momentum is expected to fade and US Treasury yields are vulnerable to a move lower.
- "For EM currencies, this means that we are not yet ready to call a broad-based bottom, but we are biased to own debt inflow-related currencies at the expense of equity inflow-related currencies." – Standard Chartered Global Research



Commodities: negative returns for most key commodity groups, save palladium and US natural gas

- Brent oil prices are expected to recover to above US\$70 per barrel, while gold prices have modest upside risk on a weakening USD outlook.