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Abstract:

• Economics — Japan H2 growth forecast cut to 1.7% from 2.5%. Downshift in global industry not a precursor to double
dip. • Asset allocation — We move from flat to net long on risky assets by adding in credit through HY and non-core
EMU. • Fixed Income — Mildly long duration in Europe and EM. Hold carry positions, adding EMU non-core bonds. Hold
swap spread wideners in USD and EUR. • Equities — Overweight EM, underweight small caps, underweight
manufacturing sensitive sectors, overweight banks. • Credit — With industrial HG bond yields at a record low, we favour
higher yielding credits such as high yield and subordinated bonds. • FX — Dollar to weaken further against EUR and JPY.
• Commodities — Stay overweight agriculture on increased risks to supply.

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