Views for 2020

Our Predictions

1. **Global growth continues to slow.** As the business cycle becomes ever more extended and the impact of protectionist policies continue to weigh on trade, global growth will slow towards 2.8%. US growth will continue to slow to 1.7% in 2020 as higher corporate debt weighs on business investment and the fiscal tailwinds of prior years abate.

2. **Protectionism likely to limit future growth.** As trade protectionism continues to be used as a policy tool, the rapid growth of globalisation will start to reverse. Global trade has been a driver of growth in recent decades, however, the benefits have not been felt by all and domestic populism is likely to further exacerbate protectionist policies. There will be continued disputes regarding ownership of technology as countries and regions battle to control crucial operating systems as has been demonstrated through Huawei and the new 5G network.

3. **Central banks remain accommodative.** Central banks globally will continue to pursue policies that seek to promote growth and reduce the impact of any downside risks. Following multiple rate cuts and further quantitative easing, it is likely that some central banks may have to utilise further unconventional policy tools. As such, sovereign bonds remain attractive even at low yields and weightings will increase in investor portfolios.

4. **Environmental, Social and Governance (ESG) factors are an increasing focus for investors.** ESG factors will increasingly become a key feature in investment decisions and the behaviour of businesses. There are substantial opportunities for investors as countries legislate to bring net carbon emissions to zero, with businesses that facilitate lower carbon output and alternative power sources well placed to drive returns.

5. **Search for real yield.** Bond yields and interest rates remain low and will be lower for an extended period. Investors requiring yield will continue to be driven towards different asset classes in search of real yield. Bond proxy stocks and property will continue to benefit from fund flows as investors and pension funds seek yield levels that will provide income in real terms.

6. **UK will benefit from political clarity.** Following a decisive victory for the conservatives in the December election investors have started to return to the UK. The end of the political malaise should lead to an increase in business confidence and reinvigorate business investment. The substantial majority will enable the government to refocus on domestic issues and push through their fiscal stimulus plans. Sterling should trade in a tighter range following the elevated volatility in 2019 with an appreciating bias.

7. **Advancing technology will continue to disrupt.** The secular trend of accelerating technological advancement and its integration in daily life continues to offer opportunities. The adoption of 5G through 2020 and the internet of things will enable companies to drive efficiencies and the cyber security industry will continue to thrive.

8. **Geopolitical events pose a risk to markets.** In 2019 markets looked through negative political events on the expectations that central banks would adjust policy to negate negative impacts. As central banks capacity to provide stimulus reduces, political events are likely to impact markets. Further trade negotiations between the US and China as well as the potential for the phase 1 dispute mechanism to be triggered, not to mention the US election, are events which could present negative surprises.

9. **Consumer consumption remains robust.** As unemployment remains at historic lows and household balance sheets remain strong aided by low rates, we expect consumer demand to be resilient and continue to be one of the main growth drivers in both the developed and developing world.

10. **Safe-haven assets in a synchronised world**. Correlations between equities and bonds continue to change, undermining traditional asset class diversification, downside protection and risk-rated returns. Safe-haven assets are investments that investors turn to during times of volatility and instability. Establishing what is a ‘safe’ asset is particularly challenging although as growth slows and inflation pressures remain minimal, gold and sovereign bonds should outperform.