Press release

Stockholm, September 14, 2010

Investment Outlook: Investments when the financial environment changes colour

Last spring the eyes of the world were focused on the financial problems of European governments. A tougher existence has already become a reality for citizens of the affected countries, led by Greece. Despite forceful budget tightening, the outlook for the economy and financial markets still appears uncertain. This is primarily due to a series of microeconomic data turning out surprisingly weak, especially in the United States. But there are also circumstances that are brightening the global economic picture. We find these in a number of emerging markets, as well as in the Nordic countries and elsewhere. There are thus opportunities to pursue, provided that we use a selective approach.

Nervous financial markets are now gazing across the Atlantic. The US has lost some of its dynamism and is weighed down by weak government finances. Both politicians and economists are divided as to whether the US economy actually needs more stimulus, or whether the time has come for belt-tightening. President Obama is plagued by declining public support. Since last spring, financial markets have occasionally been characterised by anxiety and accompanying indecisiveness. At times this summer, markets have thus experienced abrupt price fluctuations.

"These worries are justified, even though we believe that the probability of a US double dip recession is low. In a historical perspective, events are actually following a rather common pattern. It is more of a rule than an exception, that an initially rapid cyclical upswing is followed by a deceleration, similar to what is now happening in the US − a kind of double dip without a recession. But the fact remains that the US has undergone a period of slow growth. What is now needed is for underlying economic demand − demand that is not due to inventory effects and fiscal stimulus − to kick in, and for the economy to stand on its own feet. But the American consumer is still not going to be as eager to go shopping as we have become accustomed to; that is certain," says **Lars Gunnar Aspman**, Global Head of Macro Strategy at Private Banking.

Financial markets must therefore deal with a mixed scenario. The world economy is more complex than before, with rapid growth in emerging economies and debt problems in mature industrialised countries. The economic world is thus divided − dualistic − and will remain so during the foreseeable future. Meanwhile there are more investment alternatives than ever, according to **Hans Peterson,** CIO Private Banking and Global Head of Investment Strategy, provided we use a selective approach and are convinced that reasonable valuations are important and that no double dip recession will materialise. We expect the emerging markets sphere to show economic growth of 6-6.5 per cent annually during the next couple of years, compared to about 2 per cent in the West. This is an argument for investments in emerging markets, and Western companies with exposure to these countries should also benefit in the years ahead.

"From an investment perspective, the key concepts at present are low valuations, exposure to emerging markets, the liquidity of companies and a continued selective approach. We should remember that the Nordic countries are in a favourable position, both in terms of sound government finances and economic outlook. The quarterly reports of companies this summer were also remarkably good. Another thing to bear in mind is that because of the globalisation wave during the past decade, companies and their share prices are less directly connected to the economy of their ‘homeland’. But it is clear that emerging economies will continue to grow rapidly and will increasingly trade with each other, and that demand from the old OECD industrialised countries will decline in global importance,” Mr Peterson concludes.

Watch the film clip at SEB Newsroom where Hans Peterson tells more about Investment Outlook. Full Report to be picked up at: www.sebgroup.com, and SEB Newsroom.

For further information, please contact
Hans Peterson
CIO Private Banking and global head Investment Strategy
+46 70-763 6921

Lars Gunnar Aspman
Senior analyst, Investment Strategy
+46 70-603 98 18

Press contact
Elisabeth Lennhede, Press & PR
+46 70-763 99 16
elisabeth.lennhede@seb.se