

Press release

Stockholm, September 17, 2013

Investment Outlook: As autumn closes in, financial markets hope for brighter days

We are in a stock market-friendly phase, but the pace of the equity market upturn varies in different parts of the world. Weaker economic activity in emerging markets has become a new element in the calculation, but the main trend will be driven by stronger demand, with equities remaining the most important source of returns, according to SEB's quarterly investor report, *Investment Outlook*.

A maturing economic cycle will drive cyclical assets. The defensive trend that has dominated stock markets will come to an end. Sectors and regions characterised by more cyclical sensitivity will be in the spotlight.

"Europe will contribute to future returns. The European economic recovery is under way, leaving the recessionary phase behind. This will contribute positively to perceptions of Europe as an investment. There are significant growth opportunities, with potential for higher earnings," says **Ann Grevelius**, Global Head of Investment Strategy at SEB.

In this issue of *Investment Outlook*, we thus look more closely at Europe, a region with genuine potential to be a good investment this autumn. The European Central Bank still emphasises that the euro zone economy needs support, but all indications are that the recession there has ended.

We have also written about Japan, a somewhat forgotten giant, which in our view needs to be re-examined for various reasons. Prime Minister Shinzo Abe is laying a new economic foundation, "Abenomics". What potential is there for Japan to regain momentum, and what will this do for the world's financial markets?

Emerging markets are cheap in terms of valuations. Uncertainty associated with the economic slowdown in EM countries has created extremely large pricing differentials. Today the gap in price-earnings ratios between EM and other countries is the widest for many years, creating investment opportunities.

"We are in a special phase in equity markets, in the sense that bond yields will be on their way up for a rather long time. This implies that bonds, a natural component of investment portfolios, risk generating negative returns. As a result, we must be careful about maturities and look at other ways to diversify our portfolios," says **Hans Peterson**, Global Head of Asset Allocation at SEB.

Investment Outlook gives readers an in-depth look at the investment climate and the prospects for seven asset classes. It also provides advice about current risks and opportunities in the art of investing. The report can be read in its entirety at <http://www.sebgroup.com/en>.



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