SEB

Press release

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Investment Outlook: Hopeful start to the investor year, but surprises may appear

Since late 2011 and early 2012, investors have ventured out into the financial markets again. Activity has increased and a certain calm is discernible in capital markets. Most forecasts indicate decent growth. Worries about global recession have receded and central bank actions have reduced the stress in the financial system. But concerns about the European debt crisis remain.

Put simply, markets need three things in order to move: liquidity, an economic trend and reasonable valuations. In recent months, all these factors have acted in a favorable way, creating a certain optimism and influencing risk appetite in the right direction. **Hans Peterson**, Global Head of Investment Strategy at SEB Private Banking, believes there will be a stabilisation this year but warns about the delicate balancing act that a number of European countries must manage.

“This winter has offered many unexpectedly positive macroeconomic signals, so there is good potential for a gradual strengthening of the economy during 2012. But there are difficult issues that many countries are grappling with right now. For example, how much should countries with budget deficits tighten their fiscal policy – in light of very weak economies and widespread social unrest, on the one hand, and the demands being made by lenders, on the other hand,” Mr Peterson continues.

In spite of everything, 2012 has the potential to be a good investor year and the second half is expected to be better than the first, according to Mr Peterson.

“Risk assets behave differently in given economic scenarios. In a positive scenario, equities generally provide higher returns, with a special advantage for cyclical companies and perhaps banks. Also benefiting from a better scenario are commodities – especially industrial metals like copper – commodity-related currencies as well as high yield and other corporate bonds. In a more negative scenario, however, we should not be too heavily invested in equities or in high yield bonds.”

“The current economic picture for 2012 in the OECD countries now appears balanced, but there are several factors capable of invalidating that picture: economic surprises generated by inner forces, the unfolding of the European sovereign debt crisis, a return of the inflation or deflation spectre, monetary and fiscal policy management and geopolitical events. Right now a majority of forecasters apparently see the greatest potential for upside surprises in the American economy and the greatest potential for downside surprises in the European sovereign debt crisis,” says **Lars Gunnar Aspman**, Senior Economist at Investment Strategy.

Investment Outlook gives readers an in-depth look at the investment climate and prospects for seven asset classes and provides them with suggestions and advice about current risks and opportunities in the art of investing. It also presents a country allocation model that shows which regions should be able to provide the best returns. The report can be read in its entirety at http://newsroom.sebgroup.com/en/

For further information, please contact	Press contact
Hans Peterson, Global Head of Investment Strategy, SEB Private banking, tel: +46 8 763 69 21 Lars-Gunnar Aspman, Senior Economist Investment Strategy, tel: + 46 8 763 69 75	Claes Eliasson, Press & PR +46 76 396 53 19 claes.eliasson@seb.se

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