

## Press release

Stockholm, May 27, 2014

# Investment Outlook: Selective risk-taking in a challenging market

**What can go wrong in a world of extremely low interest rates, decent economic growth, expansionary central banks, stable stock markets and high risk appetite? Many curves are undeniably pointing in the right direction and many asset classes are showing optimism. Meanwhile we have seen increased geopolitical worries, and the share valuations in some places are challenging.**

How an investor should navigate in this environment is the topic of a theme article in the May issue of SEB's quarterly *Investment Outlook* report.

"There are no 'free lunches'. Higher expected returns are always connected with higher risk-taking. Our conclusion is that selective risk-taking is preferable. Some risks are worth taking, others not," says **Ann Grevelius**, Global Head of Investment Strategy at SEB.

Share valuations in many places are a bit strained. This is rarely the same as a clear downside for the stock market, but it still means that upside potential is limited. Short-term interest rates remain very low. Looking ahead, bond yields will probably climb in response to stronger global growth. High yield corporate bonds have worked well for a long time, but the yield spreads between government bonds and corporate bonds have narrowed, and the same applies to the return potential.

In the search for returns, the fixed income market has continued to evolve. In our theme article "Challenging yield environment raises questions", we have looked closely at the long-term prospects in the fixed income market and some of the investment alternatives that may take the place of high yield bonds.

"Our overall assessment is that return expectations must become more nuanced. Assets with high valuations remain attractive, but their high valuations limit upside potential. Meanwhile the fixed income market offers few alternatives for those who are seeking returns," 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 tips and advice about current risks and opportunities in the art of investing. The report can be read in its entirety at [www.sebgroup.se](http://www.sebgroup.se).



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