

## Press release

Stockholm 14 February 2017

# Investment Outlook: Higher growth and inflation rates

### **Signs of higher growth and inflation rates, along with hopes of support from fiscal policy initiatives, will form a solid basis for rising corporate earnings.**

So far the stock market has interpreted these developments in a positive way. The fixed income market is affected differently, since rising yields hurt returns on bonds with longer maturities. For corporate bonds, this may be offset by the fact that credit spreads are favoured by prosperous businesses. If this stronger trend persists, we should also have reached the peak of aggressive central bank support. This will affect the future performance of financial asset markets.

“We are finally receiving long-awaited signals that we have bounced back from the recent economic slump, with its mediocre growth rate and worryingly low inflation rate,” says **Fredrik Öberg**, Chief Investment Officer, SEB Private Banking.

Last autumn’s upturn in various sentiment indicators is about to be transformed into better economic growth. The upturn is occurring in a number of countries. We are adjusting our growth forecasts for both the euro zone and China. The upturn is most pronounced in the United States. Aside from expectations of more growth-promoting policies, the acceleration is being driven by several factors. The oil price recovery has stabilised portions of the financial markets and eased pressure on producer countries. Meanwhile prices are low enough to help sustain growth in net oil importing countries. We are also now seeing resource utilisation rising to levels that will trigger an increase in capital spending and generate some wage inflation, especially in the US. Fears of a recession and/or deflation can now be removed from the hazard list, which in itself is contributing to a more positive mood. Partly due to the generally brighter outlook, households will probably shift from increased savings to somewhat higher consumption. Private consumption is still driving global growth.

The February 2017 issue of SEB’s *Investment Outlook* report includes two theme articles: The first provides an update on the potential for fixed income investing in a continued low interest rate environment, but one where we are now seeing an upward trend in interest rates from historical lows. The second theme article surveys developments in the fields of sustainability and ethics and how these concepts are being integrated into the world of investing. The report can be read in its entirety at [www.sebgroup.se](http://www.sebgroup.se)

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