

Press release

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Investment Outlook: Optimistic – but keep an eye on risks

Global economic growth is accelerating and broadening while corporate reports show both strong sales and earnings, creating good conditions for the stock market.

The global stock market has climbed at an impressive pace, amid very low volatility. In the fixed income market, yields seem to have bottomed out while the spread between government bond and corporate bond yields remains narrow. We are sticking to our positive view of global economic and earnings growth ahead.

“There are many bright spots in the world’s financial markets. Political risks have diminished, economic growth is improving in a number of regions and first quarter 2017 reports provide hope for the future, since we saw earnings increases we have not experienced for many years,” says **Fredrik Öberg**, Chief Investment Officer, SEB Private Banking.

Yet our optimism needs to be nuanced when valuations are on the high side and the investor community has a fair amount of risky assets in its portfolios. Also waiting around the corner are interest rate hikes by the US Federal Reserve. Other central banks should gradually follow suit. It is also possible that the same central banks will then begin to shrink their balance sheets by not reinvesting all bond holdings as they mature. This would give us a mechanism that raises interest rates in the system and slows liquidity at the same time. If so, this process will occur gradually and cautiously since everyone is aware of the risk of adverse effects in a highly indebted economic system.

The May 2017 issue of the *Investment Outlook* report includes two theme articles. The first focuses on emerging markets, which have bounced back strongly this past year. We describe conditions now that the situation has improved. Our second theme article deals with digital shifts and changed consumer behaviour, with a growing percentage of the global population regarding commerce via computers or telephones as the smartest and most convenient alternative. This is having a big impact on the corporate sector.

The report can be read in its entirety at www.sebgroup.com

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