

Press release

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Investment Outlook: Strong economy and central banks in the spotlight again

There are many bright spots in the world's financial markets, with broad-based economic growth as the most important. We have also successfully navigated through a number of political challenges, and quarterly corporate reports are showing that both sales and earnings are rising in a way we have not experienced for many years.

This has had a major impact on the global stock market, which has continued to climb at an impressive pace. Overall, we remain optimistic about the prerequisites for growth as well as inflation during the next couple of years – a good background situation for risk assets.

“We are sticking to our positive view of economic growth and earnings trends ahead. Nor do we regard the risk situation as troubling when it comes to factors that have historically marked the end of lengthy economic expansions, for example recession or unstable banking systems. Asset valuations are on the high side from a historical perspective, but we believe they are still reasonable in light of earnings growth and the continued low interest rate situation. Yet high global indebtedness combined with record-low interest rates may lead to stock market headwinds if interest rates climb at a later stage. On the whole, we now favour an exposure that overweights both equities and corporate bonds,” says **Fredrik Öberg**, Chief Investment Officer, SEB Private Banking.

Central banks are gradually shifting their focus from stimulus to tightening measures, but we have not yet reached the breakpoint where liquidity from central banks ceases to stimulate the global economy. We believe that the ongoing shift will lead to higher interest rates, but that this increase will be constrained by the weakness of inflation pressure. In the foreign exchange market, the US dollar depreciated significantly during the summer. This has adversely affected returns for investors who have the Swedish krona as their base currency.

The September 2017 issue of *Investment Outlook* includes two theme articles. The first looks at efforts to achieve greater energy efficiency. At the 2015 United Nations Climate Change Conference in Paris, 195 countries reached agreement to reduce greenhouse gas (GHG) emissions in order to limit global warming and declared that in a longer perspective, human activity should cause net zero GHG emissions. This ambitious plan requires steps towards greater energy efficiency. We examine the potential for progress in this crucial effort. The second theme article examines the private direct loan market. To find good potential returns, you need to take risks and in some cases be prepared to give up liquidity by making investments with longer lock-in periods. If you are willing to accept this, our assessment is that the private loan market can offer good opportunities for attractive value generation.

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

For further information, please contact

Fredrik Öberg, Chief Investment Officer
+46 8 763 63 04
fredrik.oberg@seb.se

Press contact

Frank Hojem, Group Press Officer
+46 70 763 9947
frank.hojem@seb.se

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