

2020 Asset Class Outlook: Non-US Equity Tops the Chart

Overall, strategists were more optimistic across assets than at midyear. The view on US equities generally held steady but was surpassed by significant upgrades to UK and European equities.

	Asset Class	Bull – Bear Score ¹
Bullish	Emerging Market Equity	13
	Eurozone Large Cap Equity	12
	Non-US Developed Equity	11
	Private Equity	11
	Eurozone Mid/Small Cap Equity	10
	UK Equity	7
Relatively Neutral	Emerging Market Bond – Hard Currency	2
	Emerging Market Bond – Local Currency	1
	Global REIT	0
	European Investment Grade Bond	-1
	US Large Cap Equity	-2
	US Mid/Small Cap Equity	-2
	US Investment Grade Bond	-3
	Emerging Market Bond – Corporate	-4
Bearish	US High Quality/Sovereign Bond	-6
	European High Yield Bond	-10
	European High Quality/Sovereign Bond	-16
	US High Yield Bond	-18
	Bank Loan	-20
	Cryptocurrency	-33

¹ Bull – Bear Score reflects the weighted sum of bullish responses (>5) minus bearish responses (<5) for each asset class based on a 0–10 scale (0 = most bearish, 10 = most bullish) with 5 being neutral.

Natixis Strategist 2020 Outlook Survey conducted by CoreData Research, November 2019. Survey included 24 market strategists, economists and portfolio managers from across Natixis Investment Managers, its affiliated investment managers and Natixis Bank.

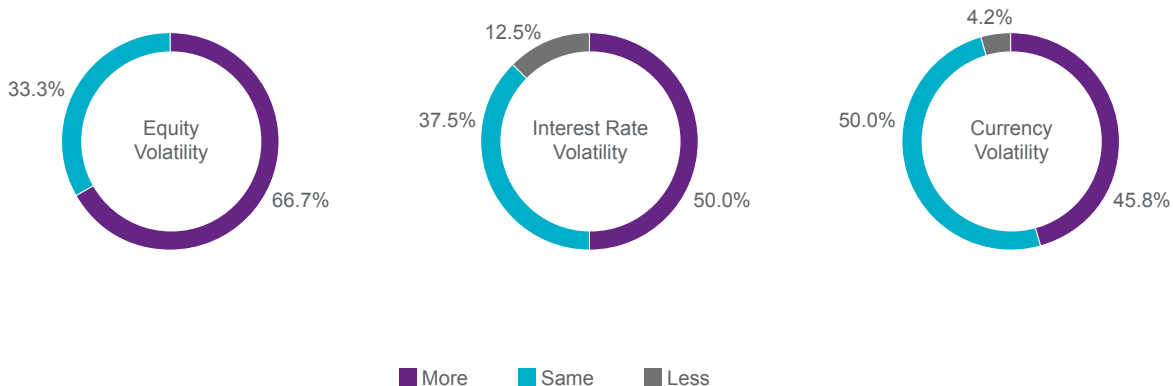
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Volatility Expectations

Across broad asset classes, strategists anticipate the greatest increase in volatility to come from equities.



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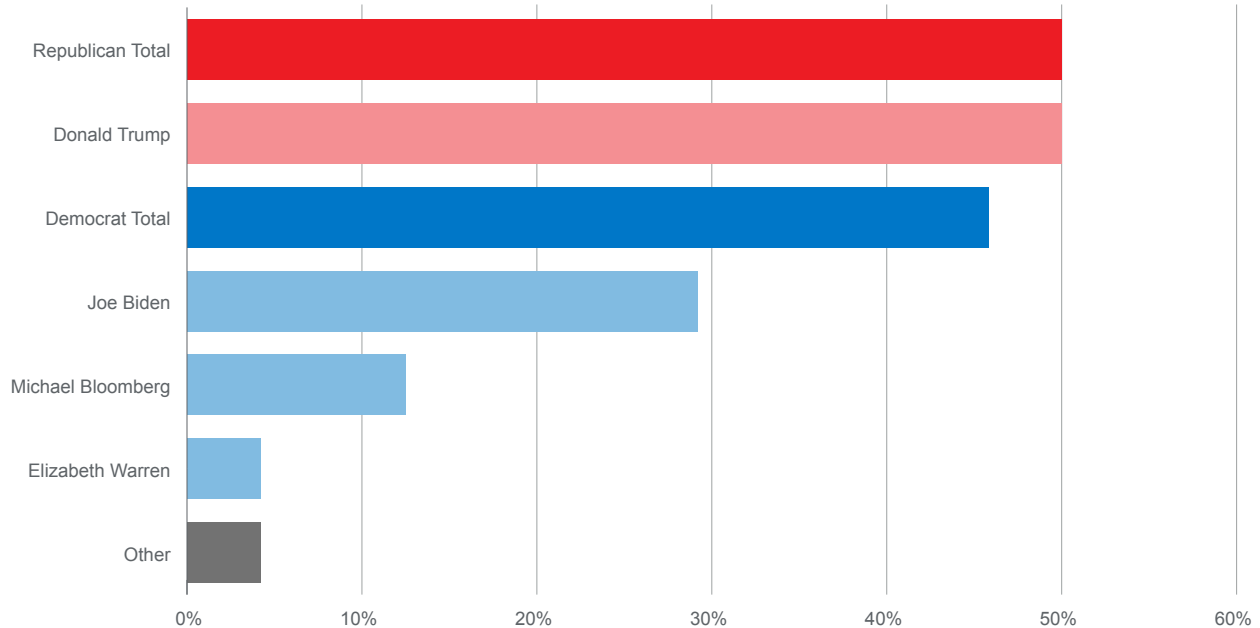
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Pick 'em: 2020 US presidential election forecast a tossup

Fifty percent of strategists project re-election for Donald Trump and the other 50% say it will be someone else, with Joe Biden being the next most likely.



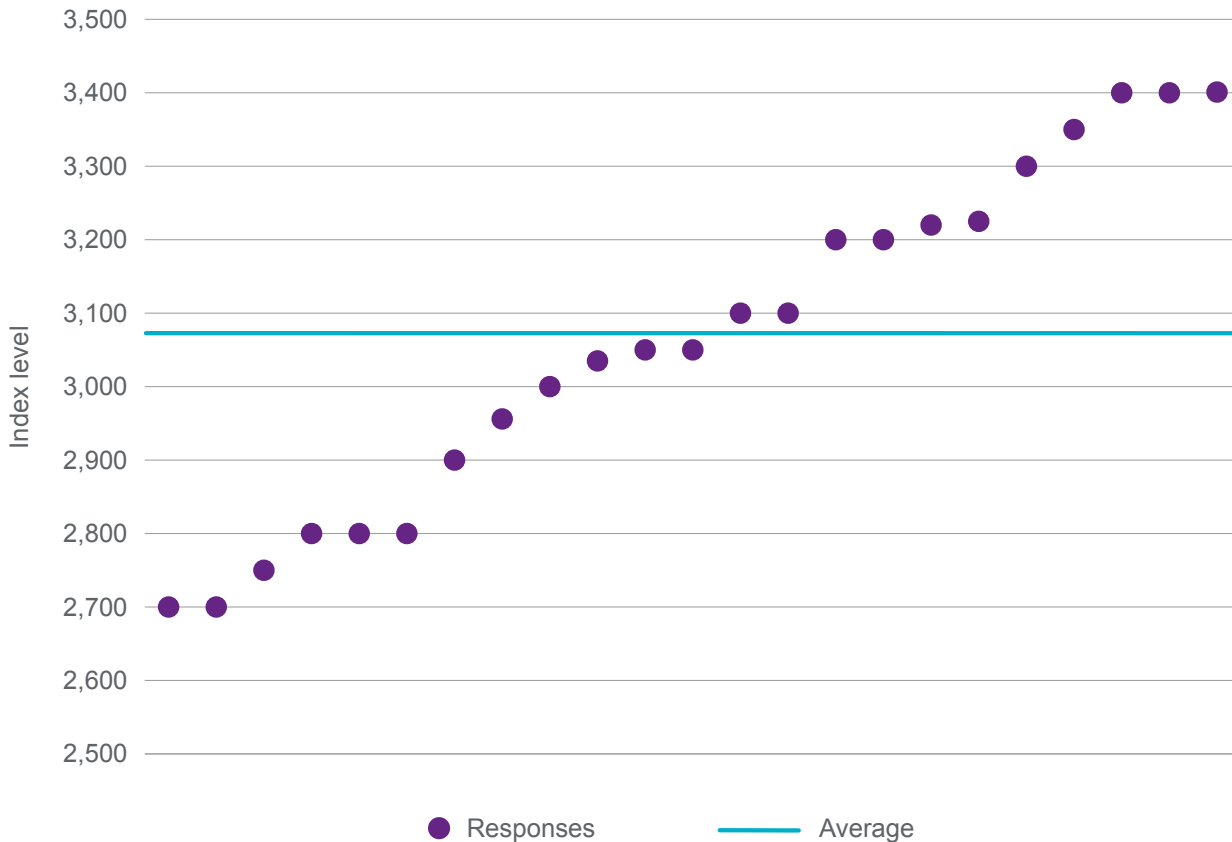
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In focus: S&P 500® year-end 2020 projections

On average, strategists forecast the S&P 500® will close out 2020 at 3,074, implying little change in the coming year.



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S&P 500® Index is a widely recognized measure of US stock market performance. It is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation, among other factors. It also measures the performance of the large-cap segment of the US equities market. You cannot invest directly in an index.

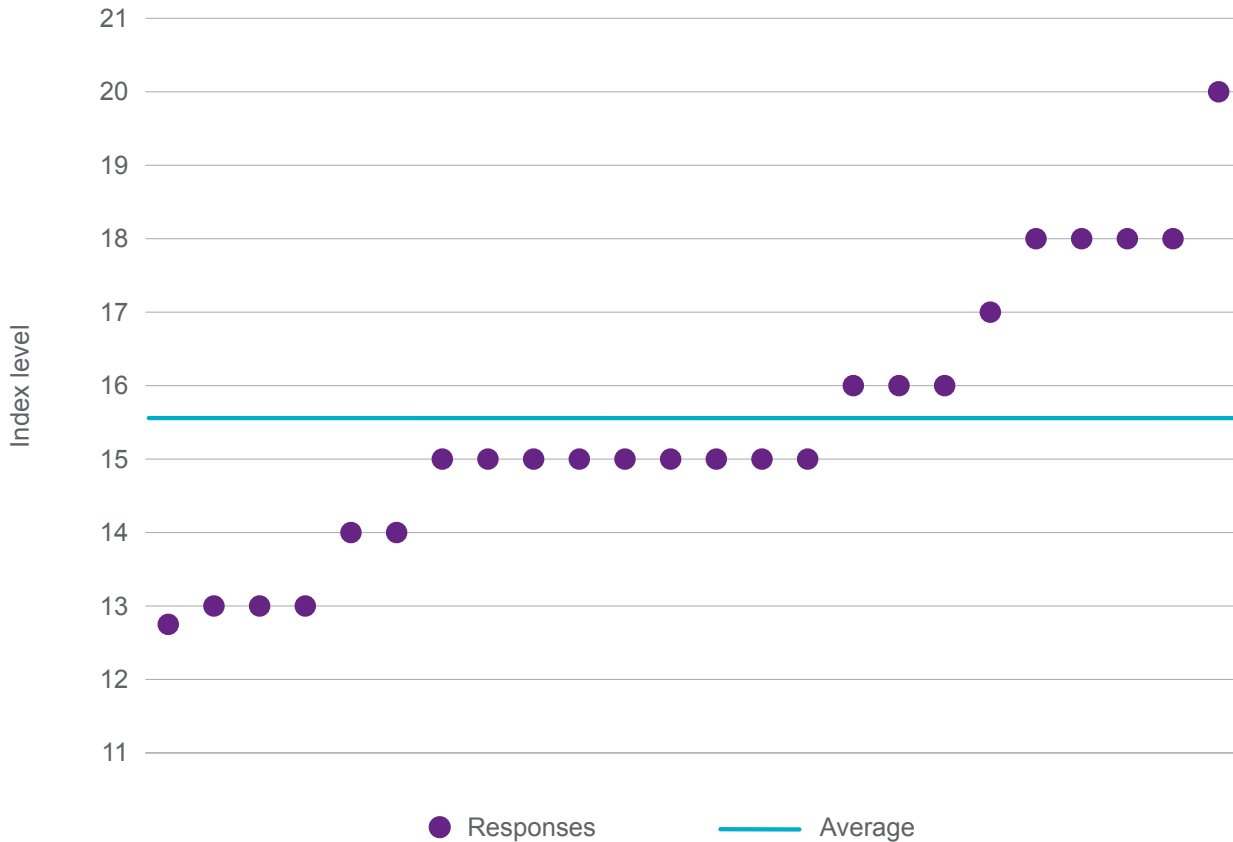
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In focus: VIX® year-end 2020 projections

Strategists anticipate that equity volatility, as measured by VIX®, will rise.



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The CBOE Volatility Index (the VIX) measures the implied volatility of the S&P 500® Index.

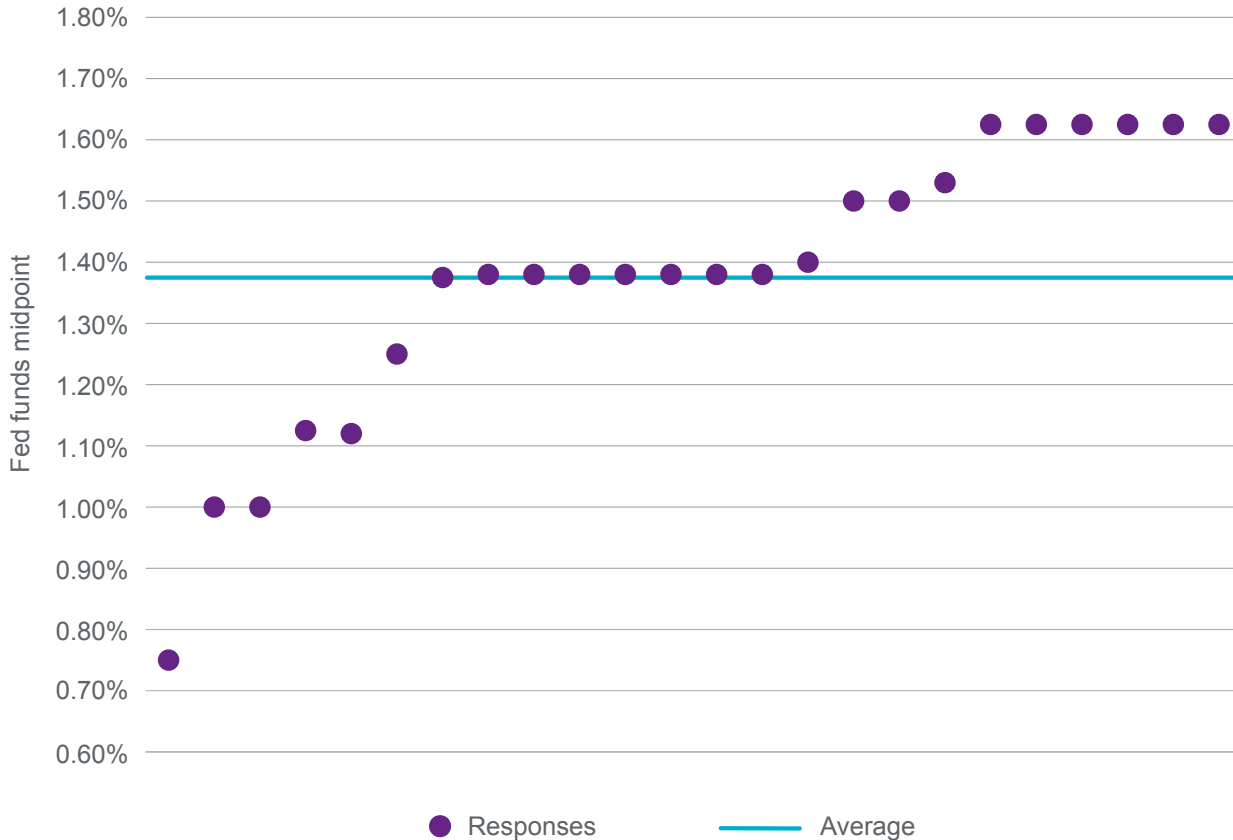
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No worries about rising rates

Overall, strategists expressed little worry about rising rates with broad consensus for one cut in 2020 – and no expectations for a hike.



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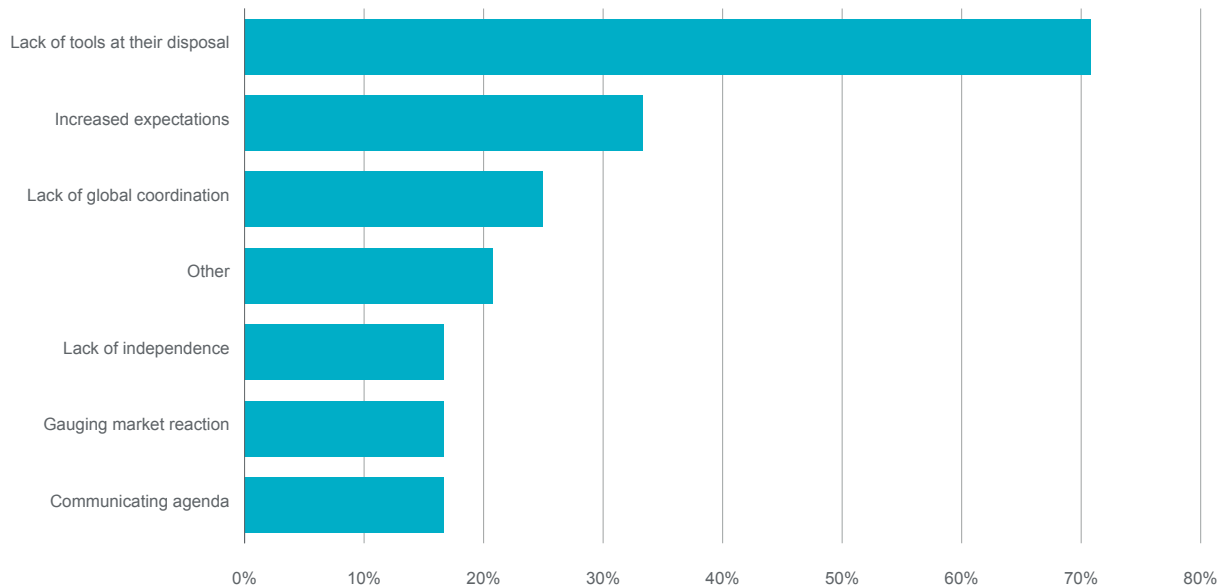
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Have central bankers run out of ammunition?

When asked about the greatest challenges central banks face in implementing policy in 2020, the majority of strategists cited “lack of tools” by more than a two-to-one margin over any other response.



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Risk: What could possibly go wrong? Or right?

Strategists see negative reaction to the US presidential election as the most prominent downside risk for markets, with a soft Brexit / no Brexit having the greatest potential upside.

Downside Risk Event	Probability Score ¹
Negative reaction to US presidential election outcome	3.6
Escalation of military/geopolitical conflict (Iran, North Korea, Syria, etc.)	3.0
US, European and/or global recession	2.9
Further deterioration in US/China trade relations	2.8
Disruptive regulation or anti-trust measures in the technology sector	2.8
Hard Brexit / Disorderly Brexit	2.7

Upside Catalyst	Probability Score ¹
Soft Brexit / No Brexit	3.1
Meaningful breakthrough in US/China trade relations	2.8
US presidential election relief rally	2.8
Global earnings accelerate and exceed expectations	2.8
New central bank accommodation drives global economic rebound	2.6

¹ Calculated average of the likelihood on a 1–5 scale with 1 being least likely and 5 being most likely.

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Trends for the 2020s

According to strategists, slow growth, low interest rates and accommodative central bank policy are expected to be the most likely trends over the next decade.



Trend	Probability Score ¹
Persistence of unusually low interest rates and highly accommodative central bank policy	4.2
Sub-par growth continues in developed economies	4.1
Populism and deglobalization constrain global growth	3.5
Most asset managers fully integrate ESG/sustainable investing into security selection	3.5
Innovation and technological growth ignite global productivity	3.4
Escalating government debt constrains fiscal spending and crowds out private investment	3.4

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