

PRESS RELEASE  
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NIKKO ASSET MANAGEMENT CO., LTD.

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## Nikko Asset Management Upgrades View on Global Equities to Overweight, Bullish on the U.S. Dollar

- *Positive on global equities, backed by solid global growth and improved corporate profits*
- *U.S. Fed likely to raise rates in each of the first three quarters of 2017*
- *Bullish on U.S. dollar versus the yen and the euro, on hawkish Fed*

Nikko Asset Management's (Nikko AM) Global Investment Committee (GIC) has lifted its view on global equities to overweight and is bullish on the U.S. dollar in its latest house view, due to stronger prospects for the global economy with the election of Donald Trump as U.S. President and expectations of a hawkish monetary policy by the U.S. Federal Reserve.

The committee, which consists of senior investment professionals from across the firm's global network, met on December 19 to review global economic conditions, following an ad-hoc meeting in late November reflecting the outcome of the U.S. Presidential election. At the ad-hoc meeting, it maintained its positive view on Japanese equities, while moving to a slightly overweight stance on global equities.

Nikko AM Chief Global Strategist and GIC Chairman John Vail said, "This is the most positive view that the Global Investment Committee has had on global equities in a long time. Although the surprising Trump victory carries many uncertainties, the net effect for global economic growth and corporate profits has clearly improved. This justifies an overweight stance on global equities, particularly for the United States and the Developed Pacific ex-Japan region."

Although there is uncertainty about how Trump will deliver, the GIC believes his goal is clear: to spur investment and create new jobs in the United States through lower corporate taxes and decreased regulation. The committee thinks U.S. equities benefit in the intermediate term, forecasting the S&P500 to stand at 2,478 at the end of June and 2,533 at the end of 2017.

Both European and Japanese equities are expected to perform well in local currency terms, backed by strong U.S. and global growth, but their gains are likely to be limited in U.S. dollar terms.

The outlook for Japanese equities in yen-terms is also positive, amid rising corporate earnings helped by a weaker yen and stronger growth – both domestically and abroad. As the global economy continues to expand, the Japanese economy will likely grow well above its trend, driven by improved consumer and corporate sentiment, as well as improvements in net trade. In addition, corporate governance improvements, including profit orientation and better returns to shareholders, are prime positive factors. Still, the GIC reduced its stance on Japanese equities to neutral from overweight, based on the view that U.S. equity returns are expected to be higher than those of Japanese equities.

As for currencies, the GIC is bullish on the U.S. dollar against the yen and the euro, on the view that the Fed will take a more hawkish stance. The committee forecast the Fed to raise interest rates in each of the first three quarters of 2017, as the central bank normalizes policy.

The Bank of Japan is expected to take a less dovish monetary stance, but remain dovish relative to the Fed, undermining the Japanese currency. The GIC forecasts the yen to weaken further to 123 against the U.S. dollar at the end of June and to 125 at the end of December 2017. Meanwhile, the committee forecasts the euro to stand around parity by the end of June and at 0.98 against the U.S. dollar at the end of 2017.

For bonds, the GIC expects G-3 (Japan, the Eurozone and the U.S.) yields to continue rising through 2017 as the Bank of Japan, the European Central Bank and the Fed are expected to be more hawkish. For U.S. 10-year Treasuries, the committee's forecast for the end of June is 2.85 percent, while those for 10-year Japanese government bonds and German bunds are 0.25 percent and 0.65 percent, respectively. The GIC believes the BOJ will shift up its 10-year JGB target by 20 basis points in both the 2<sup>nd</sup> quarter and 4<sup>th</sup> quarter.

The committee meets on a quarterly basis to review its view of global economic conditions. Based on the findings of its senior investment professionals around the world, the firm periodically reconsiders house views on major global markets and asset classes.

The committee's main forecasts<sup>1</sup> at this time are:

U.S.: Half-year GDP growth (January to June 2017) of 2.5 percent half-on-half seasonally adjusted annual rate (HoH SAAR), with the S&P 500 rising 10.7 percent in dollar terms over the next six months to June 2017.

Japan: Half-year GDP growth of 1.9 percent HoH SAAR, with TOPIX rising 10.1 percent in yen terms over the next six months to June 2017.

Eurozone: Half-year GDP growth of 1.9 percent HoH SAAR, with MSCI Europe rising 8.0 percent in euro terms over the next six months to June 2017.

<sup>1</sup> Total return from the base date of December 15, 2016

Nikko Asset Management's entire house view report.

<http://en.nikkoam.com/articles/2016/12/house-view-bullish-on-global-equities-and-the-usd-in-2017>

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With US\$176.5 billion (17.88 trillion yen) under management, Nikko Asset Management is one of Asia's largest asset managers, providing high-conviction, active fund management across a range of Equity, Fixed Income, Multi-Asset and Alternative strategies. In addition, its complementary range of passive strategies covers more than 20 indices and includes some of Asia's largest exchange-traded funds (ETFs).

Headquartered in Asia for nearly 60 years, the firm represents more than 200 investment professionals and over 30 nationalities across 11 countries. More than 300 banks, brokers, financial advisors and life insurance companies around the world distribute the company's products.

The investment teams benefit from a unique global perspective complemented by the firm's historic Asian DNA, striving to deliver consistent excellence in performance. The firm also prides itself on its progressive solution-driven approach, which has led to many innovative funds launched for its clients.

For more information about Nikko Asset Management and to access our investment insights, please visit our [homepage](#).

\* Consolidated assets under management and sub-advisory of Nikko Asset Management and its subsidiaries as of September 30, 2016.

\*\* As of September 30, 2016, including employees of Nikko Asset Management and its subsidiaries.

Nikko Asset Management Co., Ltd.

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