

PRESS RELEASE

MARCH 30, 2017

NIKKO ASSET MANAGEMENT CO., LTD.

Nikko Asset Management Maintains Overweight Stance on Global Equities, Expects Rise in Global Bond Yields

- *Maintains positive stance on global equities driven by continued economic reflation*
- *The Fed likely to raise rates further and cut its balance sheet in the final two quarters of 2017*
- *Maintains underweight stance on global bonds*

Nikko Asset Management's (Nikko AM) Global Investment Committee (GIC) maintains its bullish stance on global equities, particularly for the United States and the Developed Pacific ex-Japan region in its latest house view, due to increasing confidence in economic growth by consumers and corporations in much of the developed world. The GIC also maintains a moderately underweight stance on global bonds, as yields are expected to maintain a gradual rise.

Nikko AM Chief Global Strategist and GIC Chairman John Vail said, "Despite the political wrangling, we think a good portion of President Trump's agenda will be enacted in the second half of 2017 or soon thereafter, including moderately-sized corporate tax cuts and infrastructure spending. The success of the President's agenda is greatly built into US equity prices, so volatility may rise but we believe, in the end, the animal spirits that have been released should keep the profit outlook strong."

The committee projects firm US GDP growth of 2.1% (HoH SAAR) in the second and third quarters of 2017 due to increased personal consumption, fixed asset investment, government spending and inventories. US equities are expected to benefit over the intermediate term, the GIC forecasts the S&P500 to stand at 2,502 at the end of September and 2,543 at the end of 2017.

The committee said it will maintain an overweight stance on developed Asia-Pacific ex-Japan equities amid expectations that Hong Kong will continue to benefit from China's capital outflows while Australian equities from the positive global reflationary effect on commodity prices.

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 somewhat limited in U.S. dollar terms.

As for currencies, the GIC remains bullish on the U.S. dollar against the yen and the euro as the Fed's policy will tighten faster than its European and Japanese counterparts. The committee expects the Fed to raise interest rates twice more and cut its balance sheet via a reduction in Mortgage Backed Securities (MBS) in the last two quarters of 2017. The yen and the euro are expected to weaken to 116 and 1.05, respectively, against the U.S. dollar by September-end.

For bonds, the GIC expects G-3 (Japan, the Eurozone and the U.S.) yields to continue rising throughout 2017. For U.S. 10-year Treasuries, the committee's forecast for the end of September is 2.7 percent, while those for 10-year Japanese government bonds and German bunds are 0.1 percent and 0.6 percent, respectively.

The committee met on March 22 for its quarterly review 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 at this time are:

U.S.: Half-year GDP growth (April to September 2017) of 2.1 percent half-on-half seasonally adjusted annual rate (HoH SAAR), with the S&P 500 rising 6.3 percent in dollar terms* over the next six months to September 2017.

Japan: Half-year GDP growth of 1.2 percent HoH SAAR, with TOPIX rising 7.0 percent in yen terms* over the next six months to September 2017.

Eurozone: Half-year GDP growth of 1.7 percent HoH SAAR, with MSCI Europe rising 6.4 percent* in euro terms over the next six months to September 2017.

* Total return from the base date of March 17, 2017

Nikko Asset Management's entire house view can be found [here](#).

About Nikko Asset Management

With US\$170.9 billion (19.93 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 December 31, 2016.

** As of December 31, 2016, including employees of Nikko Asset Management and its subsidiaries.

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