

U.S. Equities Outlook for 2017

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If implemented, the tax reform could lead to increased consumer spending which in turn will hopefully feed through into increased capital investment on behalf of corporates as they seek to meet that type of demand.

What is your outlook for U.S. equities in 2017?

I would remain broadly optimistic. Earnings growth is likely to continue to accelerate as we go through the whole of next year. With that backdrop, I think equities are likely to do reasonably well. However, the risks to the outlook I think remain quite elevated.

How does the outcome of the U.S. elections affect U.S. Equities??

I think that the new administration is going to introduce many pro-growth policies. However, some of the rhetoric during the election campaign could be negative for growth. Assuming that some of the more extreme views are tempered, pro-growth is likely to win out during the next year in my opinion.

What are your your sector views within U.S. Equities?

First off, I think the most important consideration is the considerable chance of very significant tax reform both at corporate and personal levels. That is highly likely, if implemented, to lead to increased consumer spending which in turn will hopefully feed through into increased capital investment on behalf of corporates as they seek to meet that type of demand. In that backdrop I suggest investors consider the more domestically oriented companies that have high tax rates.

How should investors position themselves in today's market environment?

I think investors should remain optimistic but also remain guarded for the risks that are out there – the geopolitical risks that have been present all of this year will remain in place in 2017. How the new President deals with these risks and issues is going to be very important. Given the rhetoric of the election campaign there is a risk of increased protectionism, trade tariffs etc, which could be negative. Although I am overall positive on the market, I do think that volatility is likely to remain at elevated levels and intra, inter-sector correlations¹ are going to begin to break down.

¹ Correlation: the degree of association between two or more variables; in finance, it is the degree to which assets or asset class prices have moved in relation to one another. Correlation is expressed by a correlation coefficient that ranges from -1 (always move in opposite directions) through 0 (absolutely independent) to 1 (always move together).

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