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BIL Investment Outlook 2024



Nothing but sun... and the grass which looks green?

Our Investment Outlook for the year ahead is now available in English and French

Introduction from our Group Chief Investment Officer, Lionel De Broux



Lionel De Broux, Group Chief
Investment Officer, BIL

Our title this year is borrowed from Blue Beard, a French folktale, the most famous surviving version of which was written by Charles Perrault and published in Paris in 1697. It is taken from a scene in which the central character, whose life is in imminent danger, has asked her sister to look out the window to see if her brothers are on the way to rescue her. Sister Anne, as she is called, strains her eyes looking out across the horizon but she repeatedly says that she sees “nothing but the sun ... and the grass, which looks green”.

Economists and market participants can likely relate. At the onset of 2023, amid one of the fastest central bank hiking campaigns on record, the wide consensus expectation was for a recession within the next twelve months. However, despite several leading indicators flashing red, it never arrived. In fact, the US economy has churned out even stronger growth this year than it did in 2022, while the euro zone has broadly stagnated.

With the economy resilient and demand still strong, the battle against inflation trundled on, with core readings proving particularly sticky. Central banks adopted a hawkish “higher for longer” stance which weighed heavily on bonds up until Q4, when investors rushed to bake in rate cut bets. Equities managed a strong year, wrongfooting those who adopted more defensive portfolio positioning in anticipation of a downturn.

But what’s important now is what happens next.

Returning to the Blue Beard tale, in the eleventh hour, a cloud of dust on the horizon signals the arrival of the brothers on horseback and Blue Beard meets his fate. From macro point of view, it

appears that the economic landing that seemed so certain to arrive in 2023 may simply have been delayed as well.

2024 is expected to bring below-trend global growth as tighter financial conditions continue making their way into the real economy. The good news is that headline inflation continues to retreat, meaning that major central banks have likely concluded their hiking cycles. However, we think the market is too optimistic about the number of cuts they will deliver.

Geopolitical tensions are likely to remain elevated and, at the same time, it will be the biggest election year in history. Not only will we have the highly polarised US Presidential election in November, 39 other countries will hold elections. That means roughly 41% of the global population will take to the polls in the next twelve months. As the tectonic plates of power shift, policy uncertainty will be higher. [\[1\]](#)

Slower growth, overoptimism about policy easing, [geo]political uncertainty and relatively high valuations present a challenging terrain for risk assets in the first half of 2024.

In the equity space, this merits a defensive allocation, with quality being the name of the game. The exception is our overweight to IT, a more aggressive sector that we believe will be supported by a recovery in hardware and an expansion of the cloud. Regionally, we enter the year with a mild overweight on US equities, while being neutral Emerging Markets, Japan and China. We are tactically underweight Europe.

In the bond space, we've spent the past twelve months gradually building up duration and yield-generating capabilities. This proved beneficial amid the recent repricing which saw the market front-load the bulk of 2024's potential capital gains in the space of a few weeks. Now, as expectations about the timing and magnitude of rate cuts are buffeted by cross currents of central bank communication, macro data, hope and fear, our objective is to actively manage duration and size opportunities to capture and lock in income. We see the most value in investment grade credit, where yields have approached their most attractive levels since the great financial crisis. At the same time, corporate balance sheets in this segment appear robust enough to weather a macro slowdown.

More strategically, we will be on the lookout for entry points that enable us to strengthen our exposure to dovetailing structural shifts that are rapidly reshaping the world around us:

- Digitalisation, big data and the AI revolution
- The sustainable transition
- Healthcare innovation, primarily in biotechnology and oncology

2023 has proven that such themes are not immune to the ups and downs of the traditional

economic cycle; this should be used to our advantage.

Read the full document in English:



Or French:



[1]

<https://www.bloomberg.com/news/newsletters/2023-11-01/2024-is-election-year-in-40-countries-and-podcast-elon-inc-launches-next-week>

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