



## **PRESS RELEASE**

### **KBL *epb* outlines midyear investment perspectives**

- *Global economy, led by Europe and emerging markets, on track for broad-based upswing; US and UK face sustained challenges*
- *Euro expected to post gains against other major currencies; monetary normalization approaching on both sides of Atlantic*

**Luxembourg; June 13, 2017:** The global economy – led by Europe and emerging markets – is on track for a broad-based upswing, but the similarly favorable investment outlook is complicated by stretched valuation levels and imminent central bank tightening.

That is the view of Stefan Van Geyt, Group Chief Investment Officer at KBL European Private Bankers (KBL *epb*), which today released its *2017 Midyear Investment Perspectives*, covering the global economy, financial markets and key investment themes.

Following the results of Dutch and French elections, earlier concerns about an ongoing populist surge and rising protectionist trends have abated, Van Geyt said. While a synchronized recovery now seems to be taking hold in Europe, however, the full-year US growth outlook has declined due to increasing doubts about President Trump's ability to deliver his promised economic reform agenda.

In the UK – where the impact of Brexit has so far proved milder than expected, partly due to currency depreciation – medium-term risks nevertheless continue to cast a significant shadow.

Meanwhile, according to Van Geyt, "growth in emerging markets is picking up, with the recovery in some commodity prices providing support to exporters." He added that China remains focused on addressing debt levels and limiting credit growth without overly impacting the pace of broader economic expansion.

In this globally favorable economic environment, profit and sales growth are accelerating, investment is increasing and an upward turn in productivity is expected.

Focusing on equities, where cyclical stocks continue to remain preferable to defensive ones, Van Geyt said: "Current valuation levels appear to be quite stretched in the United States, although less so in Europe and especially in Japan and emerging markets, where earnings and valuations both look more attractive."

Japanese, emerging-market and European equities therefore hold the greatest appeal, while the outlook for US shares will hinge at least partly on President Trump's ability to enact tax reform.

While most bonds have been yielding negative real returns as inflation has climbed above nominal interest rates, higher-yielding corporate and emerging-market debt appear more promising.

Turning to monetary policy, Van Geyt emphasized that, with growth finally in a synchronized upswing and deflationary pressure receding, the question for central banks is how to transition out of a highly supportive policy stance without roiling the markets.

KBL *epb's* Group CIO expects European Central Bank quantitative easing to be tapered from 2018 onwards and rates to remain on hold until then. In the US, two further Federal Reserve hikes are anticipated this year, as mounting tension in the labor market intensifies inflationary pressure.

The euro looks poised to gain against other major currencies – including the USD, GBP and JPY – while emerging-market currencies appear expensive at current levels and could suffer from the expected additional US rate hikes.

Finally, on the commodity front, the outlook for global prices is positive, thanks to greater supply-demand equilibrium. Improving manufacturing activity and increased state spending on infrastructure projects are favorable for the demand side of the equation, said Van Geyt, while producers appear more open to limiting output, including oil production.

Further analysis of the global economy, financial markets and key investment themes is available in KBL *epb's 2017 Midyear Investment Perspectives*, which can be downloaded at: [www.kbl.lu](http://www.kbl.lu)

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**About KBL European Private Bankers:**

KBL European Private Bankers (KBL *epb*), founded in 1949, is headquartered in Luxembourg and operates in 50 cities across Europe, staffed by over 2,000 professionals.

Widely recognized as a private banking leader, KBL *epb* was named among the "Outstanding Private Banks in Europe" at the 2016 Private Banker International Global Wealth Awards, as well as Luxembourg's best private bank at the 2016 PWM/The Banker Global Private Banking Awards.

In addition to its core business of private banking, the group extends a range of additional investment solutions through its Asset Servicing (including Fund Administration and Global Custody), Global Markets and Asset Management business lines.

With the full support of its shareholder, Precision Capital, a Luxembourg-based bank holding company, KBL *epb* is consolidating its presence across Europe.

For further information, please visit: [www.kbl.lu](http://www.kbl.lu)

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