EQUITY

An Equity View of 2020: An Unloved Bull Market Could Continue to Run

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Investors remain concerned a potential global or US recession could be on the horizon, but our Head of Equities Stephen Dover doesn't see it. He shares why he has that view, and where he sees potential investment opportunities in the year ahead.

> "We think investors need not be anxious about global equity markets in 2020 even as markets have staged a strong advance throughout much of 2019 and economic data have softened." – Stephen Dover

Here are some highlights of Dover's commentary in our 2020 Global Investment Outlook.

- While many investors remain anxious, we see ample reason for people to remain invested in global equities in 2020. We believe the potential for interest rates to continue to stay low, or fall further, over the course of 2020 should create a constructive environment for equity markets. Lower interest rates would continue to force investors to seek out yield, and we believe equities are one of the more attractive options for that.
- The global economy remains fundamentally sound and we see few signs it is headed toward recession. Economic data in fall 2019 showed softening in the manufacturing sector partly tied to trade issues. However, the global economy has changed and is now much more based on services, even in emerging markets, than on manufacturing, and this makes the economy more stable. While manufacturing has clearly hit a rough stretch, the consumer (especially in the United States) has proven much more resilient.
- We favor looking for selective opportunities in companies that are innovating within their respective industries and in out-of-favor value stocks. Innovative companies are typically wealth creators that can increase productivity and can provide investors with strong performance potential over the longer term.
- Generally, we believe emerging markets are more appealing than developed markets, as the economic growth differential between the two widens in the favor of emerging markets. On a valuation basis, emerging markets also have been trading below their long-term average discount to developed markets, despite improving cash flows and dividend payout ratios, and corporate deleveraging.

Watch the video below for additional insights.

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