October marked the strongest month for global equities in four years as sentiment normalised with a move higher in risk assets. Stocks were boosted by a weak US employment report early in the month (meaning expectations for Fed tightening were pushed out), better than expected Chinese GDP and hints from the ECB that they will ease further in December. The Multi Asset Allocator funds have taken profits on the short term equity exposure built up during the market sell-off. The Investment Clock remains in the ‘Overheat’ phase of the economic cycle and continues to support a positive stance on risk assets from a fundamental perspective. The Multi Asset Allocator funds maintain a small overweight in stocks with underweight positions in bonds and REITs. Within the regional equity allocation we remain underweight Emerging Markets although less so than earlier in the year. In currencies, we have introduced positions in the yen versus euro and Canadian versus Australian dollar.

**Economic picture: still supportive**

The Investment Clock model was largely unchanged over the month and remains in the ‘Overheat’ phase of the cycle. The growth reading moved lower over the month with improvement in the US offset by weakness in Europe and Japan. Our trend growth indicator slipped over the month but remains close to the maximum positive level. The inflation reading slipped over the month driven by falls in the leading indicator. The Investment Clock continues to pick up the improvement in inflation momentum but actual levels are extremely low.

**Positioning: Overweight stocks, underweight Emerging Markets**

Our measure of equity investor sentiment has normalised and we have been reducing our equity exposure as the market has rallied. The economic backdrop continues to support an overweight position and we have maintained a small overweight relative to bonds. At the regional level, we reduced active money given the evidence of a stabilisation in Emerging Markets (EM), although longer term concerns remain. In sectors, we have added to Energy in recent months taking the sector to a small overweight. Energy is the best play on an improving demand/supply balance in the oil market. Healthcare is still the largest overweight with underweight positions in Staples and Utilities.

**Macroeconomic insight: deciphering global growth signals and central bank messaging**

Anna Stupnytska, Fidelity Solutions’ Global Economist, looks at the prospects for global economic growth and the range of messages being delivered to markets by central banks. She argues that despite softness in the latter part of 2015 and increasing bearishness among investors, it is still too early to panic about global growth.

**Time Out: case for high yield and the US market**

George Efstathopoulos, Co-Portfolio Manager at Fidelity Solutions, explores the opportunities offered by high yield for income-seeking investors, in particular focusing on US high yield. This sector of the asset class currently offers yields in excess of 7%, which, when taking into account an extended maturity wall, offer investors an attractive level of compensation for the default risk taken. Indeed, at current yields, high yield offers equity like returns with lower overall volatility.

**Focus Chart: Probability of Fed tightening in December**

Weak payrolls in early October saw the probability of a December rate rise by the Fed fall below 30%. This in combination with hints of further easing from the ECB and a stabilisation in Chinese data helped to support the risk on move over the month.

The Fed meeting at the end of October was more hawkish than expected but risk assets have proven resilient so far.

---

1 As at 30 Oct 2015.
# Current Positioning

**Overweight Equities, Underweight EM**

<table>
<thead>
<tr>
<th>Multi Asset</th>
<th>Equities</th>
<th>Commodities</th>
<th>Bonds</th>
<th>Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Regions</td>
<td>Japan</td>
<td>Europe ex UK</td>
<td>UK</td>
<td>US</td>
</tr>
<tr>
<td>Equity Sectors</td>
<td>Healthcare</td>
<td>Technology</td>
<td>Energy</td>
<td>Financials, Industrials, Materials</td>
</tr>
<tr>
<td>Currencies</td>
<td>US Dollar</td>
<td>Japanese Yen</td>
<td>Canadian Dollar</td>
<td>Sterling</td>
</tr>
</tbody>
</table>

Source: Fidelity Solutions. This represents the opinion of Fidelity Solutions’ Tactical Asset Allocation team, as at November 2015. Individual fund positions may vary.

### Multi Asset: Overweight Equities
- The economic backdrop remains supportive of stocks, on which we are overweight. With equity investor sentiment normalised we have taken profits on the additional sentiment related exposure built up in the previous months.
- We are overweight bonds. The Fed has signalled that they are still on course to raise rates this year.
- We have a neutral position on commodities. While the supply/demand balance is improving, China remains weak and further dollar strength would be negative.
- Property is likely to struggle as monetary policy starts to normalise and we have deepened our overweight over the month.

### Equity Regions: Underweight EM
- We are neutral on US equities. The US economy is expanding at a steady pace but company earnings are under downward pressure due to the stronger dollar and lower oil price.
- Japan is our largest overweight. The BoJ’s stimulus measures are a boost to Japanese equities and Japan benefits from the strong US dollar backdrop.
- We have an overweight to European equities. The economy is steadily improving and is supported by ECB policy, but earnings have been hurt by the bounce back in the euro.
- We are overweight the UK with a preference for the domestically exposed mid-cap companies. The market’s commodity sensitivity is more of a headwind to the globally exposed large cap stocks.
- Our largest underweight position is in the Emerging Markets, although we added to the region over the month. US dollar strength and China’s slowdown continue to weigh on the market but earnings expectations have picked up compared to other markets.

### Equity Sectors: Overweight Healthcare, Underweight Interest Rate Sensitive Sectors
- Our largest overweight is in the Healthcare sector. The fundamental story remains positive despite recent volatility.
- We have established an overweight position in the Energy sector. While the outlook for oil prices remains finely balanced, cost discipline from companies in the sector makes this our preferred way to be exposed to further fundamental oil market improvement.
- We sold Consumer Discretionary over the month. The sector continues to benefit from low oil prices and interest rates but as Fed tightening moves closer the outlook is less bright.
- We remain underweight interest rate sensitive Staples and Utilities, in keeping with our negative view on bonds.

### Currencies: Overweight US dollar
- We are overweight the US dollar as the Fed remains on course to be the first major central bank to tighten monetary policy.
- We have moved overweight the Japanese yen, particularly against the euro. The BoJ is still committed to its monetary stimulus program but seem reluctant to ease further unlike the ECB.
- We are underweight the euro with the ECB likely to expand their asset purchase program in December. We also moved underweight the Swiss franc where domestic fund managers are starting to deploy their long held cash balances into foreign assets.
- The outlook for the BoE is finely balanced with growth healthy but inflation muted. We are neutral sterling.
- We added to the Canadian dollar by deepening our underweight to the Australian dollar. The outlook for oil is better than metals and the Royal Bank of Australia are likely to ease further in coming months.
Investment Clock in Overheat

Our global growth indicator declined over the month. Consensus GDP, a leading indicator for growth, improved in the US but was offset by deterioration in Europe and Japan. The trend of growth also weakened as falls in unemployment slowed in the UK and Japan. Global growth is patchy with the manufacturing sector struggling but domestic consumption generally strong as low mortgage rates and cheap energy costs boost consumer wealth. The fundamental picture in Developed Markets (DM) continues to look healthier than the more industrial focused EM.

Our inflation reading declined over the month but remains positive. Last month the leading component moved further into negative territory as prices paid surveys in Europe and Japan deteriorated. The trend of CPI was unchanged over the month. Headline inflation should get some boost from base effects alone over the next three months, although commodity price weakness is still a headwind.

The Investment Clock model which helps inform our Tactical Asset Allocation decisions remains in the ‘Overheat’ phase of the economic cycle. This phase typically sees central banks hiking rates to cool an overly-rapid economic expansion. However, with inflation below the target rate of every major central bank, a global tightening of financial conditions looks unlikely. In fact the People’s Bank of China (PBoC) cut rates further in October and the ECB hinted heavily at further loosening in December. The Fed continues to signal that it will tighten this year although if growth were to slow dramatically or if inflation takes another leg lower they too may be forced to push a rate rise into next year.
Central Bank expectations

This month saw global risk appetite return from extremely oversold levels. Hopes of continued easy monetary policy were a key factor to the equity market bounce. Initially, market expectations for the first Fed rate rise were pushed into 2016 with the ECB reiterating an easing bias not long afterwards. Almost all markets were positive over the month with no differentiation between the winners and losers since the start of the year. The clear exception was the US dollar which was flat over the period. Dollar strength has been a major headwind for commodities and EM assets. It remains to be seen whether these assets can make headway if the dollar reaccelerates.

Source: Datastream, November 2015.

The hints from the ECB that they will do more in December has had an immediate effect on eurozone government bonds, pushing yields back towards the lows seen earlier this year. The BoJ struck a different tone at their most recent meeting suggesting they are not about to ease further. This divergence between the ECB and BoJ should boost the yen relative to the euro.

Source: Datastream, November 2015.

With additional stimulus forthcoming from the ECB and the likelihood of a Fed rate hike, further dollar strength seems likely. This is a significant negative for corporate earnings. While the growth picture remains supportive we think the risks to stocks are more balanced as global monetary policy becomes de-synchronised. We now have the smallest overweight to equities since moving overweight three years ago.

Source: Datastream, November 2015.
China: stable for now

The other factor that helped support markets in October was the stabilisation in Chinese data. Q3 GDP was better than expected at 6.9% and helped to calm fears that weakness in China would spill over into developed markets. A large part of this improvement can be attributed to a sharp acceleration in government spending from low levels in Q4 last year.

Source: Haver Analytics, November 2015.

There have been six counter trend rallies of more than 5% since EM began to underperform in 2010. All but one of these has coincided with a pick-up in earnings relative. We are seeing the first signs of a pick-up coming through and a stabilisation in data could help to further support EM equities in coming months.

Source: Datastream, November 2015.

Longer term, however, the problems keep mounting. In addition to the acceleration in government expenditure, the Q3 GDP report highlighted the importance of the financial sector to growth. This is also evident in the ever growing leverage which is reaching levels seen in developed markets in the run up to the financial crisis. It is impossible to know when this will become a problem but it is difficult for debt to grow at this speed without a corresponding increase in bad loans. An adjustment will be required when these non performing loans are recognised.

Source: Haver Analytics, November 2015.

Chart 8: China growth stabilisation

Chart 9: EM earnings per share relative ticked up

Chart 10: Leverage keeps rising
Macroeconomic insight
Deciphering global growth signals and central bank messaging

Global growth momentum remained relatively stable over the past month. In a positive sign for the global cycle in Q4, the global manufacturing PMI ticked up in October to the levels seen at the start of the year, with both DM and EM driving the improvement (Chart 11). The component breakdown was fairly solid, with new export orders and employment in particular rebounding from low levels. Although the EM manufacturing PMI remained in contraction, this was the first meaningful increase since early 2015. While it is probably too early to call the bottom of the EM cycle, this development is certainly encouraging.

At the same time, Korean exports, a proxy for global trade, disappointed again, moving further into contraction (Chart 12). DM consumer confidence edged down, while remaining at high levels. Global inflation showed no signs of rebounding, with the headline CPI in all major advanced economies still hovering around zero.

Chart 11: DM and EM manufacturing PMIs ticked up in October

![DM and EM manufacturing PMIs ticked up in October](chart11.png)

Source: Markit and Haver Analytics, October 2015.

Chart 12: Korea’s exports point to continued weakness in global trade

![Korea’s exports point to continued weakness in global trade](chart12.png)

Source: Haver Analytics, FIL calculations, October 2015.

This has been a busy month for monetary policy, with the main focus centred on the ECB, FOMC and BoJ meetings, as well as further easing from the PBOC. While all three major central banks left their policy unchanged at their October meetings, they sent important—and diverging—messages to investors. On one side of the spectrum, the Fed statement was fairly hawkish, signalling the possibility of liftoff in December, assuming incoming economic and financial developments fall broadly in line with the FOMC’s forecasts. Financial conditions have eased meaningfully since the September meeting (Chart 13), reducing the risk of associated spillovers to the real economy. If the data holds up over the next few weeks, the Fed should be ready to hike rates in December – this remains my forecast.

On the other side of the central bank spectrum came the ECB. While policy was left unchanged, Mario Draghi clearly signalled a further easing bias in the press conference, with the December meeting now the most likely candidate for further action. Concerns about inflation and inflation expectations as well as risks emanating from China and other EM seem to be the main reasons for further monetary accommodation. In addition, the recent euro strength in trade-weighted terms is also, presumably, a cause for concern for the ECB. Indeed, the euro area headline inflation dipped back into the negative territory in September, with Spain and Germany driving the trend among the majors (Chart 15).

Chart 13: US financial conditions have eased since September

![US financial conditions have eased since September](chart13.png)

Source: Bloomberg, November 2015.

Despite some expectations of further easing measures, the BoJ kept its policy unchanged, with no explicit intention to ease in upcoming meetings. While Japan’s economy has struggled to rebound this year, recent data has been more positive. Industrial production, for example, posted a positive reading in September, reducing fears of a technical recession in Q3, and the October manufacturing PMI also pointed to a solid start to Q4. And while both Japan’s headline and core CPIs remain in the negative territory, the ‘core core’ CPI which excludes food and energy (equivalent to the western definition of core) has been accelerating nicely since mid 2015 (Chart 14), potentially giving the BoJ an excuse not to ease further, at least for now. With the economy still struggling in the context of weak consumer sentiment and spending, and with external headwinds weighing on trade, risks to the outlook remain. I believe the BoJ might still have to move either later this year, or some time in 2016.

Chart 14: Japan’s ‘core core’ CPI has been accelerating since mid 2015

![Japan’s ‘core core’ CPI has been accelerating since mid 2015](chart14.png)

Source: Ministry of Internal Affairs and Communications and Haver Analytics, October 2015.

On the other side of the central bank spectrum came the ECB. While policy was left unchanged, Mario Draghi clearly signalled a further easing bias in the press conference, with the December meeting now the most likely candidate for further action. Concerns about inflation and inflation expectations as well as risks emanating from China and other EM seem to be the main reasons for further monetary accommodation. In addition, the recent euro strength in trade-weighted terms is also, presumably, a cause for concern for the ECB. Indeed, the euro area headline inflation dipped back into the negative territory in September, with Spain and Germany driving the trend among the majors (Chart 15).
The Euro area-wide growth picture, however, has held up well so far. The October manufacturing PMI edged up, mainly driven by a rebound in Italy, while the services PMI pointed to continued strength in the sector (Chart 16). Over the past few months we have observed a clear divergence between trends in manufacturing (weak) and services sectors (strong) in the euro area as well as in most DMs and some EMs. The main question now is whether this tentative rebound in manufacturing in October is sustainable or whether the slowdown has further to run—and if that is the case, whether it will have serious implications for growth in the rest of the economy. While it is indeed likely that there will be some spillovers to other sectors, it is unclear at this point whether the broad recovery trend will be undermined. So far we have seen no evidence of that in the Euro area, or indeed other economies.

Despite the increasing bearishness among investors as of late, there are no definitive signs of an impending global recession. We have undoubtedly seen some softening in growth in H2 2015, but it is looking more like another soft patch. The early cyclical data for Q4 confirms this view, at least for now. Recent trade and manufacturing weakness is unlikely to offset positive growth drivers coming from labour market progress, consumer spending and housing, pretty much everywhere in DM, going into 2016. And while the situation in the EM universe remains precarious, it will probably take another shock from China or perhaps one of the other EMs to jeopardise the DM recovery. And of course, with the major banks remaining on high alert, it is still too early to panic about global growth—and markets.
Data in focus

**US**

- US data improved somewhat over the past month.
- While October manufacturing ISM ticked down, it managed to stay in expansion. Its forward-looking components picked up, a tentative sign of a rebound ahead, though the plunge in the employment component was somewhat concerning.
- Q3 GDP came in at 1.5%qoq annualised, driven by solid consumption growth, while a drag from inventories provided a temporary offset. Early data for October suggested consumer confidence remains at high levels.
- Inflation and wage growth remained generally muted.
- The Fed left its policy unchanged at the October meeting, but signalled that December remains a possibility for the first hike. This is in line with our forecast.

**Europe**

- European data held up well over the past month.
- The Eurozone composite PMI ticked up, while the UK’s manufacturing PMI registered its largest bounce in more than 2 years. Service sector momentum picked up across the board, suggesting recovery is still intact.
- Q3 UK GDP was marginally softer than expected, but still grew 2.3%yoy on the back of strong services, while both manufacturing and construction contracted.
- Despite continued progress in the labour market, inflation remained weak, with headline CPI hovering around zero.
- While the ECB left policy unchanged at the October meeting, given the bank’s dovish stance, further easing in December is highly likely.

**EM**

- EM data was mixed at best over the past month.
- Russia’s PMI moved into expansion for the first time this year. China’s Caixin PMI finally improved, but remained in contraction, as does most of Asia’s manufacturing. Mexico is the clearest bright spot, while Brazil’s PMI plummeted to its lowest level post-crisis.
- China GDP grew at 6.9%yoy in Q3. Tertiary industries, particularly financial services, continued to support growth, while mining and manufacturing remain a drag.
- The PBOC cut benchmark lending and deposit rates and abolished the formal deposit rate ceiling in October. This further policy easing should help support China’s growth stabilisation towards the end of the year.

**Japan**

- Japanese data showed tentative signs of improvement.
- Both manufacturing and services PMIs rose in October. Consumer confidence also edged up, but consumption trends remained generally very weak.
- Industrial production grew solidly in September, the first on the month increase in three months.
- Headline inflation dropped to zero year-on-year due to falls in energy prices. However, ‘core core’ inflation continued to tick up, showing broader signs of inflation returning.
- Despite revising down their 2016 inflation forecast, the BoJ left policy unchanged at the October meeting. Further monetary and fiscal stimulus is likely later this year or in 2016.

Some signs of stabilisation in US manufacturing

![Graph showing US manufacturing PMI trends over time](Image)

Source: Bureau of Economic Analysis; Haver Analytics, October 2015.

Some signs of stabilisation in US manufacturing

![Graph showing Eurozone and UK PMIs](Image)

Source: Markit; Haver Analytics, October 2015.

Japan’s manufacturing PMI points to a better start to Q4

![Graph showing Japan’s industrial production and manufacturing PMI](Image)

Source: METI, JMMA/Markit and Haver Analytics, October 2015.

China’s growth supported by services, with industry weak

![Graph showing China’s real GDP and industry growth](Image)

The case for high yield bonds

Income-seeking investors have been challenged in recent years by record low yields across traditional income assets, with many being forced up the risk spectrum in order to maintain their yield level. In this context, we believe that investors need to retain an awareness of risk and focus on the sustainability of their income, as well as the actual yield level. Multi asset income portfolios, which invest across a range of income-generating asset classes, can help to deliver a sustainable income within a relatively low volatility framework. So, in a world where volatility is high, the global recovery is desynchronised and uncertainty remains, where do high yield bonds fit in?

In return for a high level of income – currently in excess of 7% – this asset class brings relatively high more risk for investors. Despite this, high yield bonds can be an important part of a multi asset income portfolio if managed effectively, with risk being mitigated by careful Strategy Selection and regional allocation. Within the broader attractions of the asset class, we currently favour US High Yield, which, from a top down perspective, benefits from low refinancing risks, across both the index as a whole and at certain individual sector levels. As a result of this, we do not believe a default rising cycle to be imminent and that exposure to US high yield can make a strong contribution to an investor’s portfolio going forward.

Refinancing risks are remote

While companies can still experience affordability issues, the low refinancing risk of US high yield indicate that there are unlikely to be cash flow issues across the index as a whole. US high yield currently benefits from an extended maturity wall, much more so than European high yield and considerably better than Asian high yield (see Chart 1, below). Many companies do not need to refinance until 2017, with the bonds of the four companies that have re-financing needs over the rest of 2015 all trading at or around par. While there are sixty eight companies needing to refinance in 2016, these still only represent around three per cent of the US HY index. Only four are trading at below ninety cents on the dollar, (meaning the debt is trading at 90% of its issuance value) and this constitutes just 0.07% of the index. Refinancing risks are therefore less likely to give investors cause for concern, especially after a year in which a lot of refinancing has already occurred. While refinancing costs have been high in 2015 compared to previous years, many companies have still opted to take advantage of the opportunity posed by Fed inaction to refinance while interest rates remain low. Although this had led to a mild deterioration in interest coverage ratios (a measure of the affordability of a company’s bonds), it has also meant that the maturity wall has been pushed out still further.

Chart 17: High yield maturities across the US, Europe and Asia

Source: Bloomberg, BoAML, September 2015.
What about particular sector risks?

Of course, when looking at the risks around US high yield, it's important to consider Of course, when looking at the risks around US high yield, it's important to consider how risks might be concentrated in different ways, as well as risk at the aggregate index level. For example, the energy sector has been an area of focus for high yield investors since the material drop in the oil price. Although there has been plenty of attention paid to energy companies and the problems posed by low oil prices (and in particular, US shale drillers), the energy sector also benefits from a favourable refinancing profile. Only four energy companies are due to refinance in 2016, with the bonds of all of these at or around par (and accounting for just 0.3% of the US high yield index). The first problematic energy refinancing is not until June 2017, which represents less than one basis point of the index and the thirteen energy refinances in 2017 accounting for a total of 47 basis points. Of these, only two are currently trading at distressed levels (<50 cents) and four at stressed levels (between 50-80 cents). The healthcare sector also made the news recently, where the US presidential race and heightened political rhetoric has implications for the cost of drugs and medicines. But while healthcare accounts for a much larger share of the index at 10%, less than 0.04% of this exposure trades at below 90 cents. Only one refinancing needs to take place in 2016, with the spread on this in the bottom quartile of spreads in the index². Four out of the five corporates which need to refinance in 2017 are rated BB and stable with the fifth B-rated and trading at 89 cents. There are other individual companies which have been in the spotlight recently, and whilst we have seen some volatility in their bond prices, we are seeing some of the active managers viewing this as an opportunity to increase exposure at better valuations.

Looking ahead: US high yield offers opportunities

This year, as spreads between Asian and US high yield have been declining, we have gradually rotated our high yield exposure into US high yield. This currently benefits from a number of positive factors, including the relatively strong macroeconomic backdrop, as well as the potential for the Fed rate hike timeline to be delayed and pushed completely into 2016. Less than 1.5% of the US high yield index is trading at distressed levels, with roughly 12% trading at stressed levels. This may be considered alarming but, in fact, it's no different to previous, temporary dislocations in the high yield markets where a quick mean reversion has followed soon after. Importantly, there are negligible imminent maturities that need rolling over.

Less than 6% of the US high yield bond market needs refinancing in the next two years, yet spreads are currently implying a default rate of 7-8% (so more than doubling from existing levels). I think high yield bonds currently offer adequate compensation for default risk, while in the meantime picking up a decent carry following the summer dislocation. The yield now available is now in excess of seven per cent (excluding energy names), which can make a significant contribution to income-seeking investors.

Of course, high yield bonds are not the only contributor to yields. More broadly, we have been overweight sub-investment grade assets, which include loans as well as high yield. However, within the multi asset income strategies that we run, we take care to position ourselves with a view to cautious risk management and capital preservation. In this context, the value in certain Collateralised Loan Obligations (CLOs), which are trading very cheaply to their fundamentals, helps to provide a reasonable margin of safety for default risk. Yields across traditional income assets may be at record lows, but a well managed multi asset income portfolio can still deliver a sustainable (and reasonable) level income for investors.

²High yield bonds are often looked at in terms of their spread over lower risk (and lower yielding) investment grade bonds.
Asset allocation perspectives from Fidelity Solutions
For up to date asset allocation thoughts from Fidelity Solutions please visit the Clockwise Blog where you can click ‘Subscribe’ for live updates.

https://www.fidelity.co.uk/professional/perspectives/blogs/clockwise/default.page

See below for a list of the most recent posts. Click on the heading to go straight to the article in question.

What can catastrophe bonds offer?
Michael Costa
2 November 2015
Investors have shown an increasing willingness to invest in alternative asset classes capable of offering strong diversification benefits. In this context, Michael Costa believes catastrophe bonds are a good example of the need to consider the individual characteristics of particular alternatives.

China abandons its one child policy
Ayesha Akbar
2 November
China has announced the abandonment of its one child policy. Fidelity Solutions’ Ayesha Akbar looks at the impact this is likely to have on China's economy and the reasons behind the government’s decision.

Central bank watch
Ian Samson
29 October 2015
Last week saw PBOC announce broad monetary policy easing as it lowered benchmark rates by 25 basis points (bps) – its sixth interest rate cut in a year. Fidelity Solutions’ Ian Samson looks at the impact this has had on China's economy and on central banks.

UK Q3 GDP disappoints
Ian Samson
29 October 2015
The first estimate of UK Q3 GDP came in below expectations, pointing to a moderate slowdown relative to Q2. Fidelity Solutions’ Ian Samson assesses the recent fall and reveals the headwinds weighing on the UK economy. UK Q3 GDP disappoints

Asset Allocation update
Anna Stupnytska | Nick Peters | Kevin O’Nolan
29 October 2015
With weak data, volatility and uncertainty over Fed and Bank of England monetary policy front of mind, it’s far from clear where the global economy may be heading. The Fidelity Solutions asset allocation experts offer their thoughts and explain how that is influencing their latest portfolio positioning.

Encouraging signs for Europe
Eileen Rowsome
27 October 2015
While the global recovery continues, Fidelity Multi Asset Income Fund Manager, Eugene Philalithis, expects more volatility over the summer as rate hikes loom. Find out how he is positioned in this environment to deliver a low risk and sustainable income stream.

Three ways to manage rate risk
Eugene Philalithis
23 October 2015
As events in Greece continue to dominate headlines, relatively little attention has been paid to recent developments in China, where stock markets have corrected by 30% in three weeks. Is the focus on Greece right, or do the risks from China have the potential to be of greater significance?

The Latin American beauty contest
Ayesha Akbar
23 October 2015
UK headline inflation fell back to zero and core inflation ticked down to 1.0% year–on-year in August, in line with consensus. Near-term risks to inflation are skewed on the downside, partly due to lower commodity prices and the strong pound. For an inflation-targeting central bank, this is not a rate hiking environment.
Market Returns

Bonds & commodities outperform stocks

Global equities continued to sell-off during September underperforming both government bonds and commodities. Equity markets were spooked by uncertainty around the timing of the first Fed rate hike and few signs of stabilisation in Emerging Market growth data. Global government bonds were broadly unchanged over the month providing a poor hedge to the stock market falls. The equity market sell-off was broad based across the regions although Europe underperformed and the Emerging Markets outperformed at the margin. Consumer Staples and Utilities were the best performing global sectors over the month and Healthcare was the worst. The Energy and Industrial Metals sub-sectors led commodities lower.

### Market Returns

#### Bonds & Commodities

**Source:** FTSE International; JP Morgan, Datastream, Dow Jones UBS total returns and MSCI AC World for Global Sectors.

This information is for Investment Professionals only and should not be relied upon by private investors. It must not be reproduced or circulated without prior permission. This communication is not direct investment advice and must not be acted upon by persons inside the United States and is otherwise only directed at persons residing in jurisdictions where the relevant funds are authorised for distribution or where no such authorisation is required. Fidelity International refers to the group of companies which form the global investment management organisation that provides information on products and services in designated jurisdictions outside of North America. Fidelity International does not offer investment advice based on individual circumstances. Any service, security, investment, fund or product mentioned or outlined in this document may not be suitable for you and may not be available in your jurisdiction. It is your responsibility to ensure that any service, security, investment, fund or product outlined is available in your jurisdiction before any approach is made to Fidelity International. The information in this document is based on factual data and is not intended as a substitute for professional advice. It is only intended to provide an overview and it should not be relied upon as definitive investment advice.

The registered office of the company is Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ, United Kingdom. Fidelity International’s VAT identification number is 395 3090 35. ISG0832