Coping with a changing market landscape

Opportunities and caution in an uncertain world

An unloved bull market could continue to run in 2020

Separating sentiment from fact

Taking an active approach toward multiple uncertainties and heightened volatility
WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds adjust to a rise in interest rates, the share price may decline. Investments in foreign securities involve special risks including currency fluctuations, economic instability and political developments. Investments in emerging market countries involve heightened risks related to the same factors, in addition to those associated with these markets’ smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities markets. Such investments could experience significant price volatility in any given year. High yields reflect the higher credit risk associated with these lower-rated securities and, in some cases, the lower market prices for these instruments. Interest rate movements may affect the share price and yield. Treasuries, if held to maturity, offer a fixed rate of return and fixed principal value; their interest payments and principal are guaranteed. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions.
Many investors anticipated a volatile year in 2019. As the year unfolded, recessionary fears continued to bubble up amid continued Brexit delays, an unresolved US-China trade war and numerous other tensions around the world. Yet, economic data remained generally sound and global stock markets powered ahead, with US equities reaching new all-time highs by year-end.

Although uncertainties remain, our senior investment leaders have a cautiously optimistic outlook for 2020. They still do not see a global recession looming and believe there are plenty of reasons to remain invested. However, they also stress it’s important to be selective—and not too complacent—amid a changing market landscape.

Key viewpoints

• We think it’s important to focus on hard data, and not just headlines. We see few signs the global economy is headed toward recession. Despite persistent trade uncertainty and a contentious political environment, the world’s largest economy, the United States, remains on a steady footing. Trade tensions, weaker manufacturing activity, declining business sentiment, and rising political tensions and polarization are all risk factors we see carrying into 2020.

• While we see the upcoming year as a period of potential uncertainty, we also see significant opportunities. We think investors need to prepare for the challenges ahead in 2020 by focusing on allocations that can provide true diversification against highly correlated risks across the asset classes.

• Although many investors remain anxious, we see ample reason to remain invested in global equities in 2020. For our portfolios, we are looking for companies that are innovating within their respective industries and also are seeking opportunities in out-of-favor value stocks.

• While we are cautious on the broad outlook for emerging markets as a whole, we remain optimistic, and continue to see opportunities in specific countries and in certain alpha sources. We think selective positioning is important as investors continue to worry about protectionism and deterioration in geopolitics.

Featured senior investment leaders

Michael Hasenstab, Ph.D.
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Chief Investment Officer, Franklin Templeton Multi-Asset Solutions
Opportunities and caution in an uncertain world

Michael Hasenstab
Chief Investment Officer, Templeton Global Macro

Global investors are facing extraordinary economic, political and financial market conditions that risk sending the world into a perilous period. In particular, we are closely watching several key areas of concern, including: (1) rising geopolitical risks and trade tensions; (2) rising populism and political polarization; (3) unrestrained deficit spending in the developed world; (4) underappreciated inflation pressures in the United States; and (5) low policy rates driving investors into riskier assets and thus leading to overvaluations in many parts of the market. While we see the upcoming year as a period of potential uncertainty, we also see significant investment opportunities. We think investors need to prepare for the challenges ahead in 2020 by focusing on allocations that can provide true diversification against highly correlated risks across the asset classes.

Geopolitical tensions and unorthodox policies remain a concern

There are now acute and contentious clashes over which economic and political paradigms will dominate the next generation: from capitalism to socialism, and from democracy to authoritarianism. The changing power structures between the world’s largest players increase the potential for a geopolitical event, in a range of theaters from trade to military, that could disrupt financial markets. Recently elevated tensions in the Middle East and frictions between the United States and China are two significant examples.

Throughout history, shifts in hegemonic power have often proved very unstable to financial markets and thus merit attention.

In addition, there are an increasing number of populist governments, which, in conjunction with a global trend toward extreme polarization, have stoked greater volatility in economic policy and generally enabled undisciplined economic agendas. In the United States, divisions among the population have surpassed any point in recent history and given rise to heightened polarization between political parties. Economic agendas are now increasingly being justified by largely untested economic theories, such as Modern Monetary Theory, which advocates for printing money to fund fiscal expansion.

This populist surge has led to rising debt loads and corresponding fiscal risks across the developed world. US deficit spending has deepened significantly, propelling the fiscal deficit toward an annual average of US$1.2 trillion over the next 10 years (4.7% of gross domestic product [GDP])1 and necessitating massive levels of deficit funding through US Treasuries. Similarly, in Europe, nationalist parties have frayed the fabric of the eurozone, testing the political cohesion necessary to both maintain fiscal discipline today and to hold the coalition together during a crisis in the future.

Extraordinary monetary accommodation continues to distort asset prices

On the central bank front, the US Federal Reserve (Fed) and the European Central Bank (ECB) were discussing ways to normalize monetary policy as recently as a year ago. However, in 2019 both the Fed and the ECB again embraced a stance of greater monetary accommodation. Sustaining this accommodative approach prior to a realized crisis continues to push investors into riskier and less liquid investments. The world is now flush with over US$14 trillion2 in negative-yielding bonds—securities that are designed to return less than nothing. Policies that were once considered highly unconventional have become normalized, as economies become increasingly reliant on central banks to cover gaps in fiscal and economic policy.

The combination of very accommodative central bank policy with a more regulated banking system has amplified credit risk in the shadow banking system and increased the potential for financial market volatility.

We continue to see a select set of higher-yielding local markets that have the potential to outperform the core fixed income markets in the year ahead.”
system. There has been significant growth in US credit markets over the last decade in areas of less transparency—private issuances with limited financial disclosure and diminished debt covenants. Years of easy money have eroded discipline in the markets by favoring the borrower, thereby damaging the ability of lenders to insist on appropriate financial disclosures and stronger covenants. All of this can work as long as credit markets remain bullish, but as soon as credit conditions begin to turn, liquidity will come at an exorbitant cost. We continue to remain wary of credit risks and liquidity risks in the global fixed income markets heading into 2020 and think investors need to prepare accordingly.

Financial market risks warrant attention

The potential for a geopolitical event appears higher than it has been in decades, given ongoing tensions among the major world powers. Additionally, populism and political polarizations are impairing policy decisions, leading to elevated risks for a significant policy error. Massive deficit spending across the developed world has also exhausted many of the resources to respond to a future financial or economic shock. The heavy reliance on monetary policy tools to cure each minor setback the economy suffers has also blunted the ability for those tools to be effective in an actual crisis. In short, there is a risk the developed world has overextended itself on both fiscal and monetary fronts, leaving risk assets highly vulnerable to a financial market event. Given these risks, we see value in certain perceived safe-haven assets, notably including the Japanese yen, Norwegian krone and Swedish krona.

Longer-term US treasuries remain overvalued

Suppressed US Treasury yields appear highly vulnerable to a potential rate shock given rising deficit spending and rising debt, in our view. We believe inflation risks also remain significantly underpriced in markets, given the exceptional tightness in the US labor market stemming from restrictions on immigration and breakdowns in the supply chain. Additionally, there are risks to the Fed’s ability to meet very aggressive market expectations on monetary accommodation that are already priced in across the Treasury yield curve. Rising inflation could put markets in the difficult position of contending with less monetary accommodation than expected. The Fed can very effectively control short-term rates, but it cannot always control the economic and technical pressures on the longer end of the curve. We expect the US Treasury yield curve to steepen in upcoming quarters as longer-term yields rise. We think investors should consider diversifying against the rate risks loaded in across the asset classes.

Select emerging markets continue to offer value

While we have become more cautious on the broad outlook for emerging markets as a whole, we continue to see scope for additional valuation strength in specific countries and in certain alpha sources. We continue to prefer the risk-adjusted returns in specific areas of the local-currency sovereign bond markets over the more fully valued credit markets. These opportunities vary highly between countries and across risk exposures—it remains crucial to be selective. Overall, we continue to see a select set of higher-yielding local markets that have the potential to outperform the core fixed income markets in the year ahead.

HIGHER YIELDS AVAILABLE IN SELECT EMERGING MARKETS

10-year sovereign local-currency bond yields
As of November 1, 2019

<table>
<thead>
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<th>Country</th>
<th>% Yield</th>
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<tr>
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<td>India</td>
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<td>Japan</td>
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<tr>
<td>Germany</td>
<td>0%</td>
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Coping with a changing market landscape

Global equity investors spent much of 2019 worried that the equity bull market would come to an end. Money market deposits hit all-time highs during the year. And the bull market continued nearly unabated, despite investors pulling a significant amount of money out of global equities on fears about the economic outlook and unresolved political issues. While many investors remain anxious, we see ample reason for people to remain invested in global equities in 2020.

A recession in 2020 is unlikely
For one, the global economy remains fundamentally sound. We see few signs that the global economy is headed toward recession. Although the expansion has been one of the longest on record, age alone does not lead to contraction. 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. So even while manufacturing has clearly hit a rough stretch, the consumer (especially in the United States) has proven much more resilient. As a result, we believe the US economy is slowing but not likely to fall into recession, while Chinese growth is also moderating and the eurozone continues to expand, albeit modestly. Taken together, growth is slowing, but we see no economic downturn.

Certainly, there are some risks stemming from populist politics and the significant amounts of debt sitting on corporate balance sheets. However, in broad terms, interest rates are low, there are only limited signs of inflation, and several major global central banks have taken steps in 2019 to support growth over the coming year—and will likely take further steps at any sign of recession.

This low interest-rate environment is a crucial factor supporting risky assets like equities. We believe the potential for 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. In late 2019, global equities, represented by the MSCI All Country World Index, provided a 2.5% dividend yield, which should be appealing when a large part of the world’s debt has a negative interest rate. According to data from the International Monetary Fund’s (IMF’s) October 2019 Global Financial Stability Report, more than 30% of the debt in advanced economies has a negative interest rate, while half is between 1% and 2%. That would seem to make the 2.5% yield of global equities even more appealing. Over the long term, an earnings yield (which is the inverse of the price-to-earnings [P/E] ratio) of 5.3% would be even more attractive.

Global equity valuations appear reasonable, in our analysis. In late 2019, major global equity markets were trading below their long-term average forward P/E ratios. The only exception was the United States, which traded at a slight premium.

Taking an active approach to innovation and value
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. Not only is innovation accelerating, opening a wider set of potential investment options, but it is also expanding across sectors, from health care to industrials to financials and the consumer sectors. However, 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.”
effectively capitalizing on this trend requires deep fundamental analysis to decide whether these innovations may be great investments today, or far in the future, or never at all, and also to avoid companies that are likely to be disrupted.

Value investing, meanwhile, has been out of favor for a decade as investors have sought growth stocks in an environment characterized by slow economic growth, technological innovation, disruption, few inflationary pressures and low interest rates. Historically, value has underperformed growth three major times before: in the 1930s, in the run-up to the ’90s dotcom bubble and in the past 10 years. As a result, the valuation gap between expensive stocks and cheap stocks has become the widest it has been since 2000. Investors appear to have been willing to pay high prices (in terms of P/E ratios) for growing or even stable earnings. When the dispersion of stock multiples widens sharply, it has historically been a precursor for stocks with lower P/E ratios to outperform those with higher ratios.

Global opportunities
We see upside potential in equities in international developed markets and in emerging markets.

In emerging markets, we favor four major long-term themes:
• Structural growth in technology in all parts of the economy
• Rising consumer spending as the middle-class expands
• Emerging small-capitalization companies benefiting from local growth
• Companies with corporate governance improvements, and low or improving environmental impact

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. For 2020, the IMF has forecasted 4.6% emerging market economic growth, nearly triple the 1.7% estimate for developed markets. And with the US Federal Reserve taking a more dovish monetary policy stance, emerging markets have switched to expansionary policies to stimulate their economies.

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.

We see opportunities in Brazil as the country has tackled pension reforms, India as its corporate tax cuts boost investment, and southeast Asia as consumer spending rises and some benefits result from trade moving away from China. China remains an increasingly important country for global and emerging equity markets. We estimate China could become around 40% of the major emerging market benchmarks from about 30% in late 2019, if all Chinese stocks were included in indexes. Moreover, the Chinese economy, while moderating, is balancing out, with trade accounting for only 38% of GDP compared to 64% in 2005, according to data from the World Bank. We also see less risk of currency devaluation and the potential for more economic reform measures.

Other positives in China include an improving earnings outlook and increased dividend payouts. We see opportunities in domestic-oriented businesses with quality franchises that are less sensitive to the fluctuations in the global economic and political environment. China will likely also benefit from advances in technology and the opening up of 5G cellular networks.

Although many investors have spent 2019 worried the global equity bull market was going to end, we believe that with economic growth likely to continue and monetary policy supporting growth, global equities can remain an appealing asset class in 2020. We believe seeking out selective opportunities in innovative companies and value stocks with clear catalysts can help position one for the longer term.
Coping with a changing market landscape

Sentiment vs. hard data
With so much noise in financial markets and in the media, we believe it's more important than ever for fixed income investors to focus on the hard data rather than the headlines, and to carefully assess the significant divergence between sentiment indexes and real economic activity.

Despite persistent trade uncertainty and a contentious political environment, the US economy remains on a steady footing. Consumer spending, which accounts for two-thirds of US economic output, has powered ahead, supported by a strong labor market and healthy household balance sheets.

With the unemployment rate hitting a 50-year low in September 2019, monthly job creation has still run well above the 100,000 level needed to absorb labor force growth and has pulled more people into the workforce. Inflation-adjusted wage growth has been accelerating slowly but steadily, further boosting purchasing power.

Business sentiment indicators, on the other hand, have weakened significantly, reflecting ongoing trade tensions as well as rising political uncertainty in the runup to the 2020 presidential election. The Institute for Supply Management’s purchasing managers’ index signaled a manufacturing contraction in 2019’s third quarter, and regional Fed surveys showed weaker expectations of capital expenditures.

At this stage, this weakness in sentiment indicators is at odds with the relatively resilient pace of economic growth. We saw similar levels of business pessimism in 2015–2016. Back then, household consumption kept the economy growing—much as today—and a sharp rebound in business confidence at end-2016 triggered a significant acceleration in economic growth.

How things play out this time will depend on how key uncertainties are resolved. Trade wars so far have been “the dog that did not bark”: for all the bluster and media headlines, the negative impact on the US economy has been limited. Looking forward, we still see trade tensions as the smaller risk—a persistent moderate headwind but not a recession trigger. Domestic political uncertainty seems more material, as the sharp divergence in the two main political parties’ economic agendas flags the possibility of a major change in policies and regulations that could trigger sharp cutbacks in investment plans.

In sum, the risks to the economic outlook are real, but so far the US economy is much stronger than sentiment indicators would seem to suggest. Moreover, the US economy will benefit from the recent easing in monetary policy and from a likely further fiscal boost under either party in 2021. I maintain this view, despite not expecting a continuation of the Fed’s easing cycle.

Our outlook for the eurozone remains subdued, as activity has moderated after four years of growth well above potential. We do not, however, see an additional sharp contraction of the eurozone economy. The contraction of Germany’s manufacturing sector has attracted a lot of attention, but this has

THE UNITED STATES HAS REACHED FULL EMPLOYMENT
US job openings and unemployed workers
September 2001–September 2019

been heavily influenced by a temporary slump in car production driven by regulatory changes in fuel efficiency standards—car production has since stabilized. The ECB has already launched a new round of easing, likely to continue under new ECB President Christine Lagarde, and European Union policymakers are mulling possible fiscal support measures. Moreover, and perhaps most importantly, we would note that the eurozone has never been the main engine of global growth.

China’s growth has weakened somewhat, in part due to the trade tensions with the United States. However, China’s economy is a lot less dependent on trade than it used to be, and policymakers still have firepower to support growth, albeit far less than they had in the aftermath of the global financial crisis. Indeed, China’s policymakers have already provided carefully calibrated stimulus, aiming to support growth without causing a further excessive rise in leverage ratios.

Overall, we see the outlook for the global economy as stable, with the main risks stemming from populist pressures on economic policies in countries around the world.

The dangers of monetary policy overreach

Major central banks have been remarkably successful in cushioning the impact of the global financial crisis and bringing their economies back to potential growth with inflation stable and close to target, thereby broadly fulfilling their mandates. More recently, however, we have seen signs of significant “mission creep,” with several central banks openly stating their desires to “extend the cycle” for reasons ranging from further increasing economic growth to reducing income inequality, and even to combating climate change—all ultimately aimed at justifying the continuation of an extremely loose policy stance. This is concerning in several respects. Central banks simply do not have enough instruments to meet these multiple targets. Moreover, this mission creep has resulted in a greater politicization of monetary policy, as central banks have increasingly strayed into territory that is the rightful purview of elected political leaders and fiscal policymakers.

The United States is a case in point. The Fed has delivered three interest-rate cuts in 2019 despite a strong economy with inflation close to target and unemployment at a half-century low. The Fed justified the cuts as “insurance” against uncertainty on trade and global growth—but they have been announced and delivered immediately after open and heavy market and political pressure. To the extent that business investment is held back by trade and political uncertainty, rate cuts are unlikely to have any impact given that funding costs are already extremely low.

The Fed’s extremely loose stance has contributed to asset valuations that appear stretched across most sectors; essentially the Fed has simply traded volatility today for an unknown quantity of volatility at an uncertain point in the future.

Volatility begets opportunity

To identify fixed income opportunities in this volatile and noisy environment, our first step is to focus on the data. With a resilient US economy and only slightly weaker global growth, for example, we believe recession and deflation fears are overblown, and US Treasury valuations appear overly stretched.

The extreme divergence of policy and regulatory agendas for the 2020 US presidential candidates is likely to trigger market over-reactions as the election cycle matures, especially in policy-sensitive sectors such as health care, energy and some tech and big data. We have positioned our portfolios to be able to redeploy resources once increasing market volatility creates new value opportunities.

Overall, given our global growth outlook we believe the extremely loose monetary policy of major central banks has exacerbated market distortions, making fixed income assets perceived as safe havens exceedingly expensive and pushing more and more investors toward riskier and less liquid assets. Against this background, heightened political and policy uncertainty sets the stage for higher volatility. We therefore recommend keeping liquid assets at the ready to redeploy in fundamentally sound sectors as volatility creates entry points at more attractive valuations. We continue to emphasize the importance of remaining very selective in both fixed income sectors and the underlying selection of securities.
Taking an active approach toward multiple uncertainties and heightened volatility

Ed Perks
Chief Investment Officer, Franklin Templeton Multi-Asset Solutions

Heightened financial market volatility likely to persist during 2020

Many of the world’s leading economies face significant monetary, fiscal and economic policy uncertainties as slowing global growth has become a rising concern. Trade tensions, weaker manufacturing activity, declining business sentiment, and rising political tensions and polarization are all risk factors we see carrying over into 2020. Key central banks responded to slower growth by delivering an abrupt change in monetary policy throughout 2019, one which we believe should continue to buoy investor sentiment as the cost of capital has been reduced to historic lows. The danger going forward is that interest rates are already negative in many areas, and so the scope for central banks to stimulate activity is vanishing.

The US economy has appeared to be most resilient due to the support of consumer spending, favorable labor market conditions, the Fed’s pivot to rate cuts and declining long-term interest rates. Key US-centric areas we will be watching as 2020 progresses include election-year proposals involving corporate and personal income tax rates; health care, including “Medicare for all” and drug-pricing controls; fossil fuel restrictions; banking regulation; and technology sector antitrust actions. Meanwhile, fragile and potentially recessionary conditions in the eurozone complicate the 2020 picture, as does sluggish Japanese growth and the uncertain path for Brexit in the United Kingdom. Another nascent area of potential risk is the consumer, which has been a key support to the US and global economies. We continue to see US job and wage growth, as well as strength in spending and sentiment indicators, but we also think any further deterioration in trade relations could weigh on consumer and business confidence to a degree that causes cracks to form.

The cumulative impact of strained trade relations on capital investment, hiring plans, supply chain rerouting and rising input costs leaves us concerned that growth prospects remain skewed to the downside. We still view the US economy as having only a moderate risk of dipping into recession in 2020. However, the collateral damage from trade headwinds—underscored by a noticeable year-over-year decline in Chinese exports to the United States (through September 2019)—is spreading from country to country, and, increasingly, manufacturing weakness has begun to infect the much larger services sector. Several emerging market economies are a possible bright spot, with some (notably Vietnam, Taiwan, South Korea and Mexico) looking to benefit from supply chains moving out of China, while others, such as Turkey and Argentina, may remain mired in political dysfunction.

BROAD-BASED GLOBAL SLOWDOWN IN INDUSTRIAL PRODUCTION DURING 2019

World trade, industrial production and manufacturing purchasing managers’ index: New orders
January 2015–August 2019

<table>
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<tr>
<th>Jan ’15</th>
<th>Feb ’16</th>
<th>Mar ’17</th>
<th>Apr ’18</th>
<th>May ’19</th>
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Sources: CPB Netherlands Bureau for Economic Policy Analysis; Haver Analytics; Markit Economics; and International Monetary Fund staff calculations. International Monetary Fund, World Economic Outlook, October 2019. Three-month moving average; year-over-year percent change, unless noted otherwise; deviations from 50 for manufacturing PMI. Important data provider notices and terms available at www.franklintempletondatasources.com.
Our multi-asset strategies reflect a tactical adjustment away from riskier assets

Against this backdrop, we have grown more cautious and selective in our multi-asset strategies, but we are not overly bearish. We have valuation concerns across a variety of asset classes. Equities as a whole are not cheap, in our analysis, and we have tempered our enthusiasm for them. Corporate fundamentals remain relatively strong, and corporate earnings still support global equities. But we believe profit margin expansion will be tougher to achieve as the ability to pass on higher costs to consumers appears limited. As a result, we believe profit margins have peaked across major economies and may decline further in 2020. This seems to be contributing to ebbing business confidence and curtailed investment plans. And if inflation picks up, markets could be in the difficult position of contending with less leeway for monetary accommodation than expected.

Recurring equity market selloffs seem likely again in 2020 as untested policy measures such as tariffs and restrictions on listing and capital flows are being considered. The US presidential election also could complicate the uneasy US-China relationship. The US equity market’s attention in 2020 will probably focus on valuations, margin pressures and whether Fed interest-rate cuts are effective in stimulating demand. Elsewhere, China’s equity market gives us pause despite attractive valuations and recent stabilization enabled by stimulus measures. US-China trade disputes are only a symptom of broader tensions as the rhetoric between both countries has hardened.

In the credit markets, bouts of equity weakness have driven ongoing demand for longer-dated assets such as US Treasuries and high-grade corporate debt. We have seen a major upswing in issuance as companies have been able to access longer-term capital at incredibly low borrowing rates. The sharp downdraft in interest rates globally has strongly benefited higher quality, long-duration fixed income assets, which leaves markets with very little room to maneuver. Consequently, we remain concerned about stretched bond valuations. With these assets unlikely to repeat their 2019 performance in 2020, we are biased toward shorter duration exposure and assets such as short-term US Treasuries, mortgage-backed securities, and higher-quality corporate debt (both investment grade and non-investment grade). Overall, we have moved to a truly neutral view of bonds at the asset allocation level given the balance between reasons for optimism and valuation concerns.

We are also being extremely selective within lower-rated fixed income sectors such as high-yield corporates—default rates appear to be rising toward historical averages, and bank loans have experienced outflows. The investment-grade corporate bond market should find ongoing support from strong fundamentals; however, leverage was high heading into 2020 and technical conditions may prove challenging. Although some widening of yield spreads is likely as growth slows, yields remain attractive to us in a global context.

We retain a more optimistic outlook for emerging market debt given dovish global central bank policy and real yields that have been running higher than historical averages, both of which could help mitigate exchange-rate risks in local-currency bonds. A key caveat here is that we think selective positioning is important as investors continue to worry about protectionism and deterioration in geopolitics.

Endnotes
1. Source: Congressional Budget Office; Update to the Budget and Economic Outlook, 2019 to 2029; August 2019.
2. Source: Bloomberg Barclays Global Aggregate Negative Yielding Debt Market Values (USD), as of 9/30/19.
3. Source: MSCI. As of 10/31/19. Indexes are unmanaged and one cannot invest in an index. They do not include fees, expenses or sales charges. MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.
4. Ibid.
5. There is no assurance that any estimate, forecast or projection will be realized.
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