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PATRIMONI

Outlook for 2018

BANOR

We believe that bonds are the asset class that will offer the least attractive yields in the coming months, so we're viewing them with some caution. The number one topic for the last quarter of 2017 will be the gradual exit from Quantitative Easing. Over the next 12/18 months we expect to see a gradual, but constant, increase in real interest rates and, as a consequence, a progressive gradual increase in nominal rates for bonds. This leads us to be very prudent regarding their duration. As for inflation, we don't have a firm view but we think there's somewhat more risk than in recent years, as a result of the full employment in the US and the period of improved performance in central and northern Europe. If the higher interest rates and inflation were both to continue, then we might see a very negative scenario for bonds. If only real interest rates were to rise, however, we'd expect a constant, moderate rise in yields for the next 12 months.

The stock markets have continued to perform well in recent months but in the event of a marked rise in 10-year interest rates, shares would be unlikely to rise much from their current levels. However, if the rise in real rates is gradual, we might see fairly stable share prices and a high degree of selectivity at sector level. Some sectors, such as finance, and some securities related to commodities could perform well, while we expect to see a more negative impact for defensive and technology stocks. Oil will stay closer to 60 dollars a barrel than to 50, while for agricultural commodities we'll see more upside than downside over the medium term.

As for currency, the dollar has stabilised and we believe it could strengthen slightly in the next few months, in the region of 1.13-1.15. The Norwegian crown is another interesting currency: if oil stays close to 60 dollars a barrel or goes even higher, it could be worth considering.