

## News Release

For Release: 19 January 2023

### **Remaining nimble is key to navigating global markets in 2023**

ANZ Private Bank today released its 2023 Global Market Outlook which expects the coming year to be challenging for investors but maintains being nimble will help to take advantage of opportunities.

The outlook expects markets to remain under pressure in H1 2023, as inflation fears give way to growth concerns, with equities likely to struggle as earnings begin to reflect a recessionary environment, demand weakens and margins falter.

ANZ Private Banking Head of Investment Strategy, Lakshman Anantkrishnan said: "2023 will be hard pressed to outdo the challenges that financial markets faced in 2022, however this year is unlikely to be a smooth ride for investors."

"While the macro-outlook will remain challenging, unlike 2022 there should be ample opportunity for investors this year — where and when remains the question."

The report by ANZ Private said it expects equities to test a new bottom before any sustained rally. It said already in 2023, a likely peak in inflation and hopes of a quicker moderation in price pressures, have seen the market begin to shift its focus from inflation towards the outlook for global growth.

"There has been a lot of speculation that the recent stepdown in the level of interest rate rises by the US Federal Reserve is a pivot, with the market pricing in cuts this year. In our view we believe this is unlikely to occur without material weakness in the labour market," Mr Anantkrishnan said.

"At best it's a stepdown in hawkish narrative, at worst it's only served to extend the tightening cycle. We see any rate cuts this year as unlikely unless growth deteriorates to such an extent that the Federal Reserve is forced to blink. Even then, questions remain as to whether it will."

On this basis and with a challenging backdrop for company earnings, ANZ Private expect to favour bonds in H1.

"We would look for any sell-off prior to an eventual pivot as an opportunity to build back equity exposure. Conversely, any rallies in H1 are likely to be taken as further opportunity to reduce equities, before building back exposure once they have bottomed," Mr Anantkrishnan said.

The report states that ANZ Private favours the outlook for Australian stocks versus United States stocks this year. It also highlights an overweight to Chinese stocks, a position that has recovered sharply since November.

"With challenges but also potential across most sectors in 2023, for investors, remaining nimble within portfolios might be most important of all. But there will be opportunities," Mr Anantkrishnan said.

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