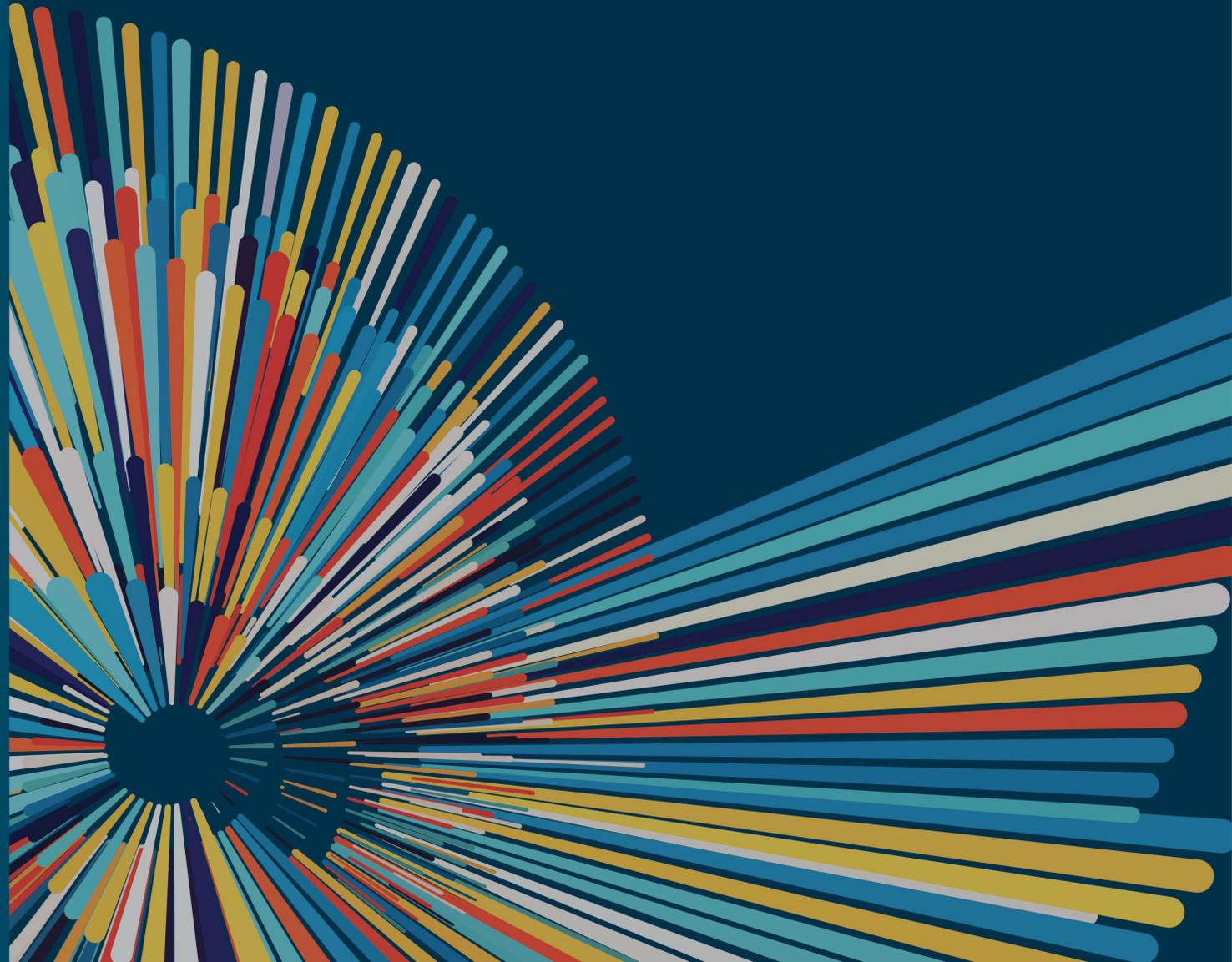


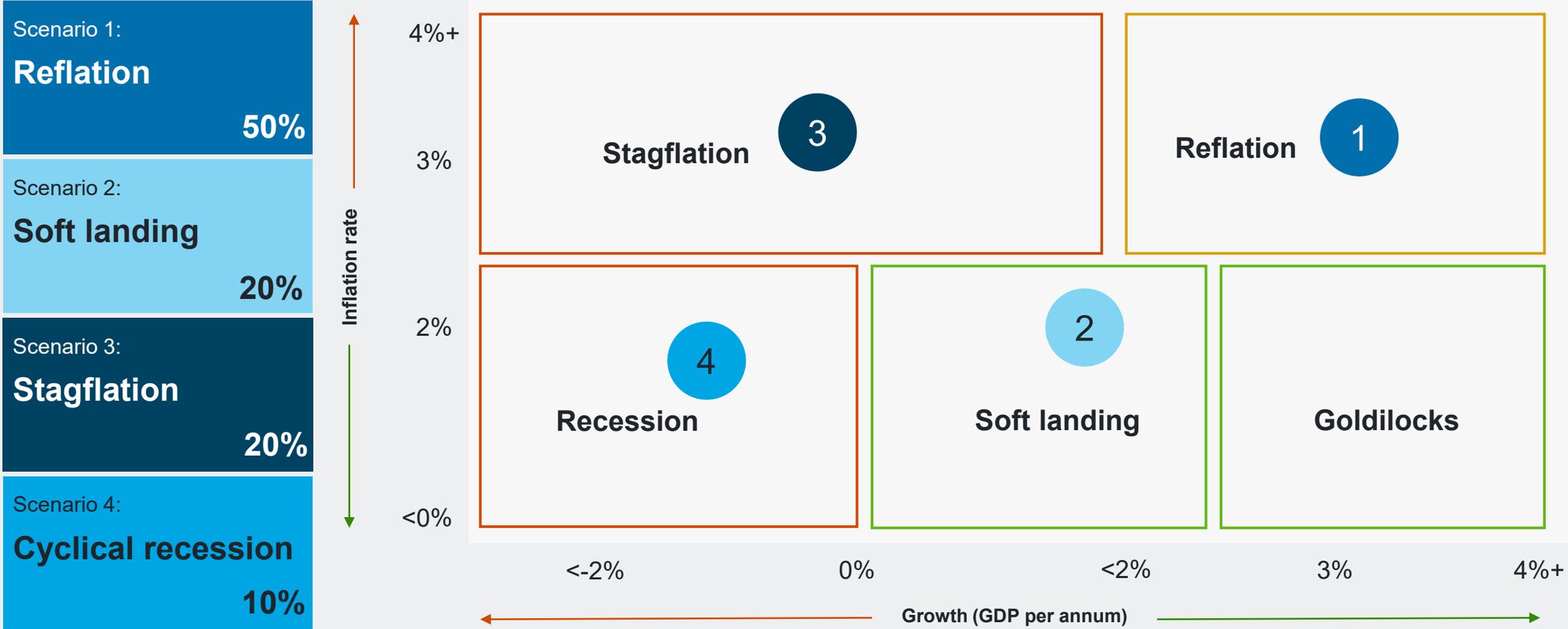


**Outlook 2025**  
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# The divergence dividend



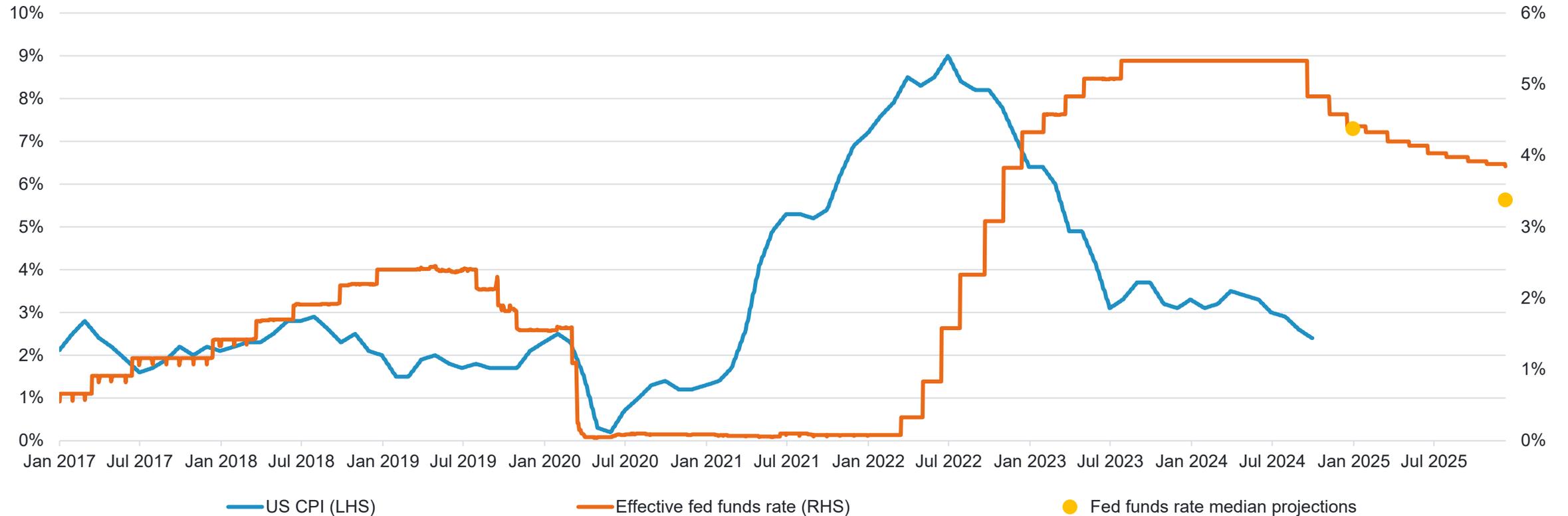
# Four scenarios for US in 2025



Note: Inflation rate measured by US Core Personal Consumption Expenditures Price Index.  
 Source: Fidelity International, November 2024.

# Ready to reflate?

Lower inflation should allow the US Federal Reserve to deliver more monetary easing, for now

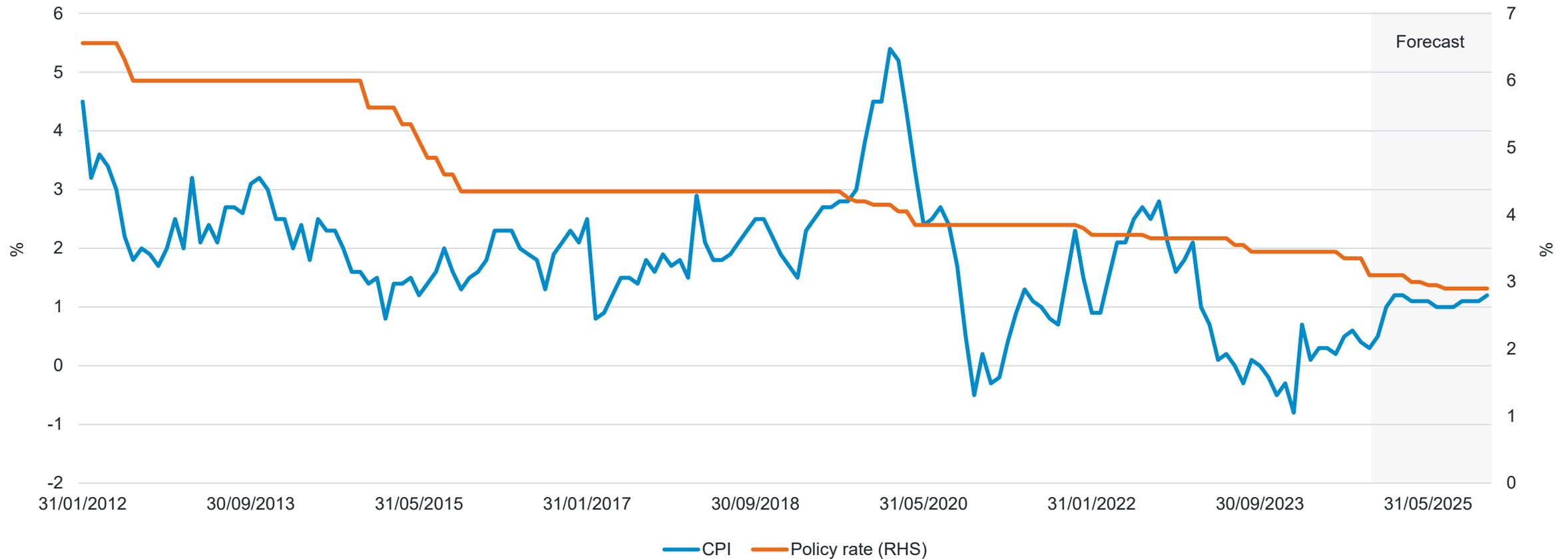


Note: Forecast for effective fed funds rate represents the implied overnight rate using the future model.

Source: Fidelity International, Macrobond, Bloomberg, BLS, New York Fed, September 2024.

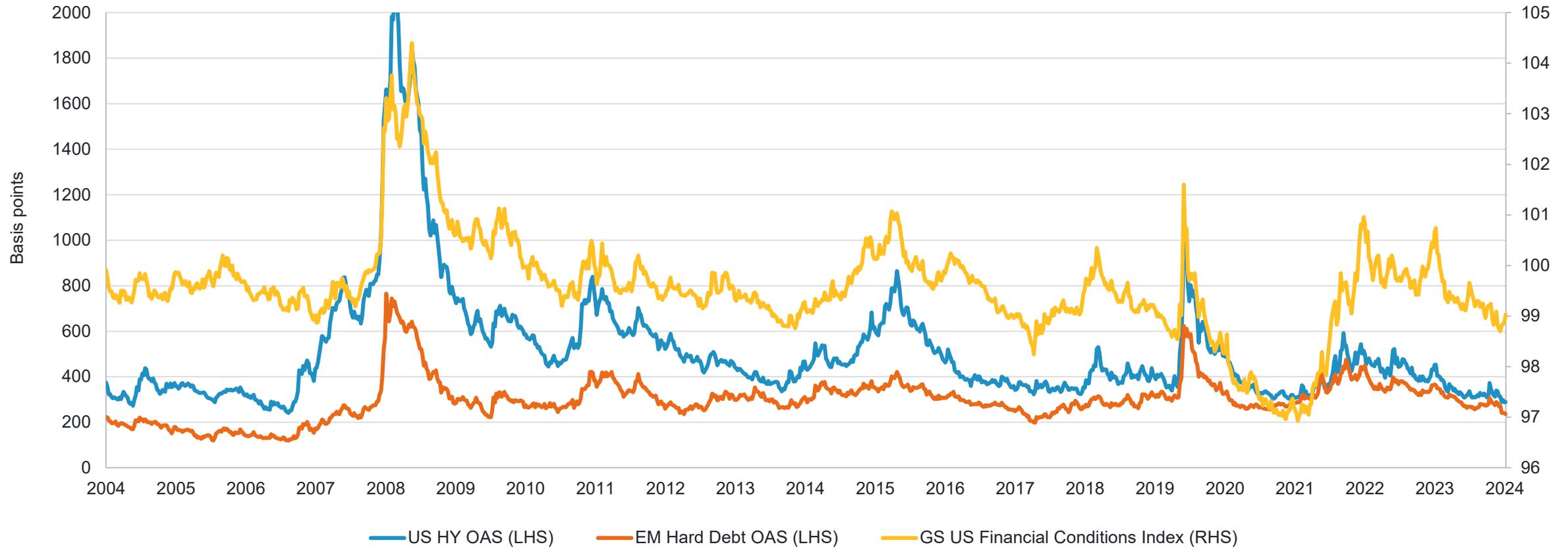
# Shoulder to the wheel

Chinese monetary support set to grow



Source: Bloomberg, Fidelity International, November 2024.

# Financial conditions look supportive

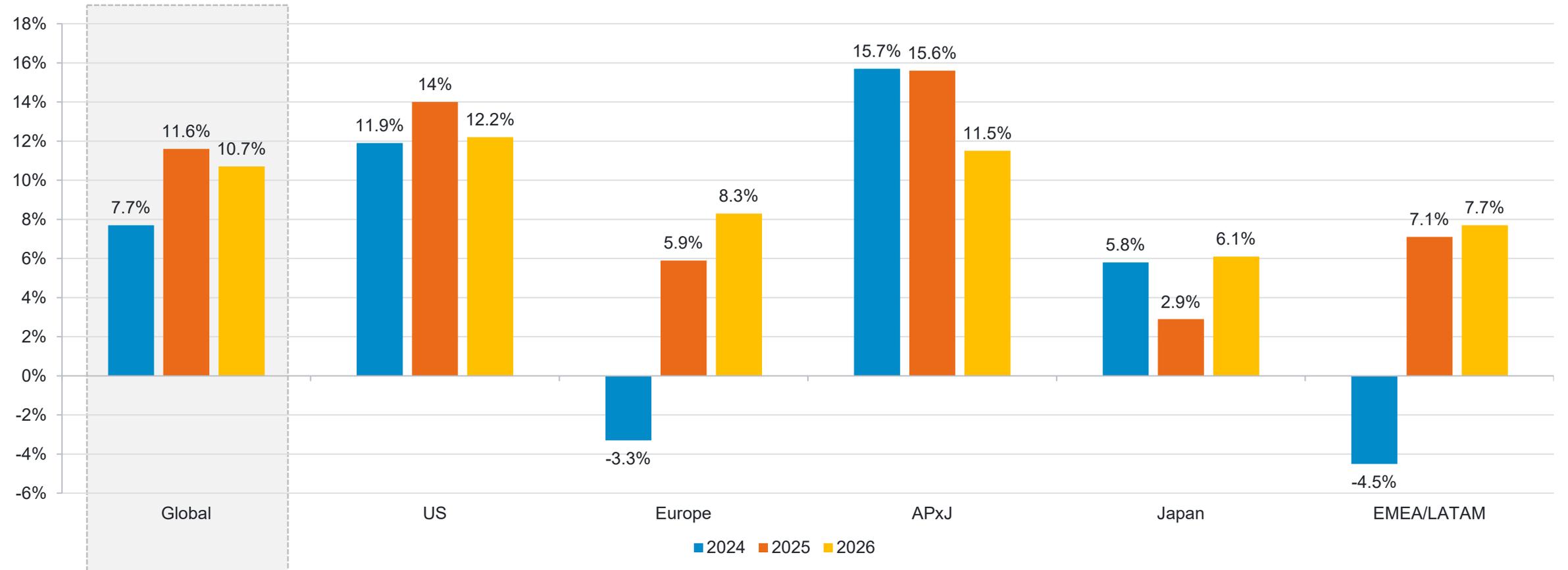


Note: OAS = option adjusted spread. Source: Macrobond, Fidelity International, October 2024

# Regional views

Aggregate earnings growth estimates through 2026

## Growth, YoY



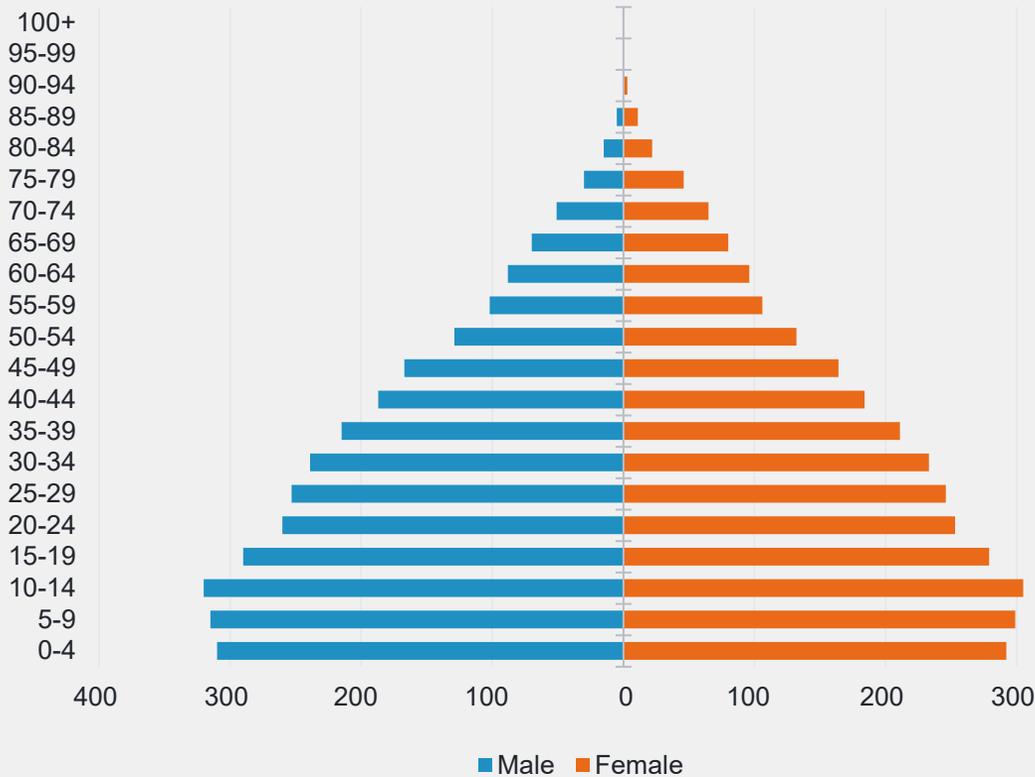
Source: Fidelity International, November 2024.

# An ageing world

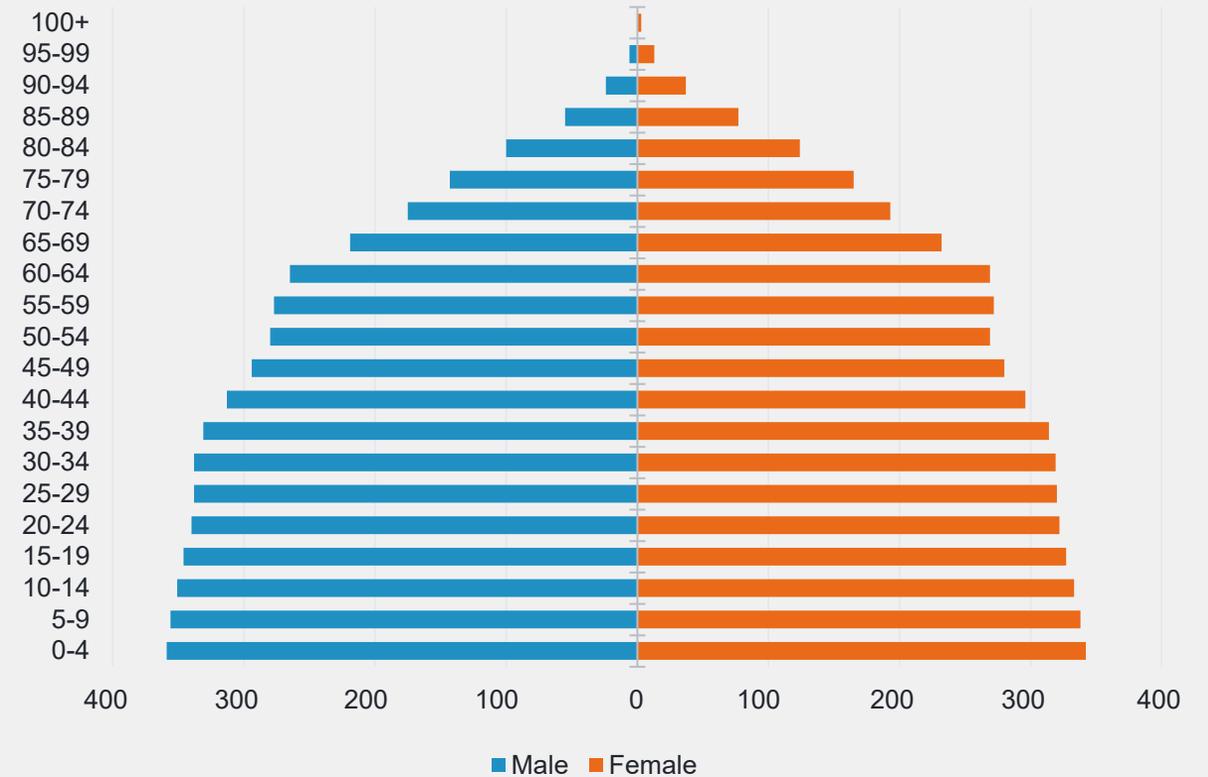
Demand for healthcare will grow strongly in the decades to come

By 2050, the 65+ population is expected to go from 720m to 1.5bn people

World in 2000 (millions of people)



World in 2050 (millions of people)



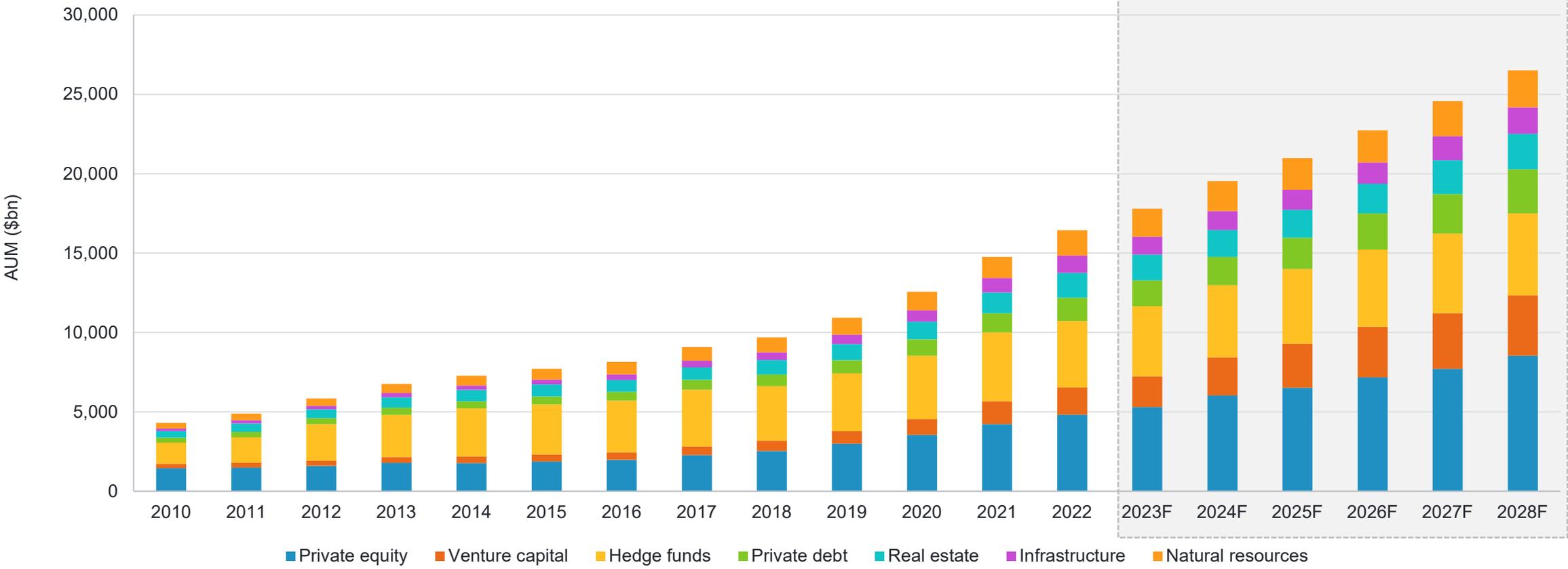
Source: Fidelity International, HSBC, UN Population Database, February 2021.

# Fed dot plot shows policy pessimism



Source: Bloomberg, Fidelity International, October 2024

# Alternative AUM by asset class



Excludes funds denominated in Yuan Renminbi. Does not include secondaries in private debt. Data for 2023 -2028 is forecast. Source: Preqin Global Report: Real Estate 2024; Fidelity International, November 2024

# Three scenarios for China in 2025

Balancing act in shifting landscape

	Growth	Inflation	Monetary policy	Fiscal policy
<p>Scenario 1:</p> <p><b>Controlled Stabilisation</b></p> <p>55%</p>	<p>The pace of recovery gradually gains momentum as consumption improves. The property sector stabilises on stronger stimulus. Industrial activities and exports face more challenges from rising tariff uncertainties. Real GDP growth stabilises around a lower government target.</p>	<p>CPI and PPI rebound softly on the back of a gradual recovery in domestic demand. Inflation stabilises slightly below target over the medium term.</p>	<p>The PBoC cuts benchmark rates and reserve requirement ratio to support growth. It also manages liquidity by buying and selling government bonds in the secondary market.</p>	<p>Policymakers accelerate the fiscal easing to support domestic demand. It will continue with gradual de-risking plans to resolve structural issues in local government, property and banking sectors.</p>
<p>Scenario 2:</p> <p><b>Serious Slowdown</b></p> <p>35%</p>	<p>The economy faces stronger headwinds from domestic structural issues and a developed market slowdown. Potentially rising geopolitical tensions (such as steep tariffs increase on Chinese exports) could be another major shock to growth and may lead to a severe slowdown in the broader economy.</p>	<p>Both CPI and PPI gradually fall into deflation well below government targets.</p>	<p>The PBoC delivers limited or no rate cuts as it prioritises currency stability over domestic easing.</p>	<p>Policymakers are slow to introduce sufficient fiscal support for growth due to limited fiscal policy room and a rigid fiscal framework.</p>
<p>Scenario 3:</p> <p><b>Reflation</b></p> <p>10%</p>	<p>The recovery becomes more broad-based and gains momentum with a more dovish policy setting. The property sector takes the lead from a strong monetary policy push. The initial impulse is strong, driven by optimism on property and consumer sectors. Growth may rebound above target.</p>	<p>Both CPI and PPI recover and gain momentum with strong domestic demand rebounding to match or beat the government target.</p>	<p>The PBoC eases monetary policy more aggressively with consecutive benchmark rate and reserve requirement ratio cuts. The system is flushed with liquidity to accommodate broad-based re-leveraging.</p>	<p>Policymakers explicitly bail out stressed local governments and property sector companies, leading to renewed optimism in re-leveraging. They also aggressively expand fiscal deficits to support domestic demand.</p>

Source: Fidelity International, November 2024.

# Multi Asset: Our best ideas

	Tilting towards Value	Structural Themes	Defence	Carry	Alternatives
Scenario 1: <b>Reflation</b> 50%	<ul style="list-style-type: none"> <li>++ Global Mid-Caps</li> <li>+ Japanese Equities, FX-Hedged</li> <li>- US Mega-Caps / Growth / Momentum</li> </ul>	<ul style="list-style-type: none"> <li>+ Future Financials</li> <li>+ Transition Materials / Copper Miners</li> <li>+ Global Future Leaders</li> </ul>	<ul style="list-style-type: none"> <li>-- Bond Proxies</li> <li>- Government Bonds</li> </ul>	<ul style="list-style-type: none"> <li>++ Leveraged Loans</li> <li>+ Dividend Futures</li> <li>+ Convertible Bonds</li> <li>- Investment Grade</li> </ul>	<ul style="list-style-type: none"> <li>++ Absolute Returns</li> <li>+ Commodities</li> </ul>
Scenario 2: <b>Soft landing</b> 20%	<ul style="list-style-type: none"> <li>++ Select Equities (UK, Italy, Greece, Indonesia, S Korea, Singapore)</li> <li>+ Global Mid-caps</li> </ul>	<ul style="list-style-type: none"> <li>++ AI/Semiconductors</li> <li>++ Biotech/Healthcare</li> <li>++ Grid Upgrade</li> <li>+ Climate Solutions</li> <li>+ Robotics/Factory Automation</li> </ul>	<ul style="list-style-type: none"> <li>+ Min Vol Equities</li> </ul>	<ul style="list-style-type: none"> <li>++ EM bonds</li> <li>++ Hybrids</li> <li>+ Credit</li> <li>+ FX carry</li> </ul>	<ul style="list-style-type: none"> <li>+ Liquid Alts</li> <li>+ REITs</li> </ul>
Scenario 3: <b>Stagflation</b> 20%	<ul style="list-style-type: none"> <li>+ Gold miners</li> <li>-- US Small-Caps</li> </ul>		<ul style="list-style-type: none"> <li>++ Put Options</li> <li>+ Inflation Linked Bonds</li> <li>-- Equities</li> <li>-- Government Bonds</li> </ul>	<ul style="list-style-type: none"> <li>+ USD Cash</li> <li>+ Leveraged loans</li> <li>-- High Yield Bonds</li> </ul>	<ul style="list-style-type: none"> <li>++ Commodities</li> <li>+ Absolute Returns</li> <li>+ Dispersion</li> </ul>
Scenario 4: <b>Cyclical recession</b> 10%	<ul style="list-style-type: none"> <li>-- US Small-Caps</li> </ul>	<ul style="list-style-type: none"> <li>+ Healthcare</li> </ul>	<ul style="list-style-type: none"> <li>++ Put Options</li> <li>++ Government Bonds</li> <li>++ JPY Cash</li> <li>-- Equities</li> </ul>	<ul style="list-style-type: none"> <li>+ USD Cash</li> <li>++ Short Duration Credit</li> <li>-- High Yield Bonds</li> </ul>	<ul style="list-style-type: none"> <li>++ Absolute Return</li> <li>++ Dispersion</li> <li>+ Gold</li> </ul>

Notes: '+' is a positive view; '-' is negative; reflects our views of relative performance for each scenario.

Source: Fidelity International, November 2024

# Important Information

All information is current as at 20 November 2024 unless otherwise stated. Not for use by or distribution to retail investors. Only available to a person who is a "wholesale client" under section 761G of the Corporations Act 2001 (Commonwealth of Australia) ("Corporations Act").

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