

Facing the headwinds with a brighter outlook



Slower economic growth, but positive

Don't worry, a significant recession is unlikely. The global growth is expected to moderate over the next few years, but growth in the US is still seen as positive.



Central banks and governments support growth

Central banks have again adopted a more accommodative monetary stance in response to the threat of a slowdown.



The hunt is on for income

Search for yield continues to be a dominant theme for income investors. High-yielding credit could be a bright spot with a focus on businesses that can continue to generate positive earnings and cashflows.



“In this low-rate environment, we expect default rates to remain low over the next 12 months[^], and credit is trending positively. Central banks have to balance the risk of an economic bubble with a slowing underlying economy. Meanwhile, investors should focus on businesses with sustainable cash flows that can reduce their debt burdens and enhance liquidity. Income-generating strategies could be the best approach in this environment.”

John Addeo

Chief Investment Officer, Global Fixed Income
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[^]Bank of America Merrill Lynch, as of 31 August 2019. Credit trends remain positive although with the business cycle getting old, credit trends could reverse in the short run if there's any extended disruption in the markets.

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