

FIVE FUNDAMENTALS FOR 2013

One year ago the team at the BlackRock Investment Institute released our 2013 Outlook. It featured “Five fundamentals for 2013”.

- We have become more upbeat about the prospects for risk assets and stabilising economic growth (albeit at low levels). Low expectations = potential upside surprises.
- The US economy should gain momentum and help boost global growth - IF Washington can avoid the fiscal cliff and compromise on a sustainable budget.
- Many investors lack conviction in markets where risk taking is often punished and trends last a skinny minute. Rome – and confidence – was not built in a day.
- The era of ultra-loose monetary policy may draw to a close, challenging ‘safe’ fixed income assets and heralding a shift towards equities. Safety = new tail risk.
- Income investing works in a zero rate world – but the hunt for yield has narrowed valuations between top quality and not so great income assets. Take out the garbage.