

# » INVESTING IN THE ERA OF REFLATION

## Inflation Drivers



*“Investors should be aware of the new inflation narrative in order to build portfolios that are resilient to this new market scenario.”*

1

### Tight Labour Market in the US

Wage inflation is starting to pick-up in the US. Repatriation of US business and infrastructure spending could put additional pressure on job market.

2

### Positive Commodity Outlook

Firming global demand should support commodity prices. Oil and metals are set to outperform agricultural commodities. Oil prices are expected to be 60 USD per barrel by the end of 2017.

3

### Loose Fiscal Policies

Deregulation, personal income and corporate tax cuts and infrastructure spending will be the drivers of fiscal expansion in the US. Looser policies also expected in Japan and the Eurozone.

4

### Service Sector Inflation

Demographic trends and broad-based economic recovery should sustain service sector inflation, especially in housing and health-care components.

5

### Weaker Globalization

The possible rise of protectionist measures and populism will likely mark an inflection point for globalization, that in the last 20 years has driven a fall in prices and wages.

Source: Pioneer Investments, data as of February 28, 2017.

## Inflation Forecasts for 2017 (%)



UK

0.8

2.8



US

1.2

2.4



EUROZONE

0.3

1.8



JAPAN

-0.3

0.6

■ 2016 ■ 2017

Source: Pioneer Investments, data as of February 28, 2017.

## Risks to our Forecasts

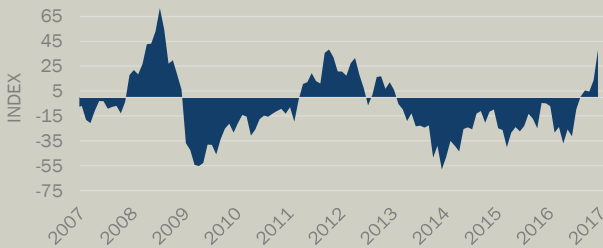


# » INVESTING OPPORTUNITIES

## Fixed Income

» Inflation-linked and short duration bonds could support fixed income portfolios in periods of higher inflation.

### Inflation Surprise Index Trend



Source: Bloomberg, Citi, data as February 15, 2017.

## US Equities

» A modest increase in inflation driven by a rise in real GDP growth could benefit US equity markets, especially cyclical sectors such as materials, industrials and financials.

### Potential Inflation Beneficiaries



Materials



Financials

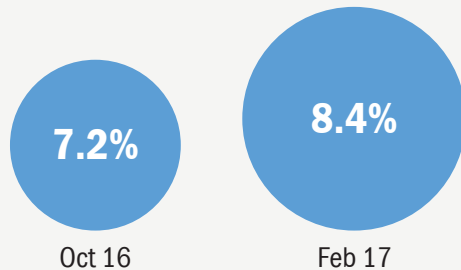


Industrials

## European Equities

» A reflation scenario is positive for European value stocks and earnings growth. Single name selection is crucial to identify the companies that combine value and quality.

### EU Earnings Per Share Growth (YoY) F



Source: Pioneer Investments forecast horizon December 17 and elaborations on S&P Capital IQ data as of February 15, 2017.

## Multi-Asset

» In a phase of asset reflation the favourite asset classes have historically been global equities, credit and commodities. Real assets can offer interesting inflation protection opportunities.

### Asset Classes Assessment

Government Bonds



Credit



Equities



Commodities



#### Important Information

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