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Citi Global Wealth Investments Issues Mid-Year Outlook 2023 - Opportunities on the Horizon: Investing Through a Slowing Economy

Singapore – Citi Global Wealth Investments released its Mid-Year Outlook 2023 report in Asia today, titled **Opportunities on the Horizon: Investing Through a Slowing Economy**. This biannual report sets out Citi Global Wealth's outlook on how investors should approach developments in the global economy, markets and geopolitics.

Though 2023 has been full of extraordinary events, Citi Global Wealth sees the remainder of the year as an opportunity. We are in a "rolling recession" where parts of the US economy are growing even as others contract. As inflation slowly eases following a period of rapid Fed rate hikes, the group believes that keeping portfolios invested is imperative. While the current asset allocation strategy remains defensive, Citi Global Wealth see numerous opportunities to adjust their portfolios over time, as the Fed shifts from interest rate hikes to cuts. We believe that current markets will lead into a meaningful potential recovery in 2024.

"Though the broader bear market may not yet be over, we are seeing significant valuation improvements in certain sectors that provide our clients with the potential to invest in higher income-generating assets and long-term growth opportunities," said David Bailin, Chief Investment Officer at Citi Global Wealth. "Our outlook for the remainder of 2023 and heading into 2024 suggests that clients may benefit most from a return to what we call 'core investing' – fully invested portfolios that move from defense to offense, from more bonds to more equities, from US-focused to global. We favor investing in select non-U.S. equities, identifying value within U.S. markets, broadening tech and growth equity exposures and emphasizing alternative investing and private credit for suitable investors with a longer time horizon."

Bonds are Back Again: Sustaining Income as Rates Peak

Citi Global Wealth believes that it is time for action in the fixed income space. Investors holding short term investments can seek to extend their income by extending duration. There are also many potential opportunities to diversify bond portfolios, add to duration, diversity risk and earn potentially higher yields. Private credit can add significant yield as banks retrench, while bonds will now provide the diversification benefits they lost temporarily in 2022.

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Diversify Currency Exposure

The U.S. dollar (USD) rose for a decade through 2022 and saw a boost from excessive Fed tightening and energy shocks related to the war in Ukraine. The rise in the USD sharply inflated US home-biased portfolios versus portfolios holding other currencies. US equities rose to 63% of the global market cap in 2022.

As the ECB and other central banks hold rates steady in 2024 while the Fed eases, there can be opportunities for clients to diversify into non-USD assets, seeking to improve investor returns in the decade ahead.

“The strong U.S. dollar means we can buy non-U.S. assets at deeply deflated prices,” said Steven Wieting, Chief Economist and Chief Investment Strategist at Citi Global Wealth. “While we expect periodic US dollar rallies, we ultimately will see a weakening dollar, making currency exposure more critical. In addition to currency exposure, we are favoring quality, such as long-duration bonds to offset a potential credit spread widening and defensive equities with an emphasis on dividend growers and companies with strong balance sheets. As we prepare portfolios for the Fed pivot at the end of 2024, we look for industry-leading growth shares to bottom before cyclicals.”

In Asia, CGWI anticipates that the region to outgrow and outperform other regions as it benefits from faster growth from a later reopening. GDP growth is expected to remain elevated in Asia through 2023 – 2024.

Ken Peng, Head of Investment Strategy, Asia Pacific, Citi Global Wealth said, “We see potential equity opportunities across Asia, particularly in industry-leading companies with strong balance sheets. Valuations in China, India and Southeast Asia remains low as prices lag earnings, while Japanese equities are increasingly seen as a way to access Asian development amid geopolitical tension. In regional fixed income, we remain focused on quality.”

Unstoppable Trends

Citi Global Wealth’s “Unstoppable Trends” are transformative global forces that can inform change in client portfolios.

The Mid-Year Outlook 2023 defines the following trends:

- **Digitization - Generative AI is the beginning of (another) technological revolution:** the rapid adoption of AI opens the door to significant investment opportunities in the ecosystem.
- **Energy Security: Unusual opportunities in an atypical energy cycle:** World events and the rise of renewable energy are reshaping the energy landscape.
- **G2: Putting national security interests ahead of economic cooperation:** Intensifying U.S.-China tension creates challenges and opportunities for investors.
- **Invest in Longevity:** Healthcare demand continues to grow faster than the world economy, proving non-cyclical growth for portfolios.

Citi Global Wealth's full Mid-Year Outlook report, a summary version, short videos and other materials can be accessed [here](#).

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About Citi:

Citi is a preeminent banking partner for institutions with cross-border needs, a global leader in wealth management and a valued personal bank in its home market of the United States. Citi does business in nearly 160 countries and jurisdictions, providing corporations, governments, investors, institutions and individuals with a broad range of financial products and services. Additional information may be found at www.citigroup.com | Twitter: @Citi | YouTube: www.youtube.com/citi | Facebook: www.facebook.com/citi | LinkedIn: www.linkedin.com/company/citi.

About Citi Global Wealth

Citi Global Wealth is an integrated wealth management platform that delivers a total wealth solution to clients across the wealth continuum, with integrated advice and execution across both their assets and liabilities. Citi Global Wealth serves ultra-high-net-worth individuals and family offices through Citi Private Bank, operates in the affluent and high-net worth segments through Citigold® and Citigold Private Client and captures wealth management in the workplace through Global Wealth at Work. Citi Global Wealth provides clients with a leading investment strategies platform, which delivers traditional and alternative investments, managed account strategies and investment guidance for all clients.

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