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Citi Global Wealth Investments Releases Outlook 2023
Roadmap to Recovery: Portfolios to Anticipate Opportunities

After a turbulent 2022, Citi Global Wealth Investments predicts a shallow recession in 2023, but believes that markets will begin to focus on 2024's recovery

Singapore - Citi Global Wealth Investments (CGWI) released its Wealth Outlook 2023 (Outlook) report in Asia today, titled Roadmap to Recovery: Portfolios to Anticipate Opportunities. Published twice yearly, the Outlook provides in-depth insights into the global economy and financial markets for the year ahead and beyond. The latest edition's title reflects the investing journey that CGWI envisions and the steps that investors should consider to diversify their portfolios.

In 2023, CGWI predicts the weakest annual global economic growth in 40 years outside of the Global Financial Crisis and the COVID shutdowns. The year ahead is likely to see:

- A shallow US recession and worse in some other places such as the Eurozone
- A recovery in Chinese growth, by contrast, as pandemic restrictions are relaxed
- US inflation continuing to ease, ending 2023 at around 3.5%
- The US Federal Reserve to stop raising rates in 1Q and may start cutting interest rates by the second half of the year
- A 10% drop in global earnings per share

Just as 2022's global market turmoil reflected these forecast conditions for the year ahead, investors will likely start to focus on 2024's recovery during 2023. With the current equity bear market probably incomplete, CGWI enters the year positioned defensively, but expects to pivot as the year progresses.

"Over time, the US stock market has never bottomed before an associated recession has even begun, so we regard recent equity upside as a bear market rally," said **David Bailin, Chief Investment Officer and Head of Citi Global Wealth Investments**. "A year like 2022 can make holding excess cash seem tempting, but the clear lesson of history is that this almost always leads to missing opportunities when markets begin to recover. For 2023, we reiterate the fundamental wisdom of keeping portfolios fully invested, anticipating the opportunities that we expect."

CGWI sees a likely sequence of potential opportunities, including:

- Short-term US investment grade fixed income amid today's higher interest rate environment
- Defensive equities such as resilient dividend payers as the bear market continues for now
- Non-cyclical growth equities to bottom before cyclicals once the Fed pivots to cutting rates
- A subsequent entry point into more cyclical equities
- "Deep value" in select non-US assets and currencies once the US dollar peaks
- Certain alternative strategies to position for distressed and other opportunities following the recession

“The sharp declines across many asset classes in 2022 has left long-term valuations more attractive,” **said Steven Wieting, Chief Investment Strategist and Chief Economist at Citi Global Wealth Investments**. “For the first time in several years, for example, we see genuine portfolio value in fixed income. Short duration US Treasuries present a compelling alternative to holding cash.”

CGWI has also updated its case for “unstoppable trends,” the powerful multi-year phenomena that continue to reshape business and everyday life, as well as portfolios. These include digitization, aging populations, the rivalry between the US and China and the transition to clean and secure sources of energy. CGWI highlights ways to seek exposure to these transformational forces in portfolios.

In Asia, CGWI believes the region stands out, as China’s re-opening could offset the global slowdown and support regional growth.

Ken Peng, Head of Asia Investment Strategy at Citi Global Wealth Investments, said: “In equities, we seek exposure to recovery in China and Hong Kong, with initial focus on re-opening beneficiaries, followed by industries that have policy support. In fixed income, we favour higher rated financials, energy, materials and tech/telecom.”

Peng added that the weakest currencies of 2022 may gain the most in 2023, including the Japanese yen, Australian dollar and Chinese yuan.

The full Outlook report, summary versions, 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 | Blog: http://blog.citigroup.com | 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. 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, captures wealth management in the workplace through Global Wealth at Work and provides premium banking and lending service for clients of RIAs through Citi Alliance. Citi Global Wealth provides clients with a leading investment strategies platform, which delivers traditional and alternative investments, managed account strategies, best-in-class research and investment guidance for all clients.

Media Contact

Alvin Foo	alvin.foo@citi.com	+65 6657 5571
Linette Lin	linette.lin@citi.com	+65 6657 5289