

HEALTH WEALTH CAREER

# MERCER WEBCAST

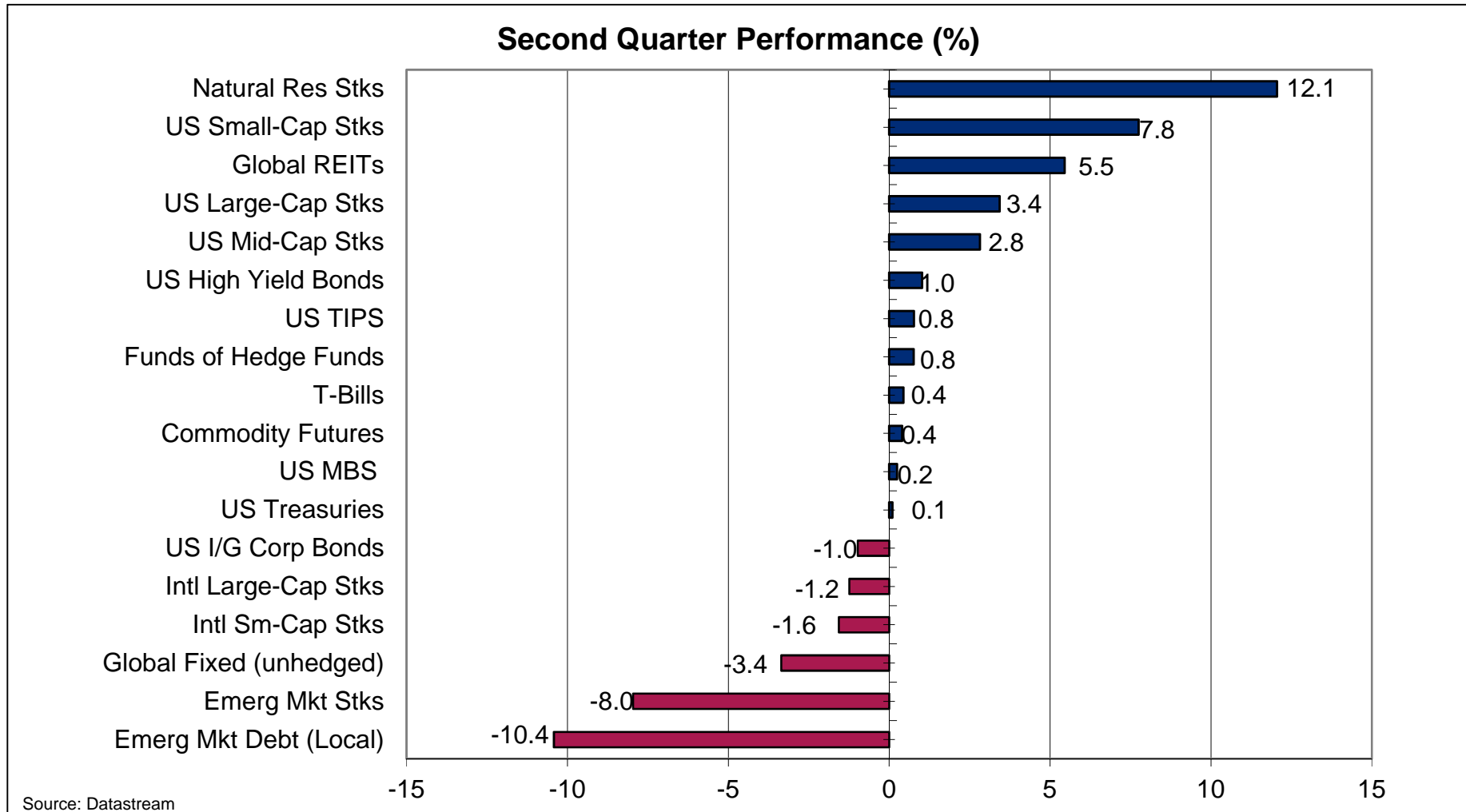
## QUARTERLY MARKET REVIEW

July 24, 2018

**Anthony Brown**  
US Director of Strategic Research

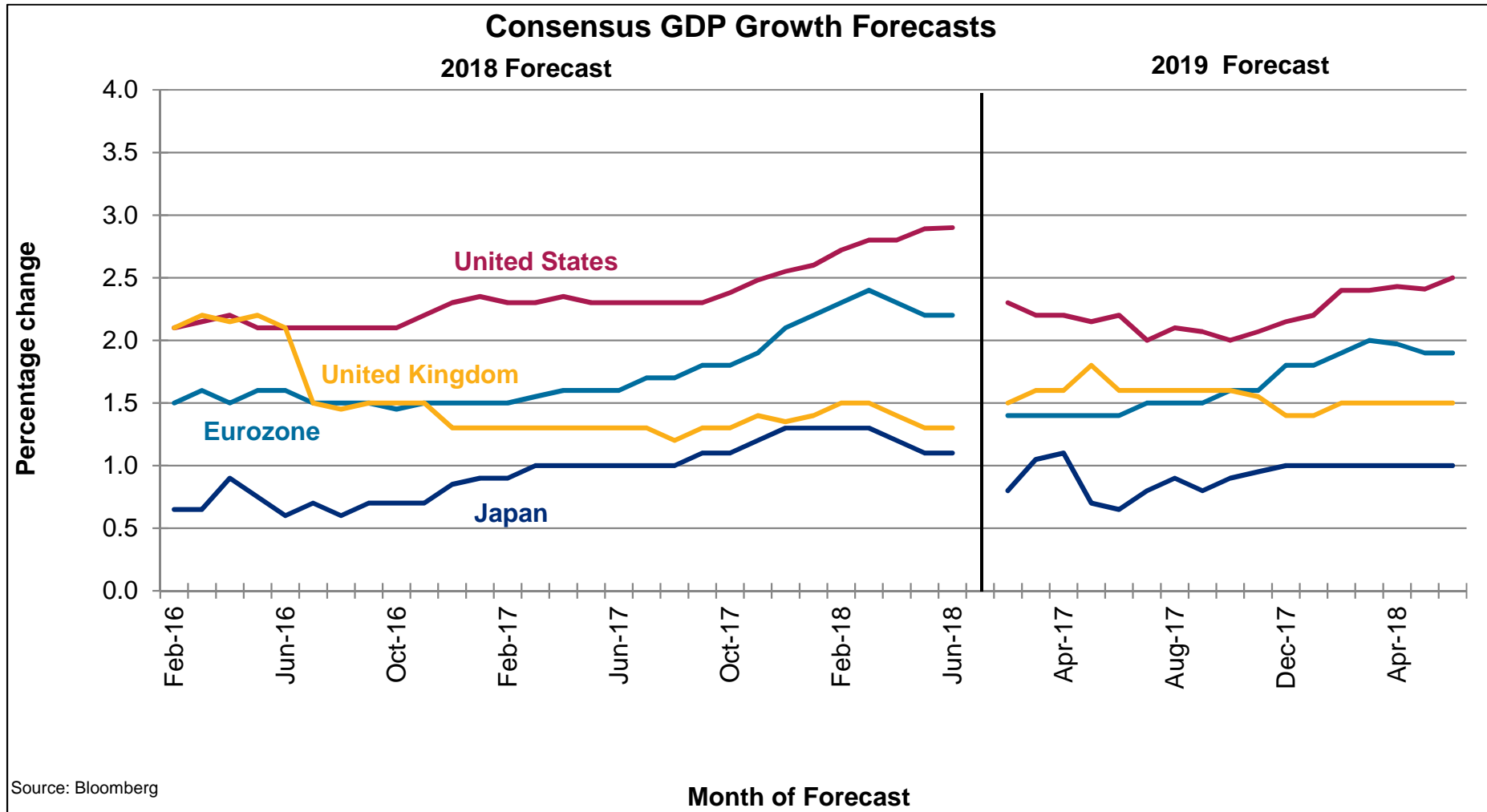


# WIDE DISPERSION IN ASSET CLASS RETURNS DURING THE QUARTER

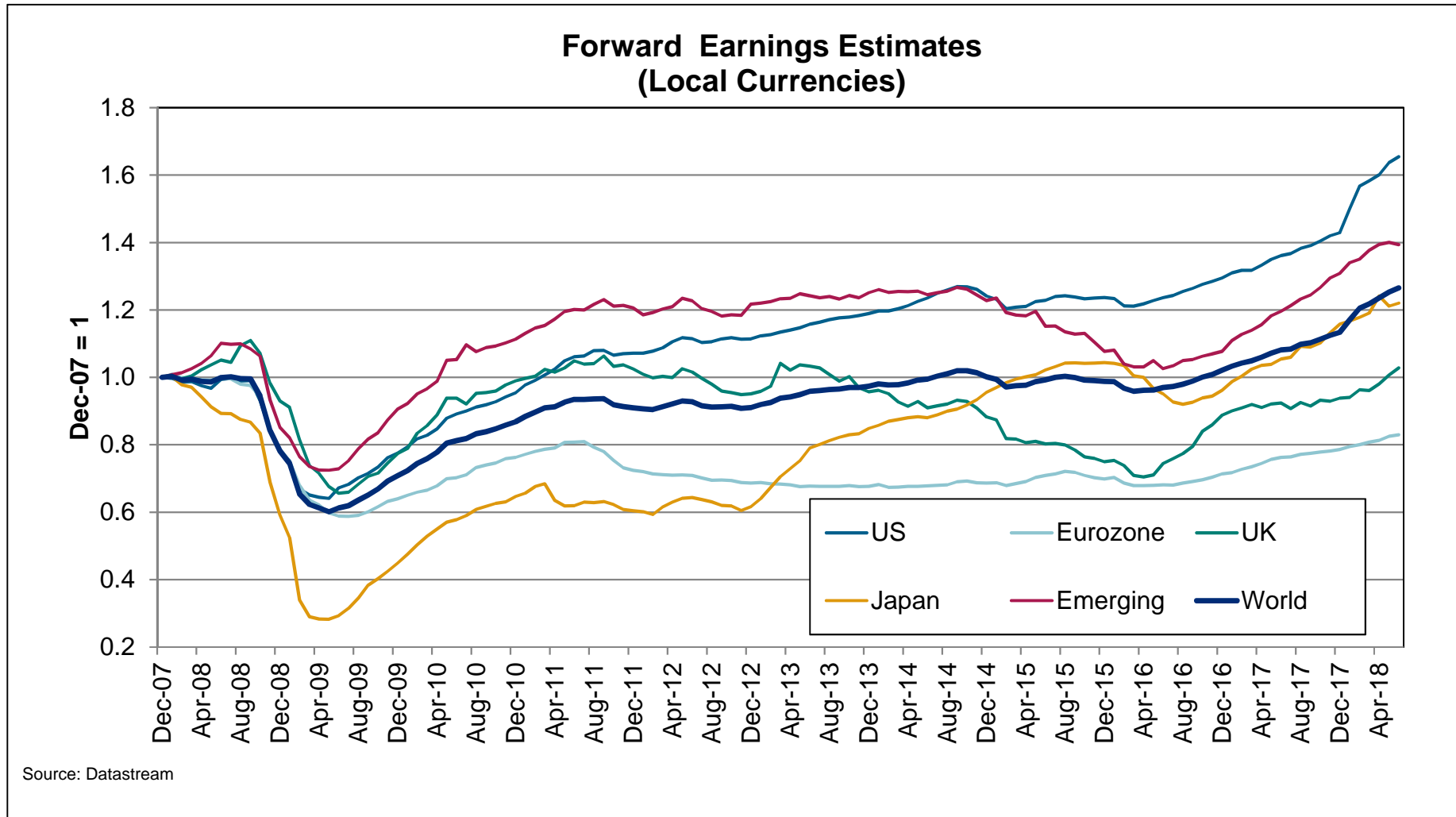


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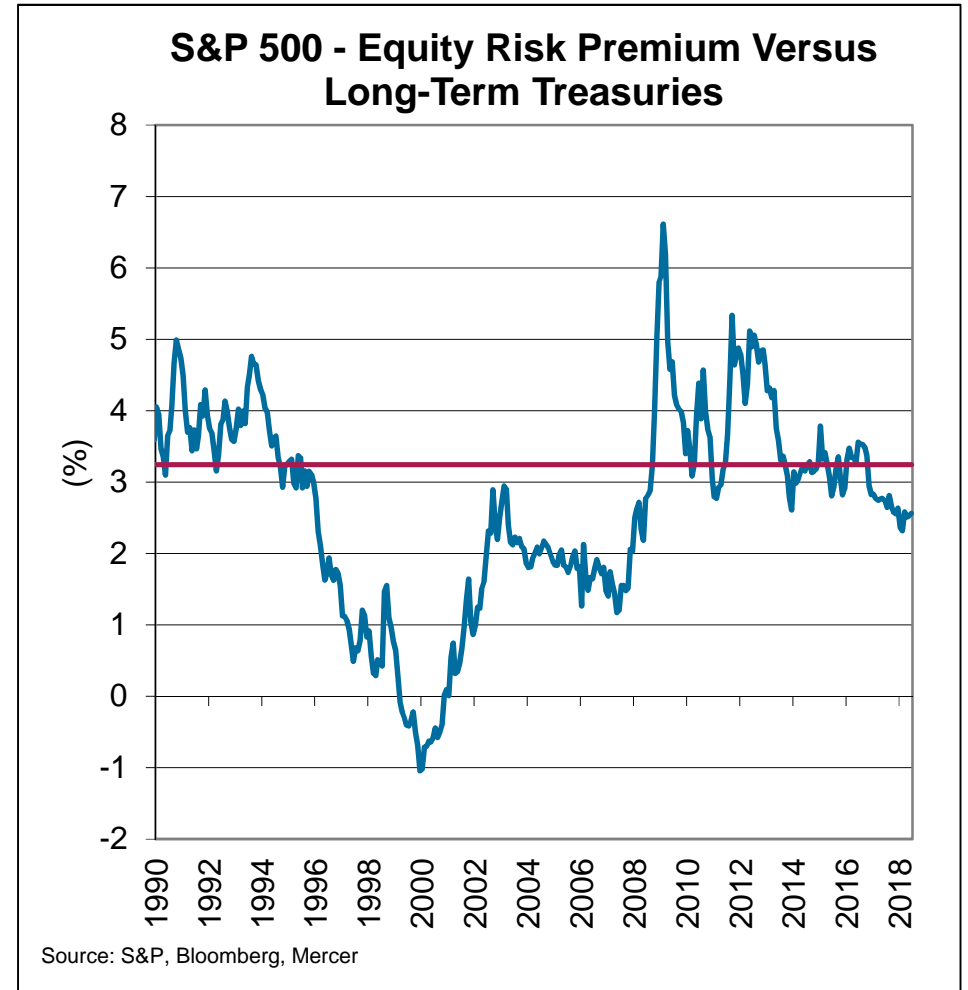
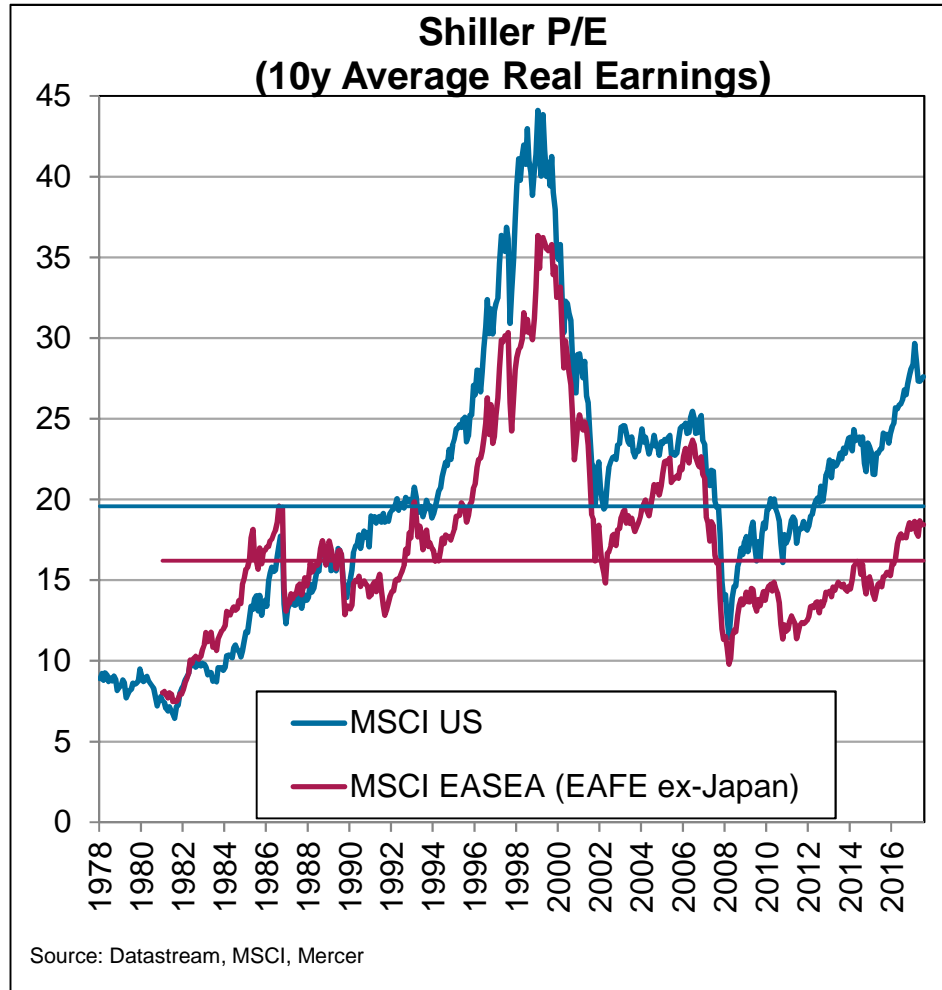
# GLOBAL ECONOMY STILL HEALTHY, BUT WITH GREATER DIVERGENCE



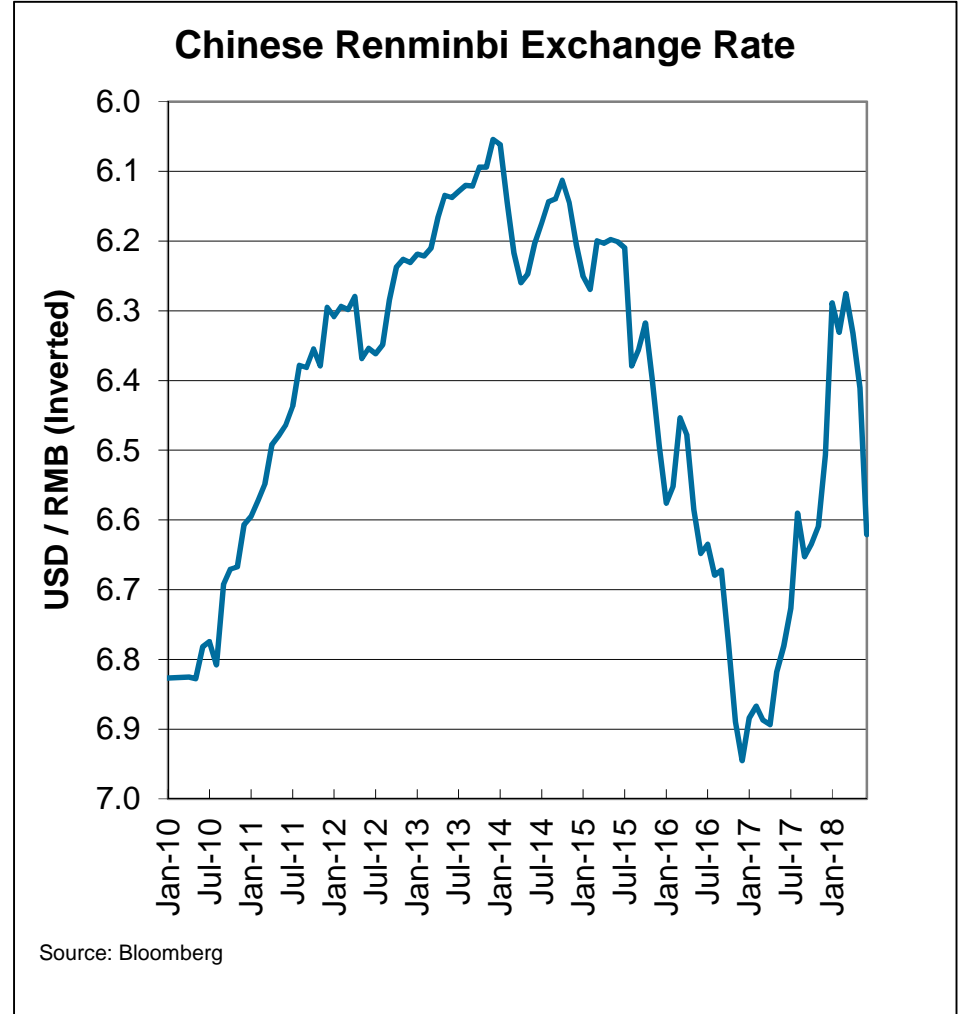
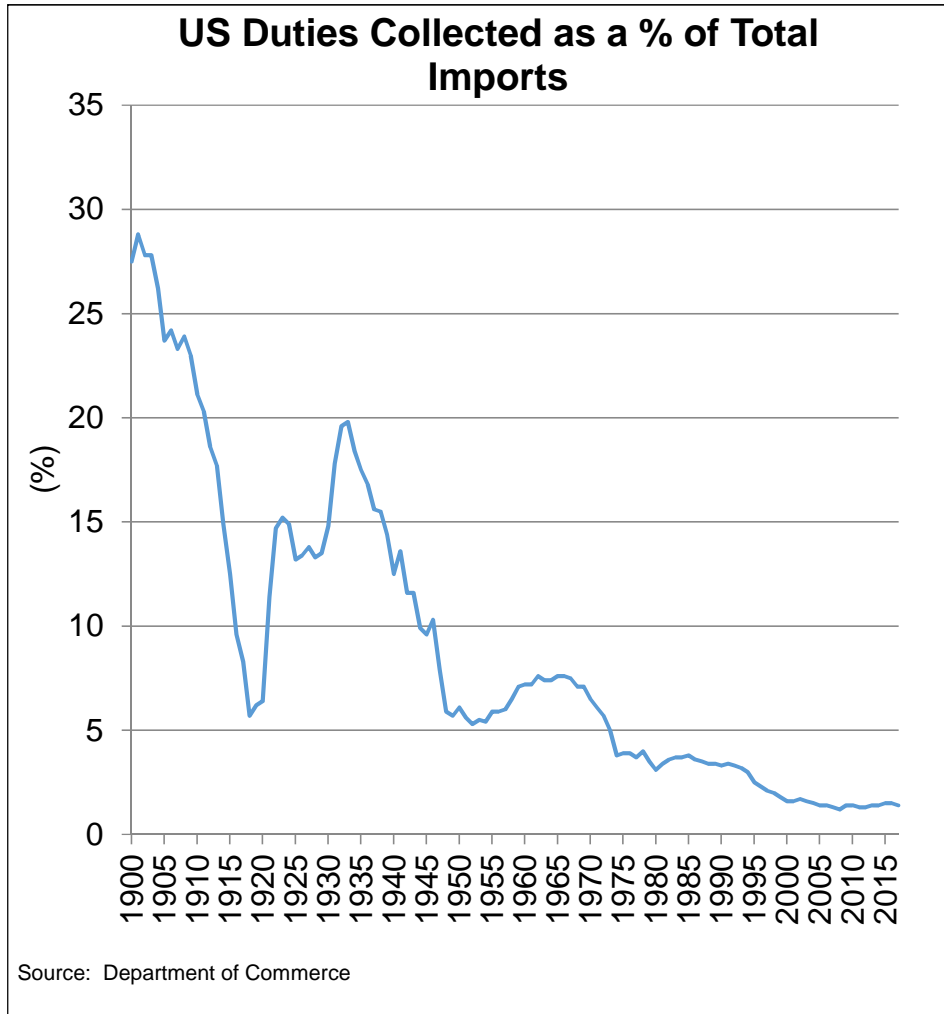
# EARNINGS GROWTH REMAINS SUPPORTIVE OF EQUITY MARKETS



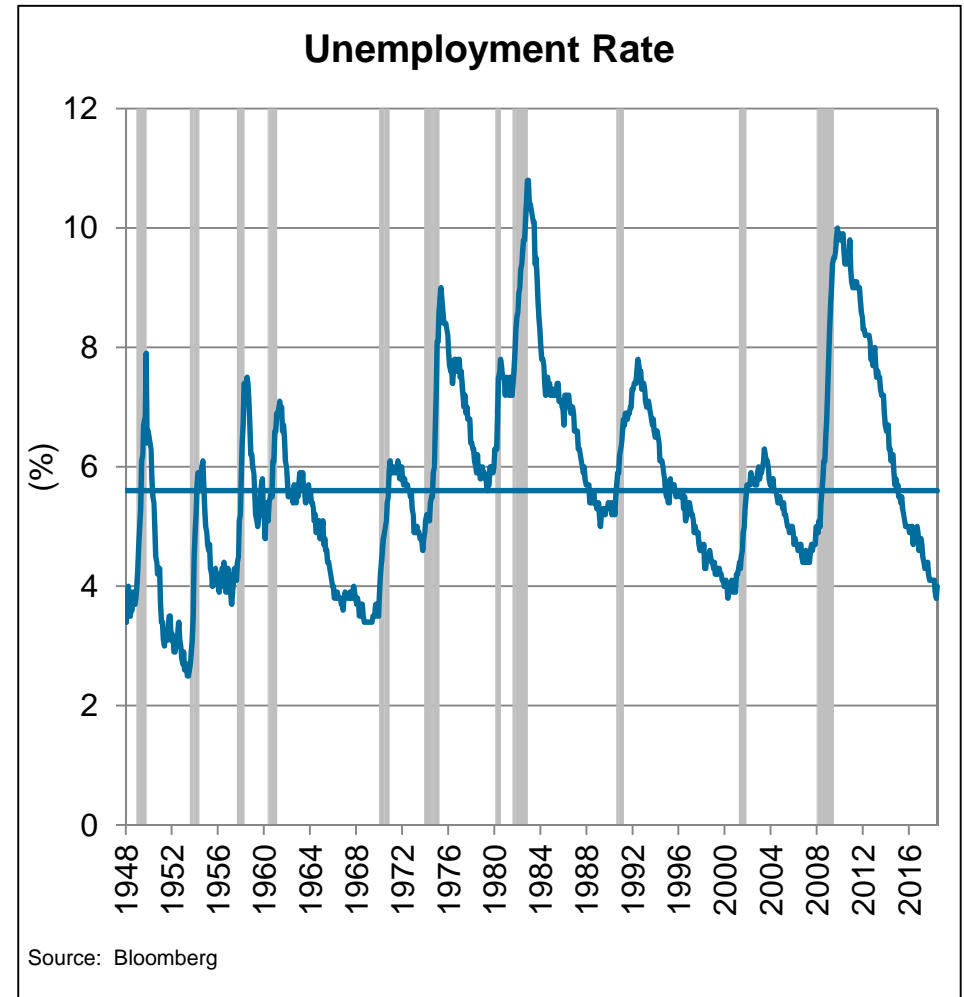
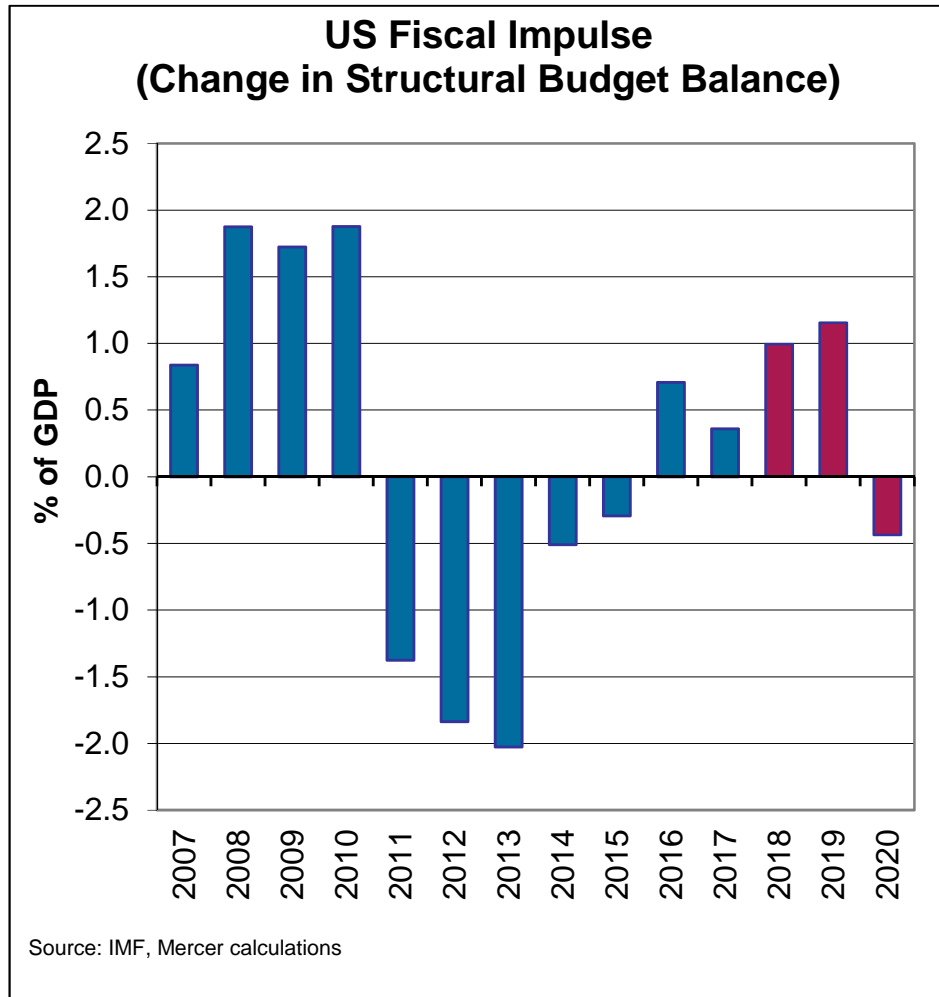
# EQUITY VALUATIONS REMAIN EXPENSIVE, BUT REASONABLE RELATIVE TO BONDS



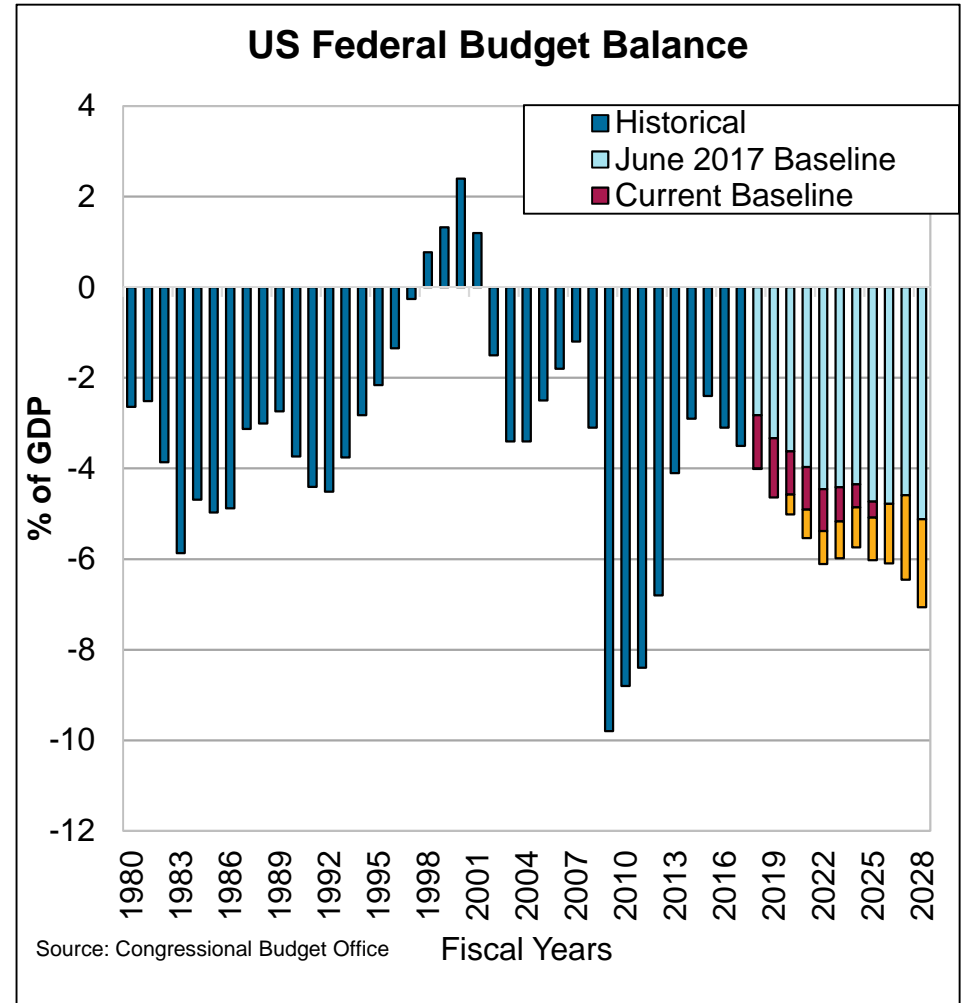
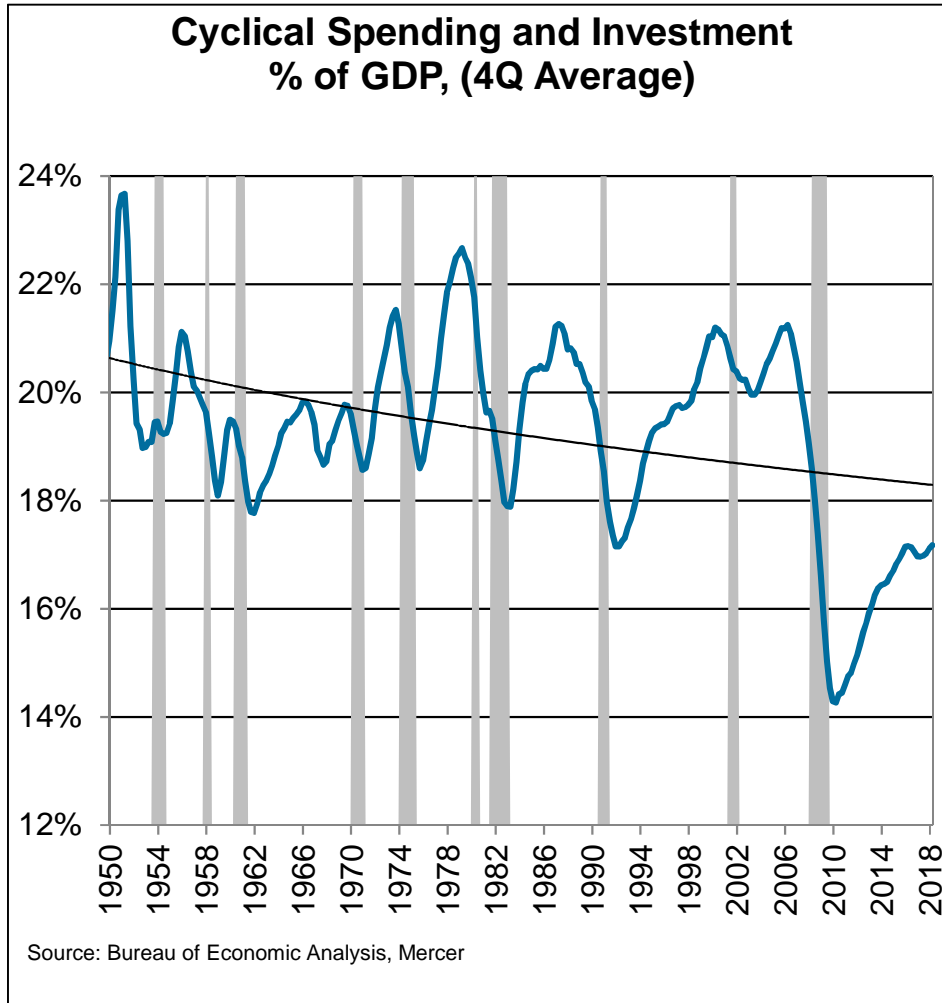
# TRADE TENSIONS ESCALATING



# THE US IS IN THE LATE STAGES OF THE ECONOMIC CYCLE

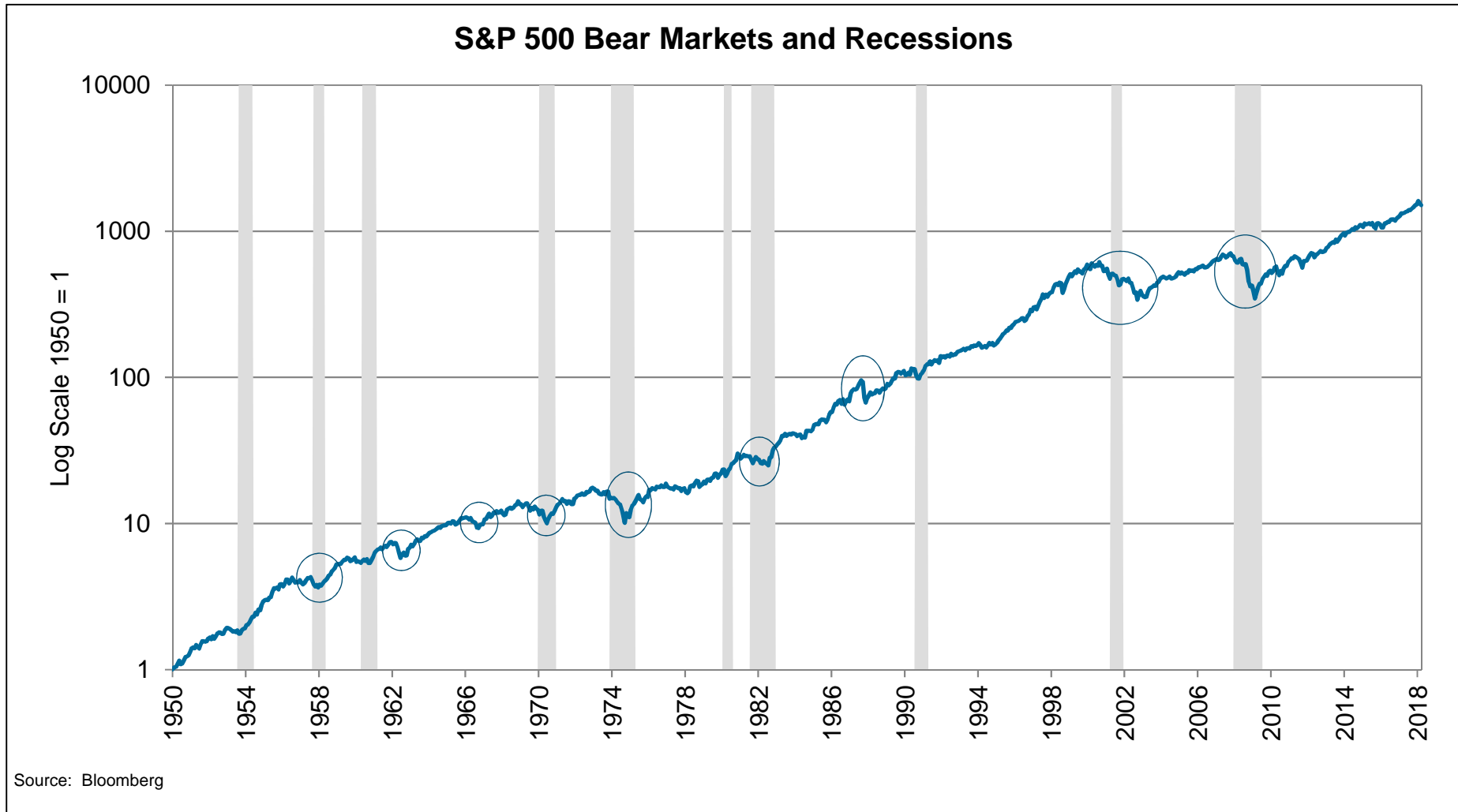


# THE NEXT RECESSION SHOULD BE MILD

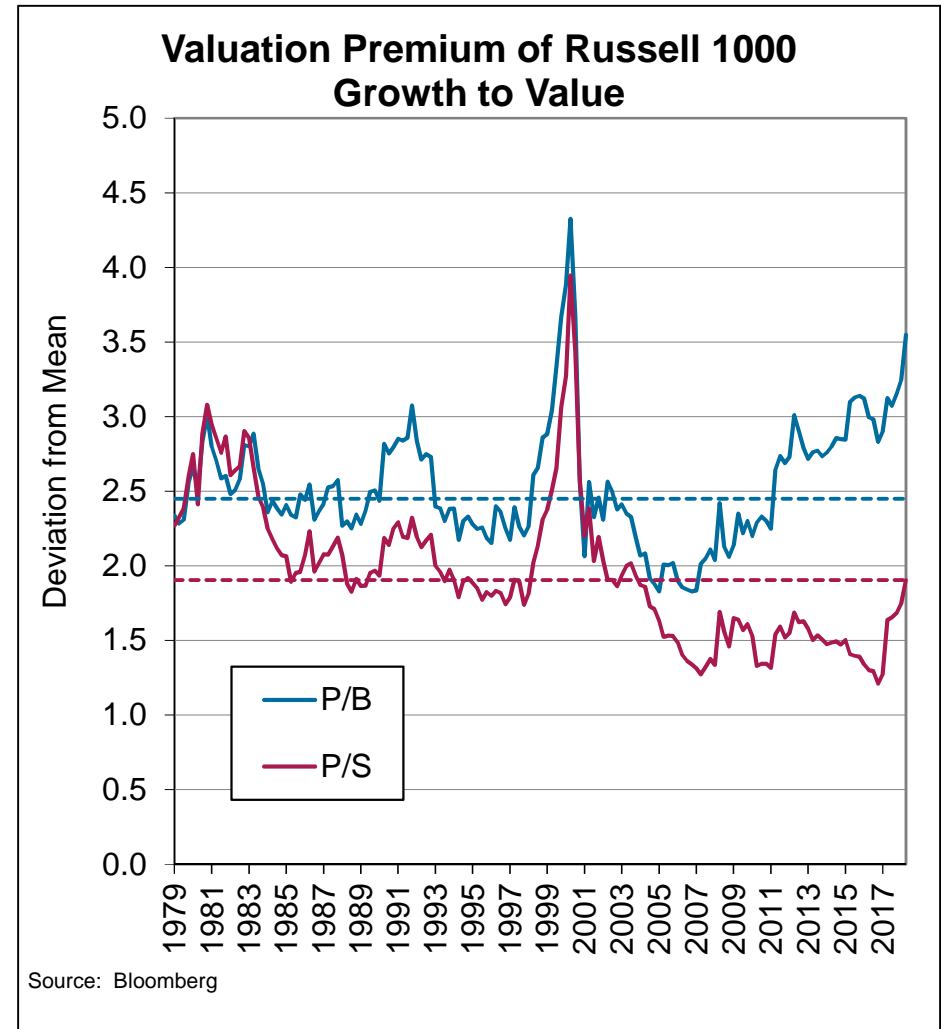
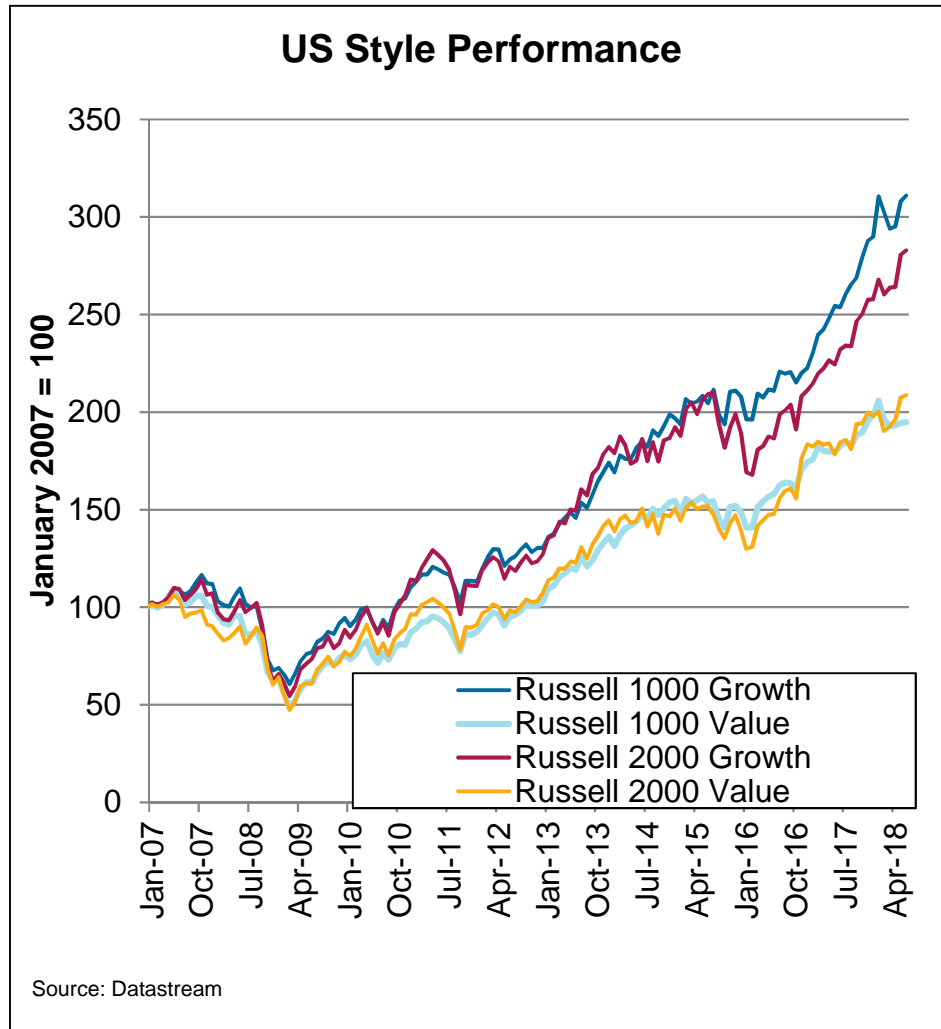




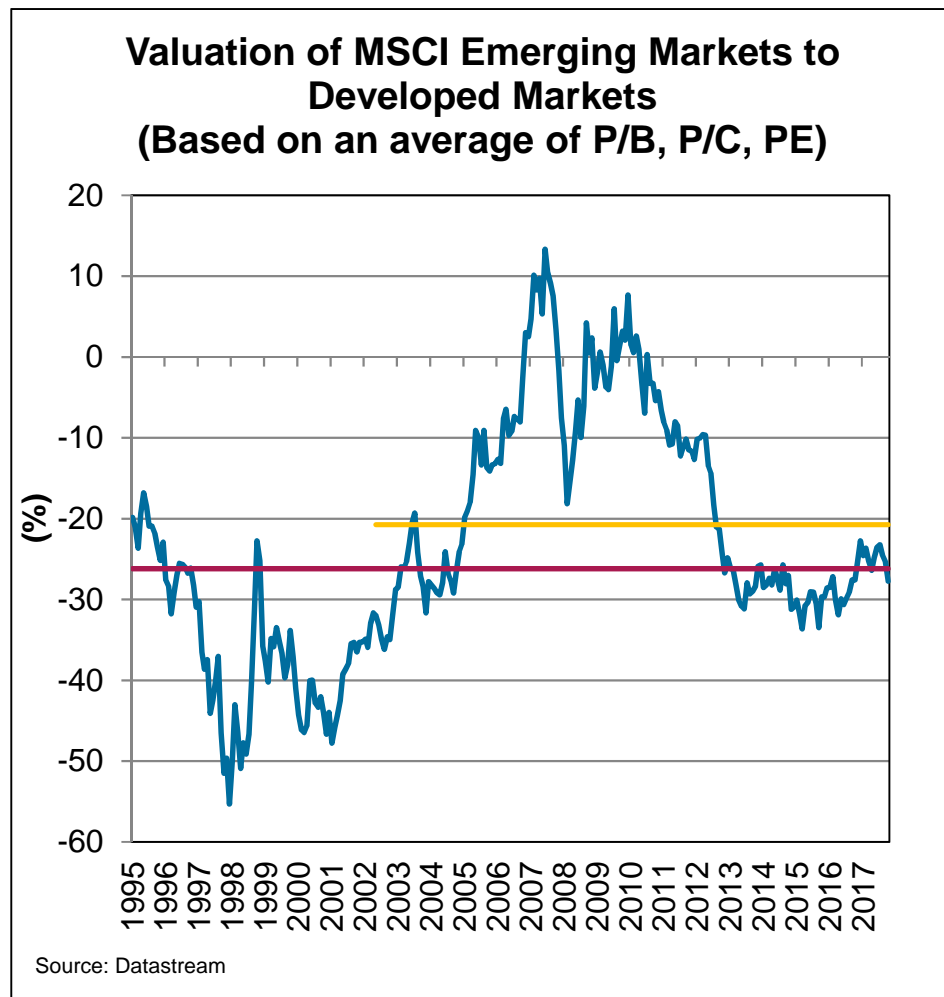
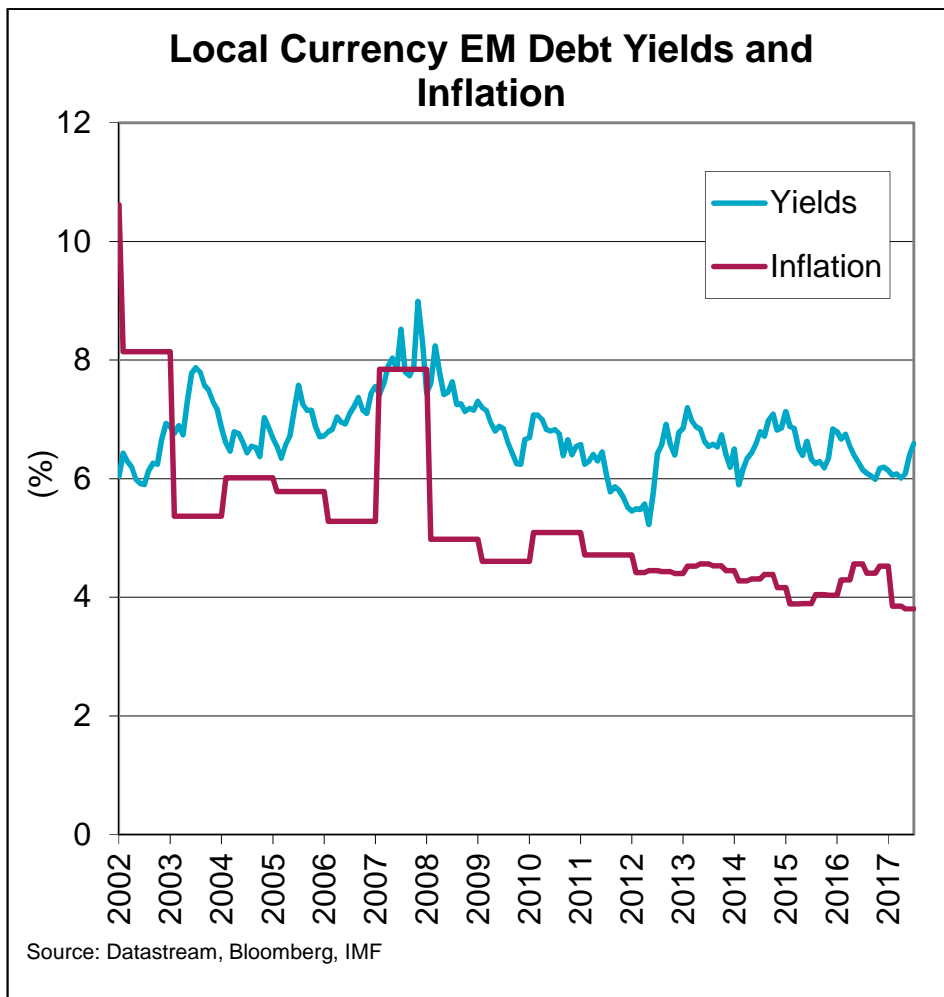
# BEAR MARKETS TYPICALLY OCCUR AROUND RECESSIONS



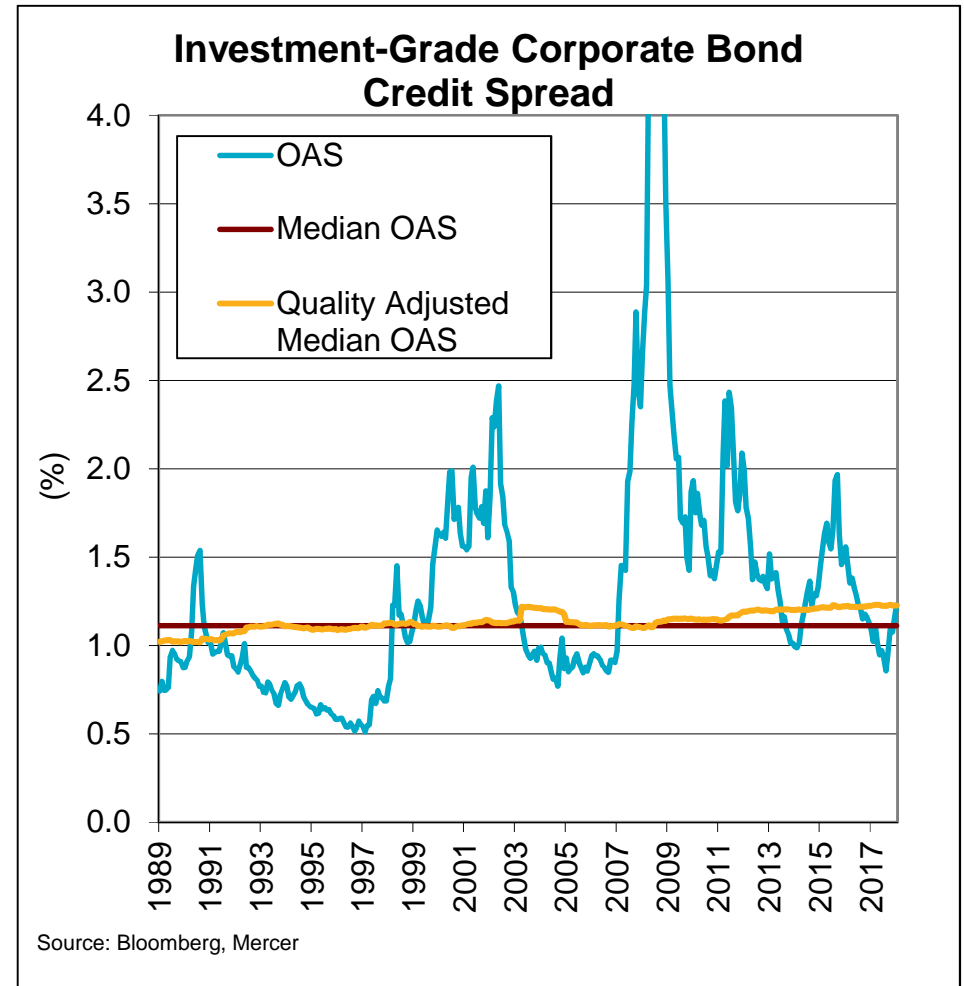
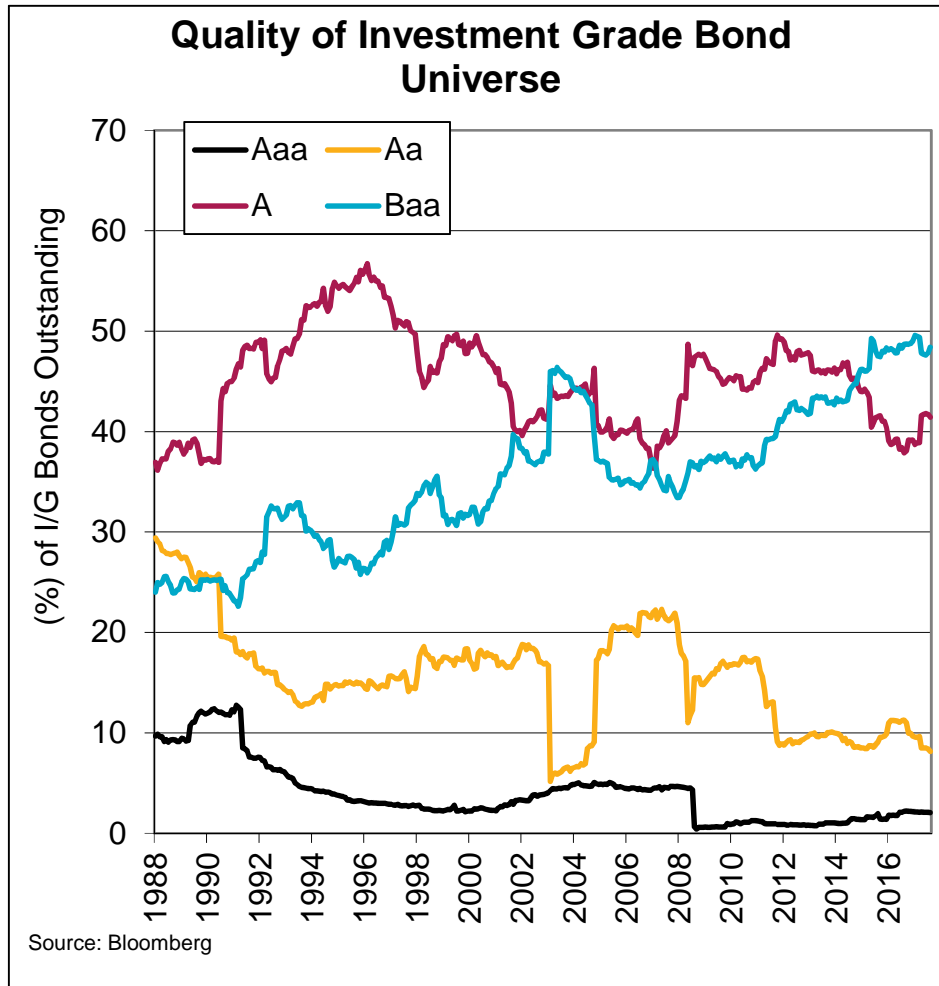
# GROWTH HAS CONTINUED TO TROUNCE VALUE



# CONTINUE TO FAVOR EMERGING MARKET ASSETS

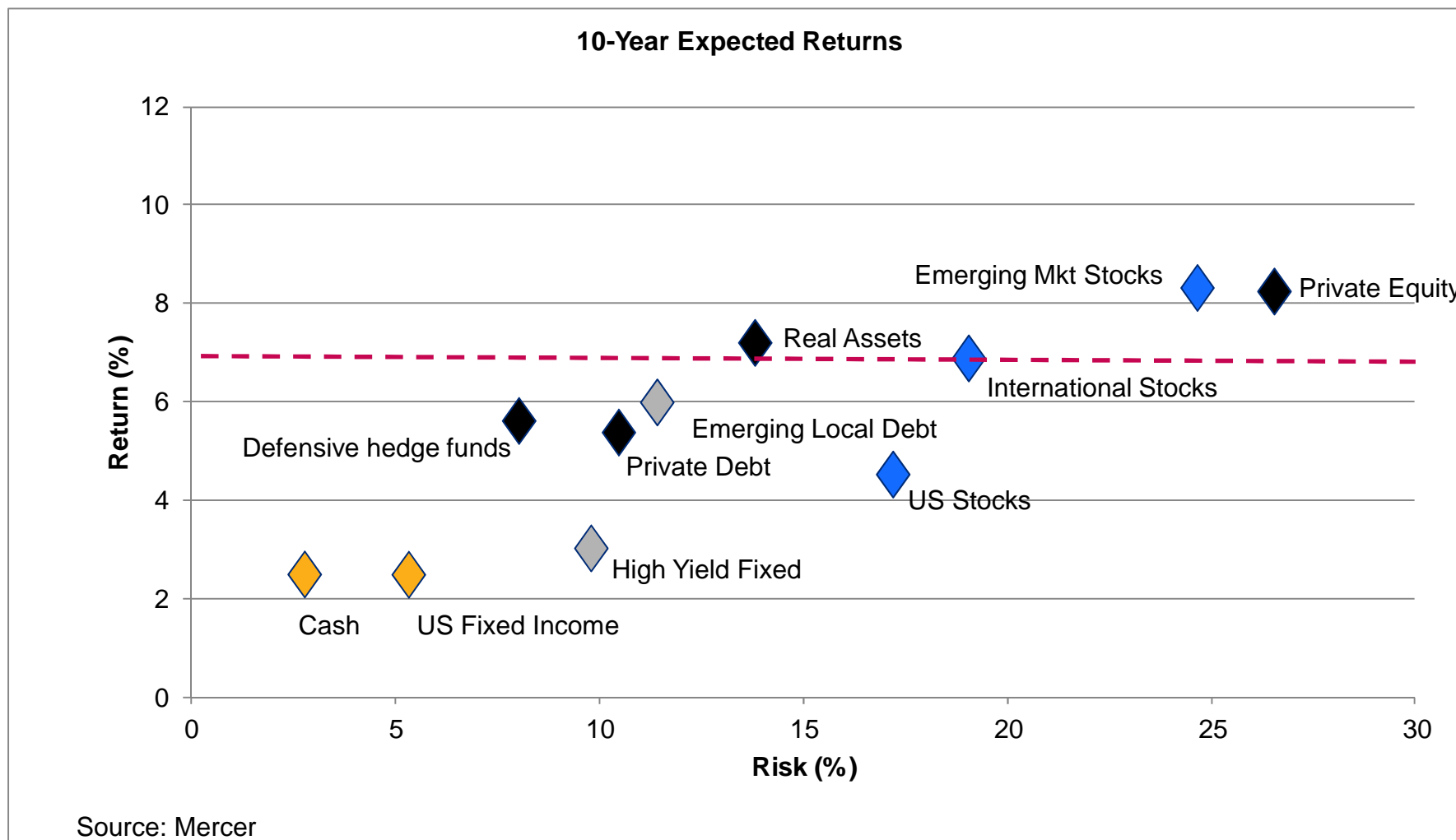


# UNDERWEIGHT CREDIT



# CAPITAL MARKETS ASSUMPTIONS

## 10-YEAR RETURN AND RISK EXPECTATIONS



**Note:** This forward-looking information is presented for illustrative purposes only. It should not be construed as a guarantee of future performance.

# SUMMARY

- Macro environment remains supportive of equities and other risky assets, but downside risks are building
  - Global growth slowing, but should remain above trend
  - Monetary policy tightening
  - Trade tensions rising
  - US recessions risks will rise in late-2019 and 2020
- Maintain neutral exposure to equities, underweight credit
- Continue to favor emerging market assets
- With low prospective returns on equities, credit and duration, defensive hedge funds and other alpha-oriented strategies are appealing
- Consider holding short-term cash flow needs in cash

# QUESTIONS?

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**MAKE**



**TOMORROW  
TODAY**

# DOLLAR REBOUND LED TO HIGH RETURN DISPERSION

