

## 2024 Market Outlook for Multi Assets

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### **What key themes will drive Multi Assets market performance in 2024 and where areas can investors find opportunity?**

While we don't have a crystal ball and we never try to outsmart the market, there are fundamentals that guide us and provide insight to navigate markets at this very dynamic time. Longer term, current bond valuations are (finally) attractive and that makes expected returns for Multi Assets portfolios very attractive over the longer term.

On the equity side, we are also optimistic long term, but we have an even higher conviction on low risk, high quality and attractively priced stocks that can deliver stable growth. These stocks trade, in some cases, at historically attractive relative valuations and can add significant convexity to clients' portfolios when implemented via long/short strategies.

### **What are the main risks and challenges Multi Assets investors may face in 2024?**

Stubbornly higher inflation (maybe driven by higher oil/energy prices) and low unemployment could keep adding pressure to monetary authorities, delaying the first interest cuts beyond the current expectations.

If yield curves continue to be inverted for longer, the broadly expected ear of the bonds could be further delayed. Moreover, this would imply that bonds correlations to equities will still be high, and they traditional diversification will nowhere to be found. If inflation decelerates, unemployment increases and the central banks are not rapid enough to change course, a recession could be stronger than expected, which would have an impact not only on earnings but also on credit defaults.

### **Do you think multi-strategy is a viable solution given the current uncertain market environment?**

Traditional methods of diversification reached their limits when the two most important asset classes – stocks and bonds – came under massive pressure at the same time last year. The current year 2023 has also been characterized by a lot of uncertainty so far and in the third quarter there was another sell-off in both stocks and bonds. This phenomenon marks a shift for

investors. You now have to find ways to deal with the new reality. In our view, the key to this is a change in perspective, where we think in terms of risk premiums instead of asset classes. The idea is to offer a range of liquid alternative investment solutions with different risk/reward profiles, but with one thing in common: looking beyond individual asset classes to benefit from selected risk premiums (both traditional and alternative). These liquid alternative solutions enable investors to increase the level of diversification at the portfolio level and generate positive returns with controlled risk. With the Nordea Alpha strategies and their wide range of different risk premiums, innovative and well-aligned investment portfolios can be put together that can meet the expectations of customers with different return requirements and risk profiles. Given the current difficult market environment, true diversification is needed to cushion long-term market risks.

## About Nordea Asset Management

Nordea Asset Management (NAM, AuM 240bn EUR\*), is part of the Nordea Group, the largest financial services group in the Nordic region (AuM 360bn EUR\*). NAM offers European and global investors exposure to a broad set of investment funds. We serve a wide range of clients and distributors which include banks, asset managers, independent financial advisors and insurance companies.

Nordea Asset Management has a presence in Bonn, Brussels, Copenhagen, Frankfurt, Helsinki, Lisbon, London, Luxembourg, Madrid, Milan, New York, Oslo, Paris, Santiago de Chile, Singapore, Stockholm, Vienna and Zurich. Nordea's local presence goes hand in hand with the objective of being accessible and offering the best service to clients.

Nordea's success is based on a sustainable and unique multi-boutique approach that combines the expertise of specialised internal boutiques with exclusive external competences allowing us to deliver alpha in a stable way for the benefit of our clients. NAM solutions cover all asset classes from fixed income and equity to multi asset solutions, and manage local and European as well as US, global and emerging market products. While most investors will still seek an exposure to equity markets, it is understandable if there is an increased desire to reduce risk.

Having entered the ESG space over 30 years ago, Responsible Investment is deeply rooted in our Nordic DNA. As an ESG pioneer and market leader we established an award-winning RI Team in 2009—now one of the largest in Europe. We currently offer a broad suite of RI solutions to investors of all types across the globe.

*\* Source: Nordea Investment Funds S.A., 30.09.2023*

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