

**Equities are supported by reasonable valuations and abundant liquidity. Economic performance will determine the strength of earnings and may result in substantial price volatility. Interest rates are likely to remain at low levels.**

#### Upside risks to outlook:

- Additional co-ordinated global policy action.
- Corporate spending in the US boosts growth.
- Eurozone resolution; peripheral bond yields fall further.
- Economics and earnings results surprise on the upside.

#### Downside risks to outlook:

- Renewed Eurozone tensions.
- Fiscal worries in the US intensify.
- Combined impact of austerity measures hurts global growth.
- Increased Middle East tensions, oil supply disruption.

### Economic Growth

#### Has economic growth troughed?

- Global economic growth has likely troughed in 2012, but how strong is the recovery?
- ECB policy action has addressed Eurozone break-up fears, but deleveraging effects are still in place for peripheral European countries.
- Inflationary pressures are likely to be contained across the globe in 2013.
- Policymakers in China have navigated the political transition, growth to pick up momentum?

### Equity Markets

#### Equities are the most attractive asset class on a valuation basis.

- On a price earnings basis, equity markets offer reasonable value in an historical context.
- Consensus expectations are for 12% earnings' growth globally, although there are clear risks to this.
- Central bank policies are forcing investors into risk assets.
- Positioning could help equity market performance as institutional equity holdings remain low by historical standards.

### Interest Rates & Bonds

#### Yields to remain low in 2013.

- Core Eurozone bond yields to remain in a tight range at low levels in 2013.
- Further measures to tackle the European sovereign debt crisis could see peripheral bond yields move lower during the next 12 months.
- Eurozone rates should remain low for an extended period of time. The ECB to continue to combat the crisis.
- US and UK short term rates are expected to remain at current emergency levels until at least 2015.

### Currency & Commodity Markets

#### Currencies, a race to the bottom?

- A key issue is that no major country wants a strong currency.
- Expect no change in this stance during 2013.
- Gold could continue to be a beneficiary of abundant liquidity.
- Global economic conditions will dictate commodity prices.

This outlook of potential investment market developments in 2013 does not constitute an offer and should not be taken as a recommendation from Zurich Life. Advice should always be sought from an appropriately qualified professional.