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Macquarie Investment Management releases its Outlook 2020: A Decade at Dawn

Once-unthinkable conditions persist in the bond markets, but opportunities for growth remain in global equities and alternatives

PHILADELPHIA, Dec. 17, 2019 — Macquarie Investment Management today issued its “*Outlook 2020: A Decade at Dawn*,” which provides in-depth commentary on global equities, fixed income, and alternative markets and the factors driving them in the coming year and beyond.

“Despite continued macroeconomic and geopolitical uncertainty as we enter 2020, we are aware of the possibility of slow growth across markets and see a range of opportunities for active management,” said Shawn Lytle, global head of Macquarie Investment Management and president of Delaware Funds® by Macquarie. “While we will maintain a defensive tilt in fixed income as once-inconceivable conditions persist, we believe that equity markets can continue to deliver solid returns and are seeing increasing demand for alternatives and real assets, driven by a surge in the sustainable finance market.”

Following are highlights of the firm’s 2020 outlook for specific asset classes:

Global equities

“Our outlook for slow sustainable growth in 2020 leads us to believe that stock selection has the potential to provide stronger returns in the year ahead, though we expect a modest decline of growth in several major regions, including the US, the Eurozone, and China,” said John Leonard, global head of equities for Macquarie Investment Management.

Macquarie sees the following market themes across its 12 boutique equity investment teams:

- Managers do not anticipate a sharp drop in economic activity, despite potential headwinds associated with trade disputes, the US presidential election, and growing debt levels globally.
- If the environment remains stable, opportunities could be found in the United States, in other developed markets, and in emerging markets. Our view is that investor sentiment seems to expect that the US economy will continue to grow in 2020, given the combination of a strong labor market and robust consumer spending.
- The Organisation for Economic Cooperation and Development (OECD) forecasts that the Chinese economy may grow at a slower rate in 2020 than over the past decade, which may affect companies and countries around the world, but Macquarie believes the Chinese economy remains quite robust. China’s sphere of influence continues to expand, particularly in clean energy and 5G communications technology.

- Managers are optimistic about the outlooks for sectors such as software, Internet, and mobile technology – especially among small-cap equities.
- Several teams believe that healthcare spending globally appear likely to continue to rise as the populations of developed countries continue to age.
- Value teams continue to search for income-generating securities, which would likely benefit if the market environment remains somewhat volatile.
- Portfolio managers covering materials and natural resources have a generally positive view on “protein producers” and lumber but believe small-cap energy producers could face some headwinds.

Global fixed income

“As we look towards 2020, the key question on our minds is, can the insatiable chase for yield extend the cycle (again)?” said Brett Lewthwaite, chief investment officer and global head of fixed income for Macquarie Investment Management. “The global central bank pivot that we witnessed in 2019 back to the resumption of “unthinkable” support and easing, has reignited the chase for yield. This occurred despite a deterioration in global growth fundamentals, led by China, and the bond market’s warnings of a possible recession.”

Against this backdrop:

- Recognize the bond market rarely gets it wrong and a sustained curve inversion of the yield curve and proliferation of negative yields globally warrants close attention.
- Acknowledge the usual signs of a recession appear absent, yet some signals and late-cycle cracks are appearing.
- Pay close attention to economic data from China and watch credit markets, in particular high yield spreads, for signals as to whether this cycle can, once again, be extended.
- Continue to hold, and accumulate duration on backup in yields, participate in credit, with an opportunistic and cautious approach to the higher risk sectors.

Real assets and alternatives

“In a world of continued low and negative yield, overall demand for alternatives and real assets remains strong,” said Andrea Mody, head of alternatives, client solutions group, Americas, Macquarie Asset Management. “We expect growth in renewable energy solutions, strengthening ESG policies, and a growing need for sustainable development worldwide to reshape the investment landscape in the decade ahead.”

Key themes include:

- Rising competition, “product innovation,” and interest in sustainable investing appear poised to drive demand for alternative investments as the next decade unfolds.
- Decreases in the cost of wind and solar generation are giving rise to rapid growth in the deployment of these assets.
- Battery storage systems are expected to reshape energy infrastructure over time, transforming electricity networks from fossil fuels to renewables.

To view the complete *Outlook 2020* [click here](#).

For additional *Outlook 2020* resources: <https://www.macquarieim.com/insights/outlooks>.

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About Macquarie Investment Management

Macquarie Asset Management (MAM) is the asset management division of Macquarie Group. MAM is a full-service asset manager offering a diverse range of products including securities investment management, infrastructure and real asset management, and fund and equity-based structured products. MAM is comprised of two groups, Macquarie Infrastructure and Real Assets (MIRA) and Macquarie Investment Management (MIM).

Macquarie Investment Management is a global asset manager with offices throughout the United States, Europe, Asia, and Australia. As active managers, we prioritize autonomy and accountability at the team level in pursuit of opportunities that matter for clients. Our conviction-based, long-term approach has led institutional and individual clients to entrust us to manage more than \$US233.5 billion in assets as of September 30, 2019. In the US, retail investors recognize our Delaware Funds by Macquarie family of funds as one of the longest standing mutual fund families, with more than 80 years in existence. Macquarie Investment Management is a division of Macquarie Asset Management, a global asset manager with more than \$US379.3 billion in assets under management as of September 30, 2019.

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Investing involves risk including the possible loss of principal.

The views expressed represent the investment team's assessment of the market environment as of the date indicated and should not be considered a recommendation to buy, hold, or sell any security, and should not be relied on as research or investment advice.

Duration, measured in years, is an indicator of a bond's sensitivity to interest rates. In general, given a 1% change in interest rates, a bond or bond fund's price will move 1% in the opposite direction for each year of duration.

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