

Media Release
15 January 2018

Beware inflation: 2018 Market outlook

Where are markets headed in 2018- the view from Legg Mason

The outlook for investment markets is positive for 2018, but investors need to remain on full alert, according to a report by Legg Mason, one of the world's largest funds management groups with nearly a trillion dollars in funds under management.

The *Outlook 2018 Report*, the combined view of Legg Mason's affiliate managers, says the outlook for this year can be neatly summed up by that old adage – "focus on the fundamentals".

Andy Sowerby, the Australian head of Legg Mason, says the consensus of the report is that our affiliates find few reasons to expect the positive investment environment to deteriorate, but don't believe investors should adopt the "rising tide" philosophy.

"On the contrary, given current valuations gains, this year could well require the kind of selective approach to sectors and securities that is practised by active managers.

"The report states that economic conditions appear positive in nearly all regions - the first time that global growth has been this synchronised since 2011, with no major economies mired in recession.

"This expansion has yet to provoke a major uptick in inflation, and for 2018, the International Monetary Fund projects it to average 1.7% in advanced economies before converging on 2% over the medium term.

"This benign scenario reflects in part the finesse major central banks have shown in gauging the pace of recovery and effectively communicating their planned monetary policy changes to financial markets," he said.

Key take-outs from the Legg Mason 2018 Outlook Report are:

Unconstrained Fixed Income specialist Brandywine Global: *"The dominant trend at the commencement of 2018 is the breadth, depth and strength of the current economic expansion."*

Specialist equity investor Martin Currie: *"We appear to have moved from a low-growth, low-inflation environment to the so-called 'Goldilocks' scenario of higher growth and low inflation."*

Global Fixed income leader Western Asset Management notes: *"US growth in the coming year is likely to exceed 2% and we see positive developments in China following its attempts to tame its bond market and increase its integration with the global financial system. China's currency is ceasing to deteriorate, and now beginning to improve."*

Download the full report [here](#).

About Legg Mason

Legg Mason is one of the world's largest funds management groups, with a history that dates to 1899 with the head office in Baltimore, USA. The firm is listed on the New York Stock Exchange and employs approximately 3,400 employees in 40 offices worldwide. One of Legg Mason's most distinguishing characteristics is its global multi-affiliate model. Legg Mason provides a global platform and centralised business and distribution support for its nine affiliated fund managers that include: Brandywine Global, Clarion Partners, ClearBridge, EnTrustPermal, Martin Currie, RARE Infrastructure, Royce & Associates, QS Investors and Western Asset. Each affiliate operates independently under its own brand and investment process, and is considered an industry expert in its asset class.

- Australia operations started in 1954, local offices in Melbourne and Sydney
- Funds under management in Australia A\$54 billion as at 30 September 2017
- Globally funds under management A\$962 billion as at 30 September 2017

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