FIS GROUP

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# FIS Group Q2 2016 Outlook: Equities Elude the Four Horsemen . . . Again

*Rallying risk assets driven by*

*central bank policies and currency movements*

**PHILADELPHIA, PA, April 19, 2016 –** FIS Group, a manager of U.S. and global developed, emerging and frontier markets equity portfolio strategies, today issued its Q2 2016 Market Outlook. This new report recaps the resurgence in risk assets post February 12th and updates FIS Group's 2016 themes including the emerging markets (EM) rally, a disappointing quarter for Japan, China's shift from reform to stimulus, and the USD/Federal Reserve policy "negative feedback loop."

Titled, "Equities Elude the Four Horsemen . . . Again," the FIS Group Q2 2016 Market Outlook includes an analysis of its Global Equity Risk Indicator, which continues to show a positive reading of risk in the global equity environment. Accordingly, the FIS Group tactical models forecasted outperformance and moderate convictions in Japanese and Chinese equities, and outperformance and low conviction in European and Indian equities. The models also suggest some opportunities in the information technology, health care, energy and financials sectors.

"Globally, for the balance of the year, relative equity market performance will remain closely correlated with currency swings and Fed policy until corporate earnings regain positive momentum. Continued U.S. equity outperformance relative to the Euro Area and Japan will likely depend on whether earnings upgrades precede a rebound in Fed rate expectations," said Tina Byles Williams, CEO and CIO of FIS Group.

FIS Group outlines the four forces that lie behind the post February 12th resurgence in risk assets:

1. Intense policy support from G3 central banks: the Bank of Japan and the European Central Bank via Negative Interest Rate Policy (NIRP) and the Federal Reserve via Janet Yellen's dovish speech that completely priced out an April Fed hike and weakened the dollar.
2. Receding fears of a global recession and more specifically, a China hard landing as supportive fiscal and monetary policy began to bear fruit.
3. Commodity prices rebounding from oversold levels which helped to boost EM assets (particularly for commodity producers) and further ignite a rally in high yield.
4. Rebalancing flows and technical short covering from oversold levels into EM assets.

"The sustainability of the Q1 rally will depend on whether these forces persist. It is therefore encouraging that several key economic indicators improved since the markets rioted earlier this year," added Ms. Byles Williams.

The outlook also includes a Special Analysis on the continued, rising impact of global currencies on the pricing of risk assets. Additionally, the Special Section of the outlook details Brazil's political and economic backdrop, why President Dilma Rousseff won't resign, and the markets succumbing to overly irrational exuberance in rallying to Brazilian equities on the expectation or hope that the days of the current government are numbered.

In addition to its quarterly Market Outlooks, which are based on research that examines market conditions, Ms. Byles Williams contributes to FIS Group's Market Insights Alerts, which examine global economic themes and are published throughout the year. The last Market Insights Alert was published in March 2016.

**About FIS Group**

FIS Group is an investment management firm that provides customized manager of managers investment solutions for institutional investors. For 19 years, we have delivered risk-adjusted returns by conquering the complexity of identifying high skill, high active share entrepreneurial managers that have gone largely undiscovered by the institutional investor community. Unique among our peers, FIS Group enhances risk-adjusted returns by using macro strategy insights to allocate capital among the managers and/or through a global macro tactical completion strategy. Our culture is a fusion of relentless curiosity and a scientific, disciplined process.

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