

# Fed Tapering: Turning Point or “Technicality”?

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How high can US rates go?

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Is there any good news in Europe?

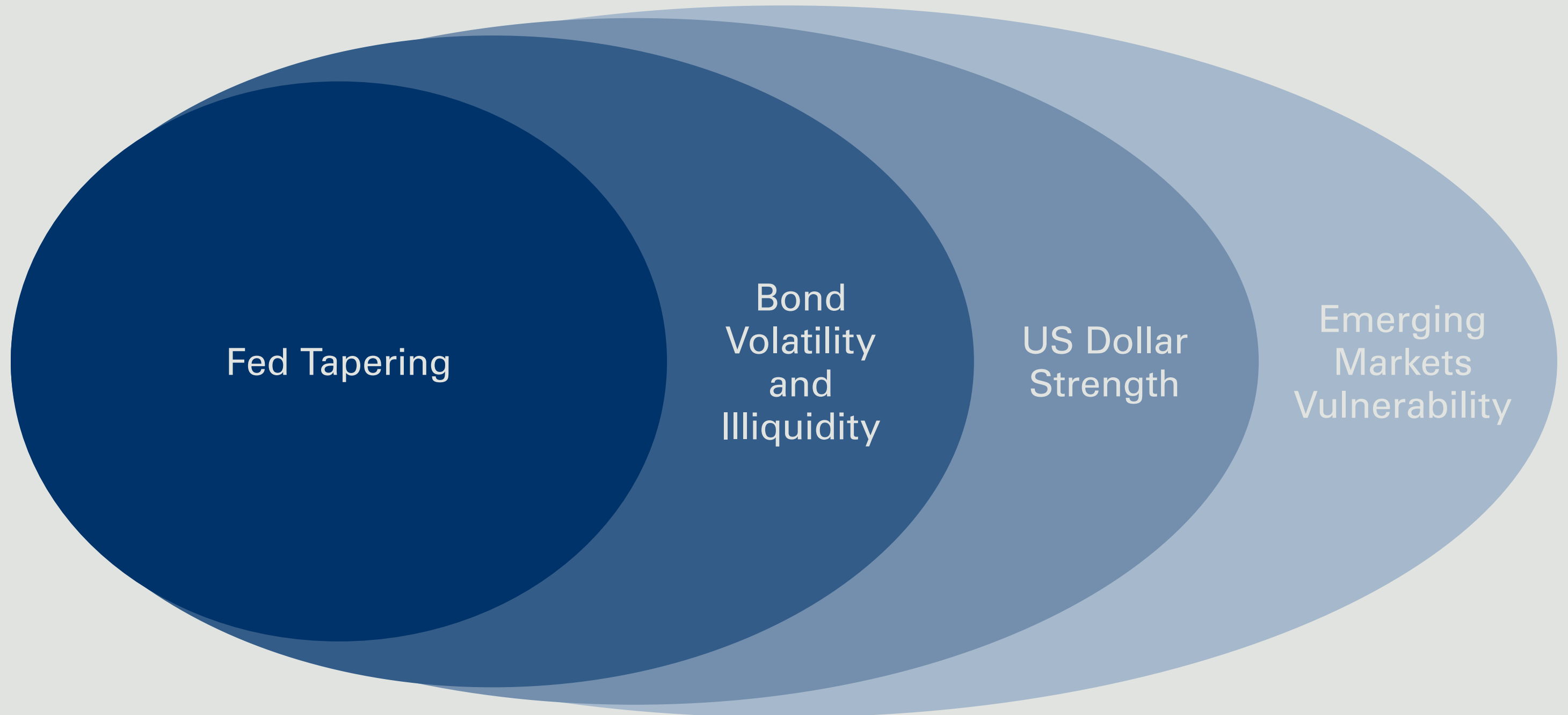
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What does slowing growth in China mean?

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Will Abenomics revive animal spirits in Japan?

# Ripple Effects of Fed Tapering



## Macro Dynamic

Fed tapering



## Financial Market Impact

Higher bond volatility/lower liquidity

Global DM growth improvement



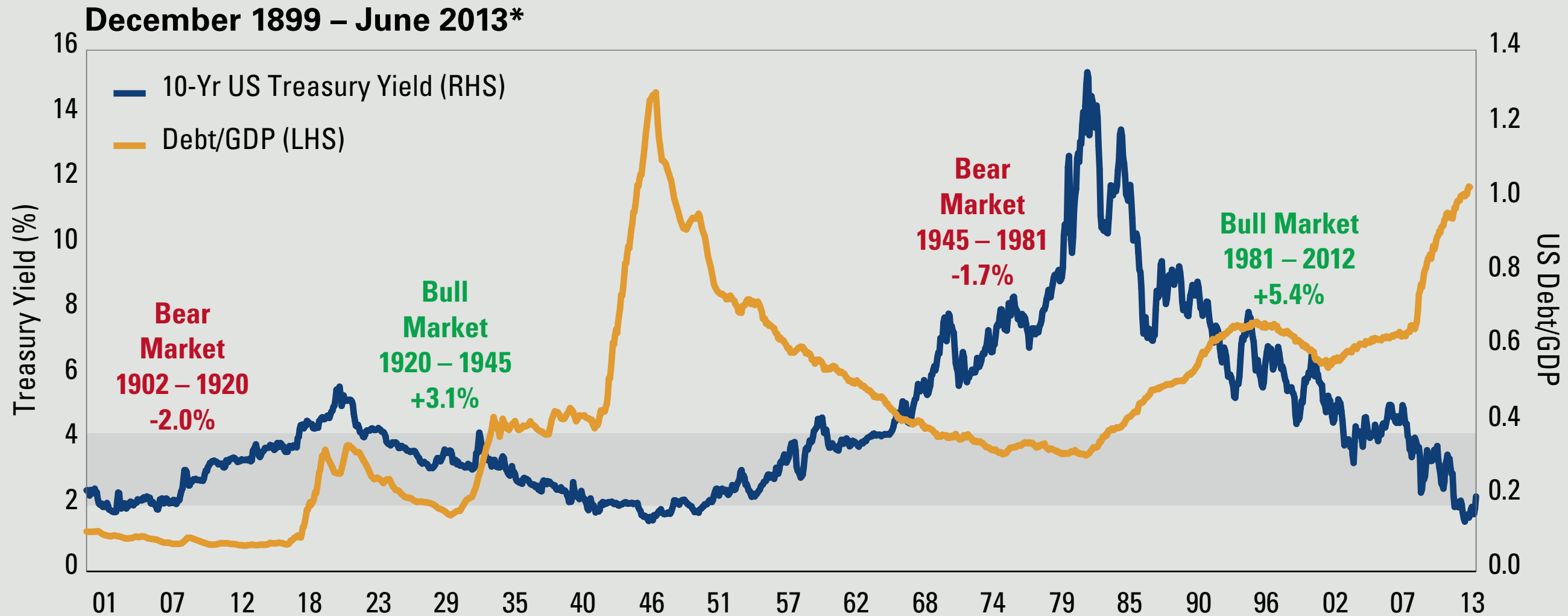
Favor equities

Slowing China



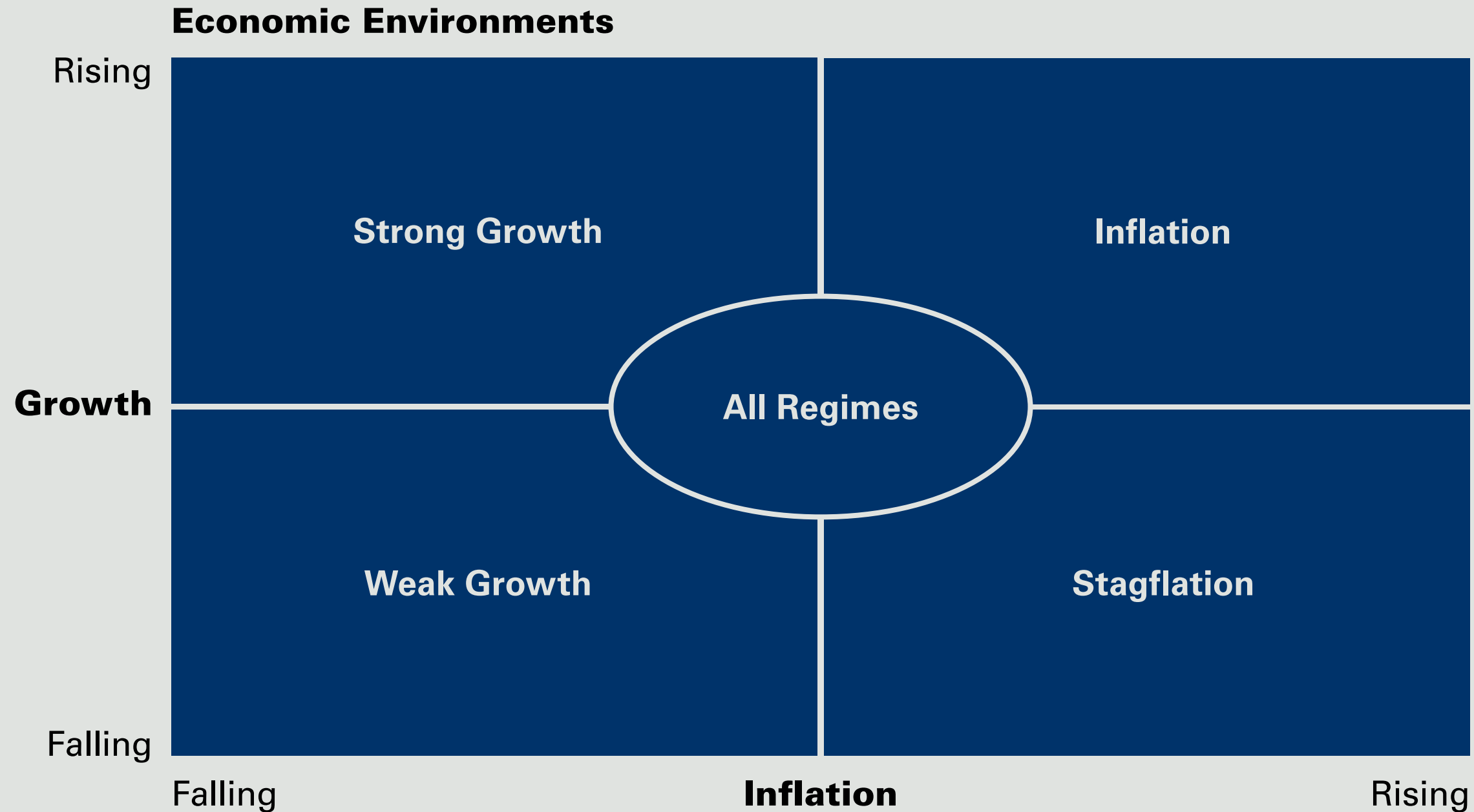
EM vulnerable

# Rates Must Go Up?



\*10-Year US Treasury Yield through June 2013, Debt/GDP through December 2012 | Annual excess return given for bear and bull markets | For details see Sources: Rates Must Go Up slide

# Functional Allocations Achieve Better Risk Balance



For illustrative purposes only | Source: Wellington Management

Balance risk across multiple economic environments

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Favor developed-market equities over bonds

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Negative on investment-grade credit and emerging market assets, especially those with poor current-account dynamics

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Within fixed, look for Opportunistic or Absolute Return

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Inflation protection is cheap in Gold, Gold Stocks, or TIPS

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