

For Immediate Release

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Barclays recommends investors lean towards equities

Global Outlook report sees equities performing well, especially in Europe and Japan

New York and London, June 25, 2015 – More than six years into the recovery, investors should anticipate lower returns going forward due to relatively expensive valuations in both fixed income and equities, and the gradual emergence of a self-sustaining economic recovery, according to Barclays' latest flagship quarterly research publication *Global Outlook: Navigating a lower return environment*.

“We are no longer in an environment of a rising tide lifting all boats,” said Larry Kantor, Head of Research. “Extraordinary support from monetary policy helped to push prices of both equities and bonds to great heights. Now we are moving into a phase of the business cycle where labor markets are improving and wages and inflation are bottoming, suggesting a reduced degree of support going forward.”

With global economic activity expected to rebound after a weak first quarter, equities should perform reasonably well over the next few months, especially in areas such as Europe and Japan where earnings growth should be strong. Other cyclically sensitive assets such as base metals and emerging market equities should also benefit, especially since China is expected to be an important contributor to the growth rebound in the second half.

Federal Reserve tightening is expected to be gradual when it commences, likely later this year. Additionally, the European Central Bank is expected to follow through on its massive quantitative easing program. As the divergence in policy between the Federal Reserve and the European Central Bank develops, we expect the euro to resume falling, eventually breaking parity.

The crisis in Greece, China's economic slowdown, and the prospect for a Federal Reserve rate hike all pose risks to markets globally. While each of these risk factors can unsettle markets, a serious setback in China would be the most likely to have lasting effects on the global economy and financial markets due to China's significance to global growth. However, this setback is not likely to take place this year, as Chinese growth is expected to pick up in the second half of the year. Additionally, neither the first Federal Reserve rate hike nor the Greek crisis should derail the recovery in economies or financial markets.

Barclays' *Global Outlook* report, published quarterly, provides an assessment of all major economies and markets, and outlines recommendations for investors.