The year ahead - what global markets experts expect

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e recently held our annual Markets Summit in Sydney, once again to a sold out audience of over 500. This year's theme was The Great Escape, exploring what the investments markets would be like as the world moves out of QE, its greatest monetary policy experiment ever.

Speakers from all over the globe flew in to share their views on how the world's markets will look in the QE runout. This month, I'd like to give you a bit of a taste of the major investment themes that came out at Markets Summit, and how they might impact your client's portfolios.

The debate about whether bonds or shares are the place to be is always one of the most important discussions in portfolio construction. At Markets Summit, virtually all the global experts came down in favour of equities. It's not that many thought equities are cheap – but, rather, given that interest rates look like they can only rise from here, bonds don't appear attractive at all.

Of course, when all the experts are in agreement, we should always ask what could go wrong with the consensus.

The consensus amongst the experts at Markets Summit was based on the idea that growth is starting to pick up around the world. In fact, JP Morgan's presenter, Tai Hui, believes that in 2014, we will see synchronised global growth (that is, growth in all the major economies and regions) for the first time since before the GFC. Equities should do better in such an environment.

In general, those who disagreed with the consensus – including The Pain Report's Jonathan Pain and Magellan Financial Group's Hamish Douglas – believed that the US economy will be a stronger performer than given credit for by the concensus.

There was one outlier, PortfolioConstruction Forum faculty member, Nick Bullman of CheckRisk. CheckRisk does a great job in highlighting the risks to any investment outlook. Bullman believes that the US could well bungle its monetary policy in the QE runout. If that happens, it could pose a significant threat to the global economy, bringing interest rate shocks, global recession and currency wars.

In the penultimate session of the program, Markets Summit speakers were asked to vote on two motions for constructing portfolios on a two- to three-year view. The results came down in favour of developed market equities over EM equities, and short duration bonds over long duration bonds.

So, that's Markets Summit in a nutshell – broad consensus amongst the experts that it looks like developed market equities and short duration bonds are the places to be for the next few years, with a couple of doomsayers in the mix to really get you thinking about what could lie ahead if things just don't go to plan.

Graham Rich is Publisher, PortfolioConstruction Forum and financialalert. Graham is a pioneer of retail managed funds research in Australasia, and of financial planning in New Zealand. Since selling his research business to Morningstar and establishing brillient! in 2002, Graham has specialised in publishing innovative, independent professional development services for professionals involved with portfolio construction.

This monthly blog is designed for those who don't live and breathe investment issues, but do want to keep abreast of developments at a high level.