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Prior to joining Fidelity, he spent ten years at Merrill Lynch, where he was Director of Asset Allocation. Trevor began his career with UK life insurer Provident Mutual.

He holds an MA in Mathematics from Cambridge University and is a qualified actuary.

## Lead indicators peaking

We're going to see very strong growth in H1 and this could trigger a short-term rally in stocks, taking them to new highs. However, recent market jitters probably signal a peak in lead indicators and a nervous mood is likely to persist for most of the year as moves to tighten policy raise fears of a misstep.

Furthermore, we need to see falling unemployment to signal self-sustaining, above-trend growth. Unemployment rates appear to be peaking in most major economies but will demand constant watching as the pace of recovery slows.

Central banks are likely to hike rates as unemployment falls. Low and/ or falling inflation would allow them to quickly reverse tack and cut rates to support recovery if this becomes necessary. We will need to watch shorter-term inflation indicators closely.

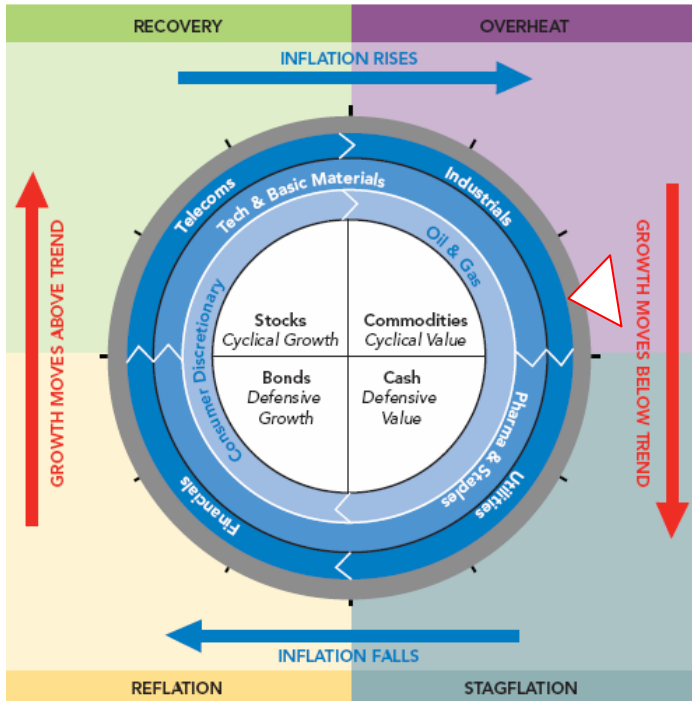
### LEAD INDICATORS IN FOCUS

#### Inflation

- The global inflation scorecard points upwards, but not alarmingly so
- Spare capacity is helping to keep inflation low

#### Growth

- Expect to see very strong global growth the first half of 2010
- If 2004/5 offers any guide, growth lead indicators will start to peak out soon and this directional lead indicator may end up negative before the year is out



### CURRENT ASSET ALLOCATION POSITIONING

I have started to trim pro-cyclical positions, hoping to put them on again later in the year. However, I do not plan to underweight equities with the underpinnings of a sustained recovery coming into place. I have trimmed commodity, equity and property overweights, with commodities remaining the largest overweight, and I have reduced my underweight positions in government bonds and cash. I remain overweight corporate and high yield bonds. I have cut global financials to neutral as a tightening of monetary policy is unlikely to be seen in a positive light. My largest overweights remain technology (which I have added to recently) and industrials, including resources. At the regional level, I remain overweight Asian and emerging market stocks relative to the US.

	Underweight	Neutral	Overweight
Equities			
Property			
Commodities			
Bonds			
Cash			

