

2022 Outlook

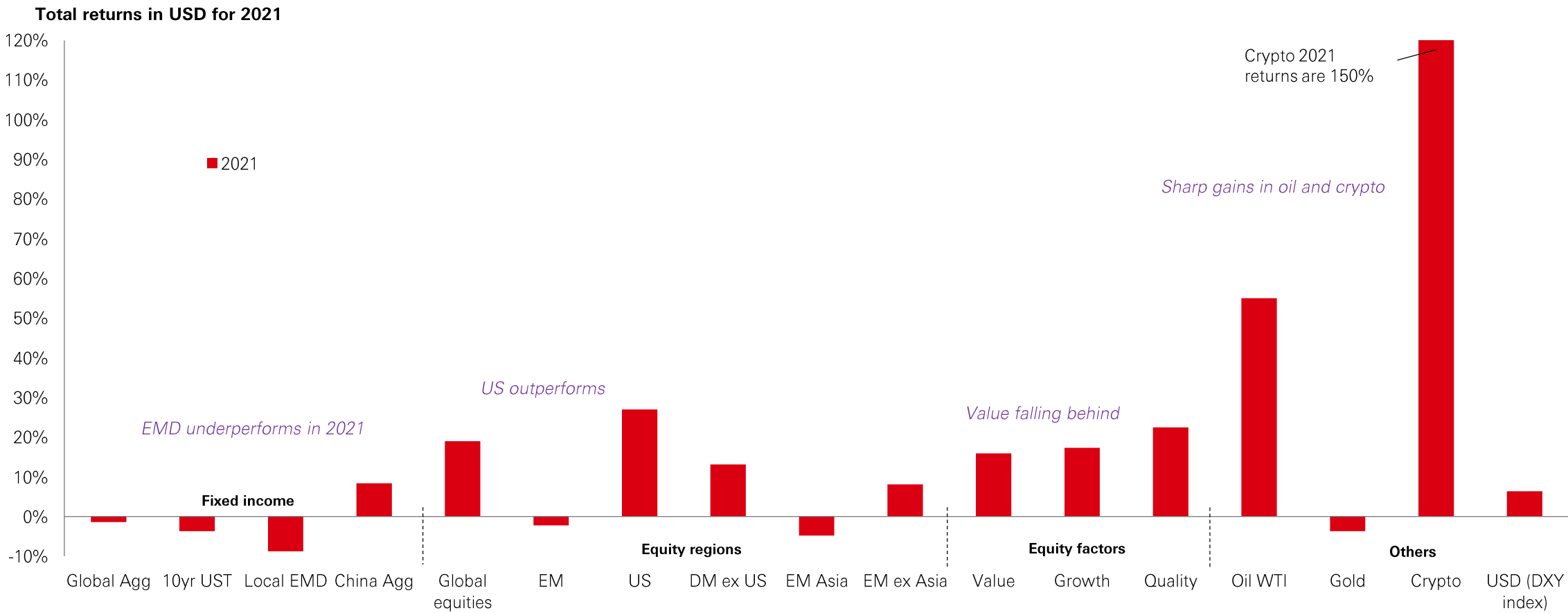
Global Macro & Investment Strategy

# The price of success



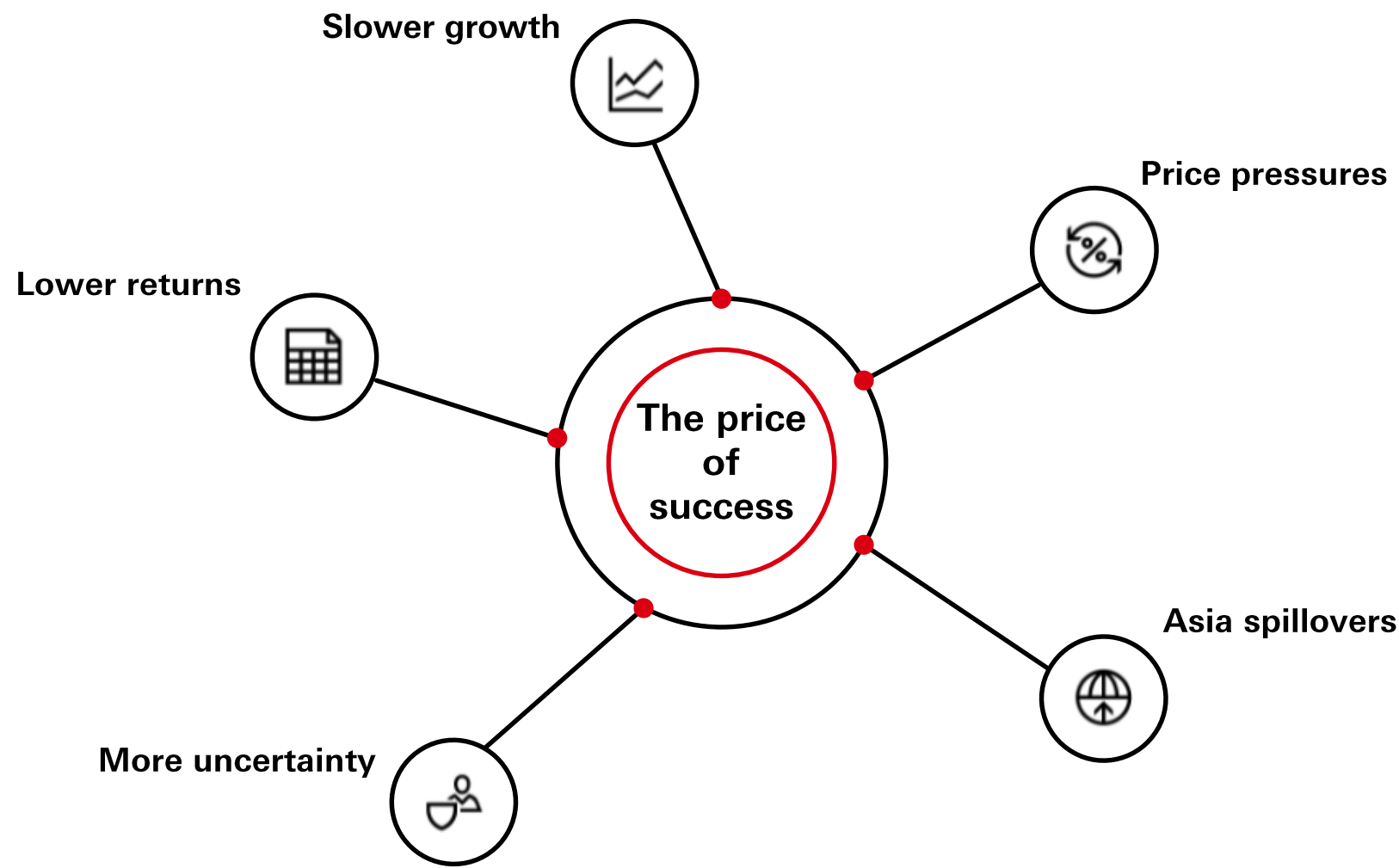
# Success in markets

## Risk assets perform again in 2021



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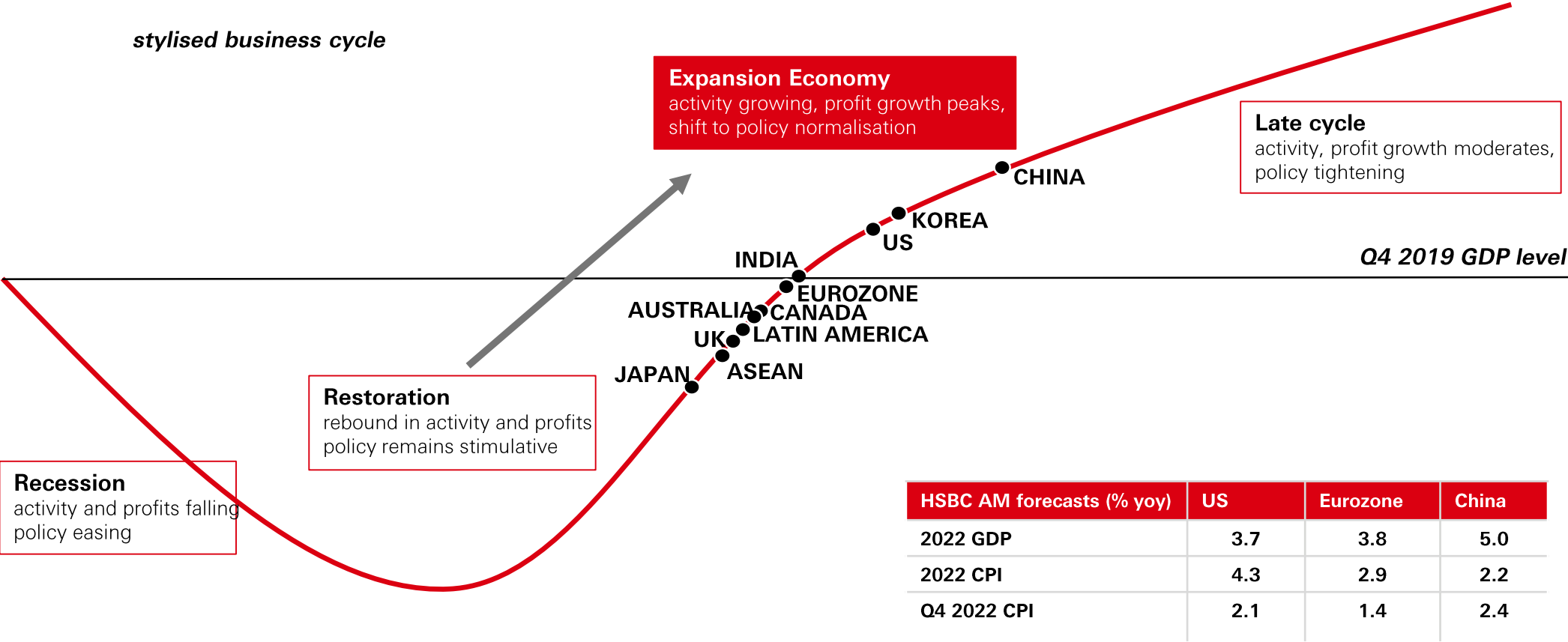
# 2022 themes: the price of success



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# The expansion economy

Post-covid recovery continues

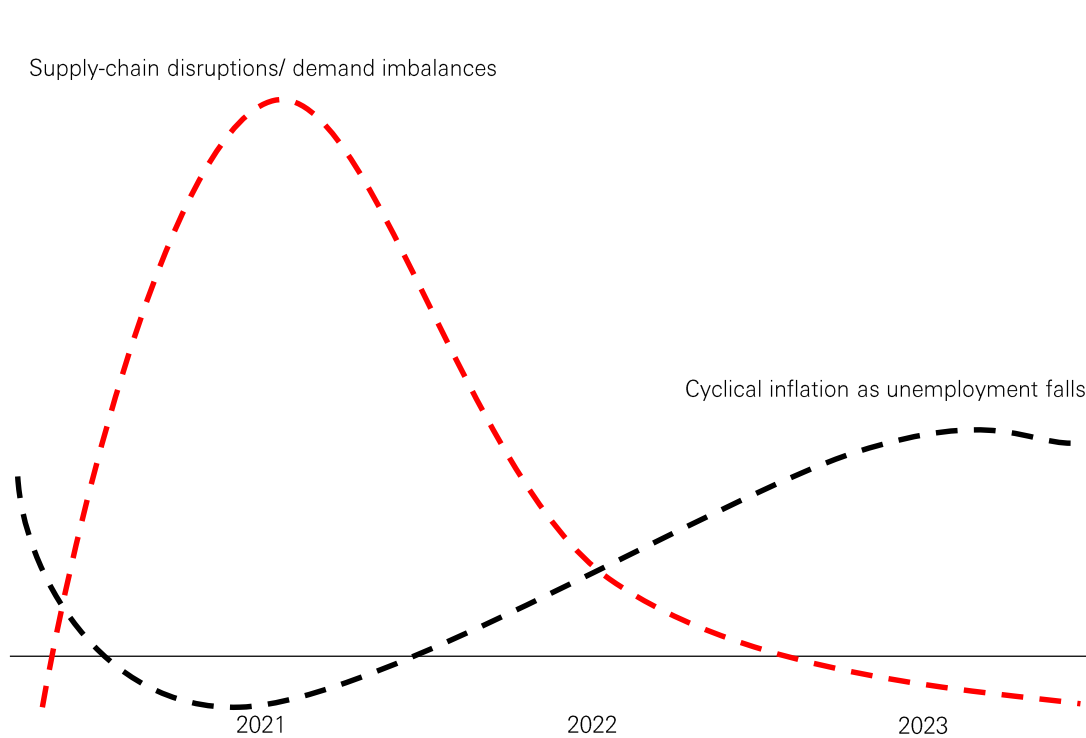


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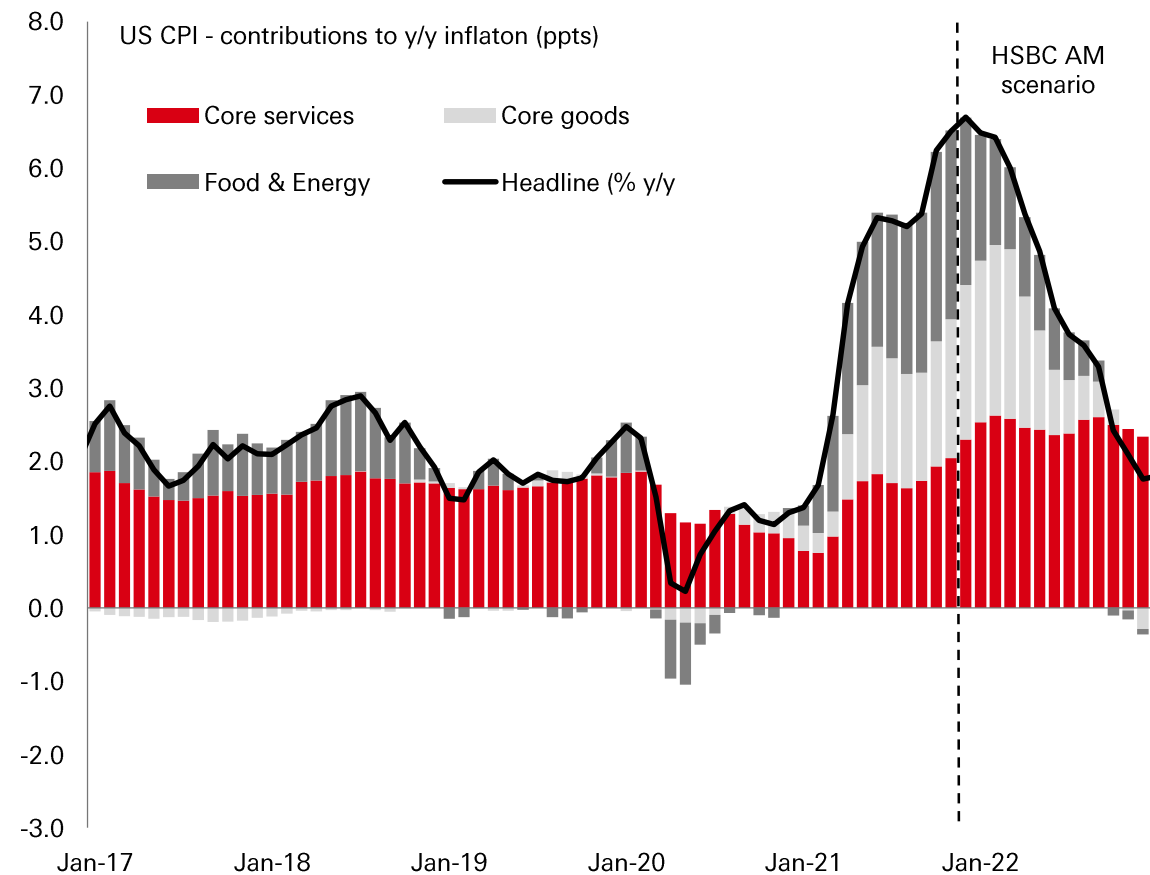
# The expansion economy – transitory inflation

Many of the temporary factors that are boosting inflation should peak in Q1 2022

Two sources of inflation in 2022



US inflation could fall back sharply later in 2022

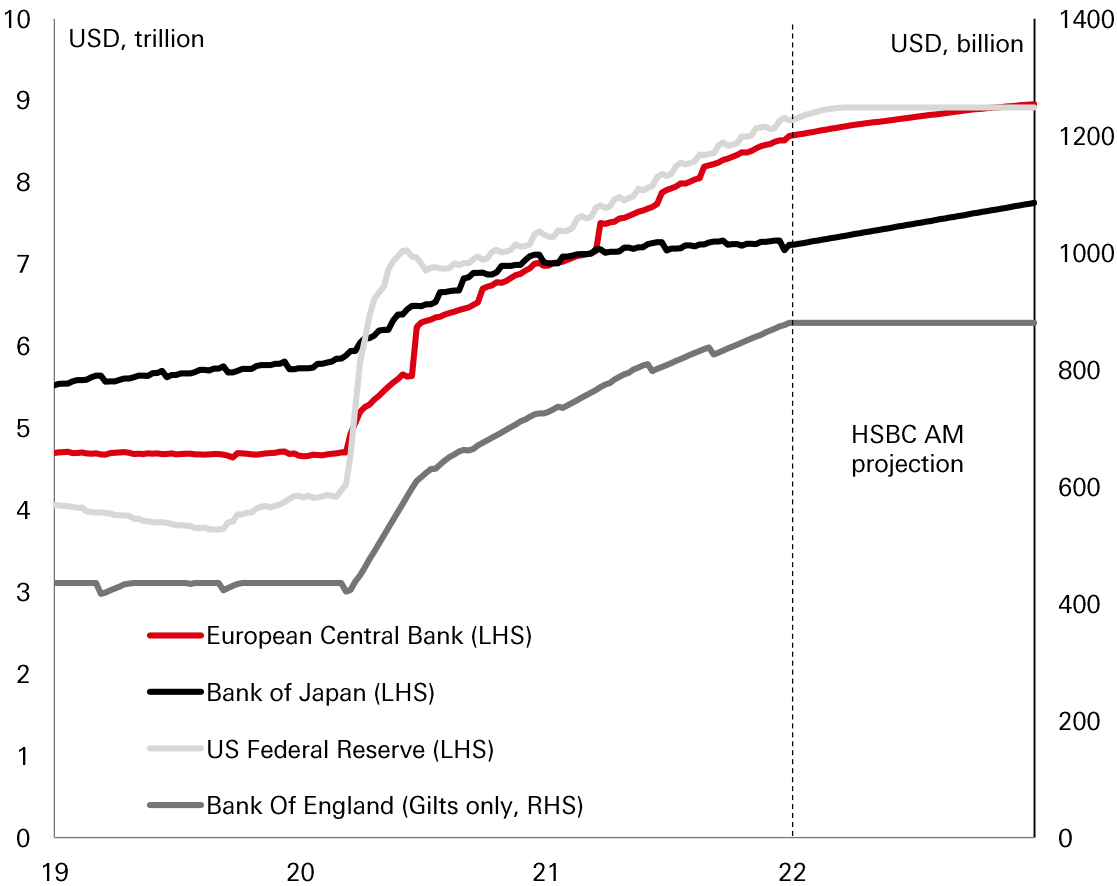


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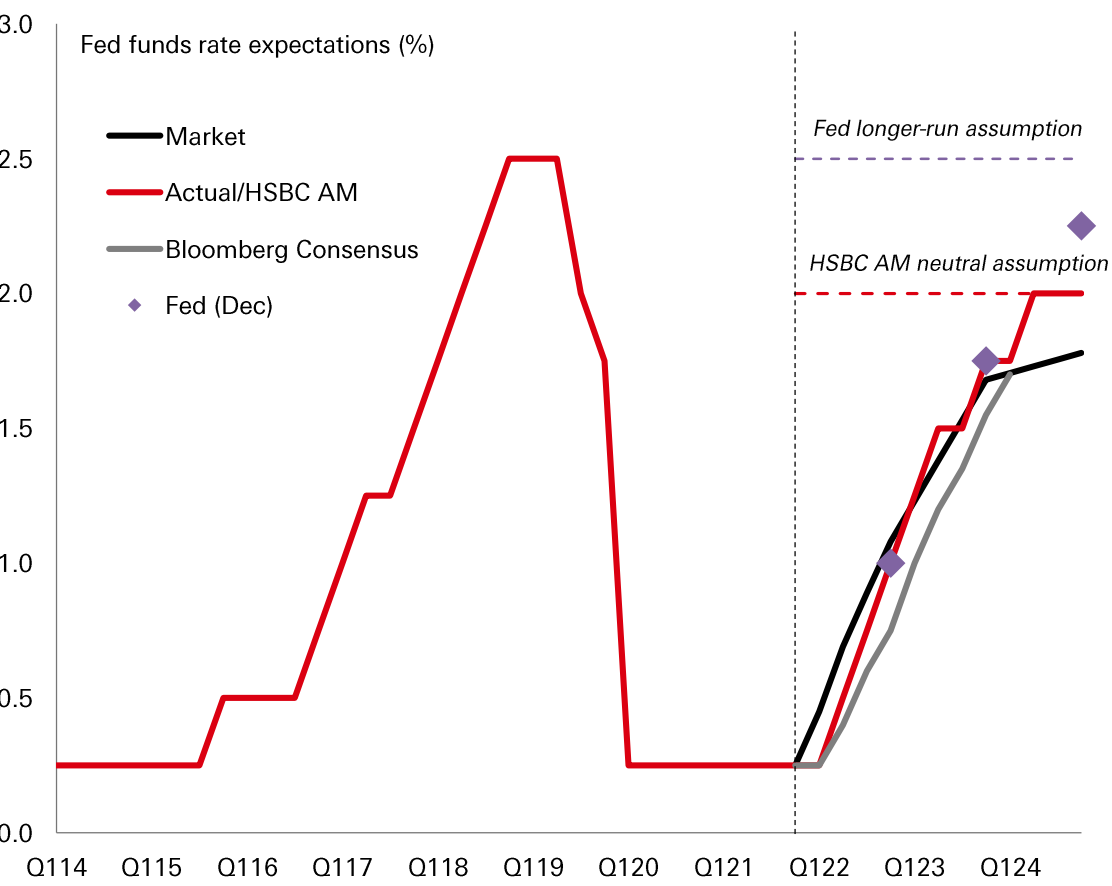
# The expansion economy – gradual policy normalisation

Policy support is being withdrawn

Central banks taper scenario



Fed policy scenario






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# Expansion economy and risks

7

High uncertainty

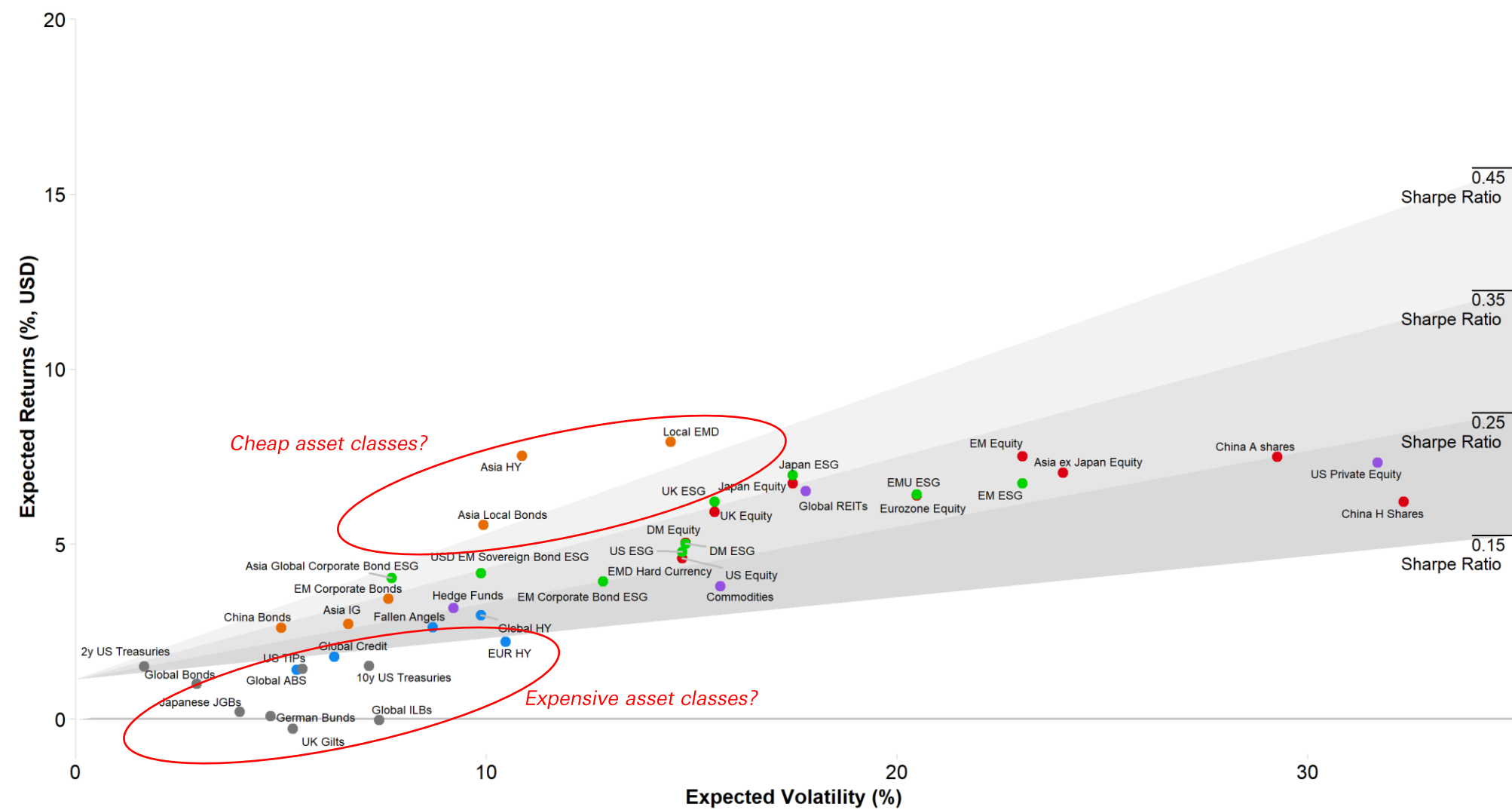
	Stalling Growth	Expansion Economy	Sticky Inflation
			
Macro	<p><b>Demand</b> shocks (covid, policy, confidence)</p> <p>GDP trajectory stalls</p> <p>Eventual policy support, but limited in scope</p>	<p>Post-covid recovery continues</p> <p>Inflation shock transitory</p> <p>Gradual policy normalisation</p>	<p><b>Supply-side</b> impairment</p> <p>Inflation is persistent and meaningful</p> <p>Faster policy normalisation</p>
Market	<p>Bond hedge limited due to fiscal action</p> <p>Cyclical equity markets struggle</p> <p>Defensive factors (quality, ESG) outperform</p> <p>USD rallies versus EM FX</p>	<p>Stocks &gt; bonds amid falling unemployment</p> <p>Late cycle equities catch-up</p> <p>EM performs amid weaker USD</p>	<p>Inflation shock = ↑ nominal and real yields</p> <p>Equities de-rate despite neutral ERP</p> <p>Quality, defensive growth, and inflation-linked equities outperform</p>

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# Relative valuations

Most asset classes are richly or neutrally-valued



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# Macro uncertainties and country selection

Heat-map of equity market factor exposures

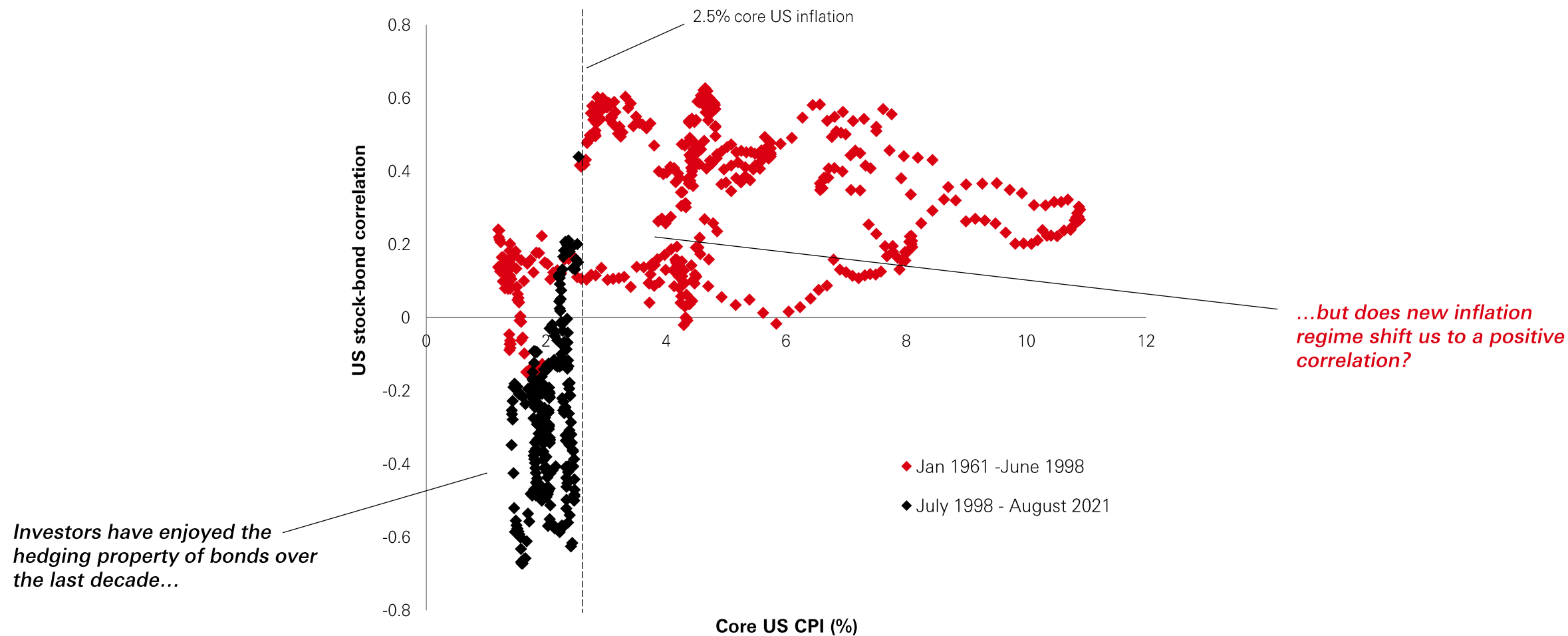


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# A shift in market correlations

10

New inflation regime could mean a positive stock/bond correlation

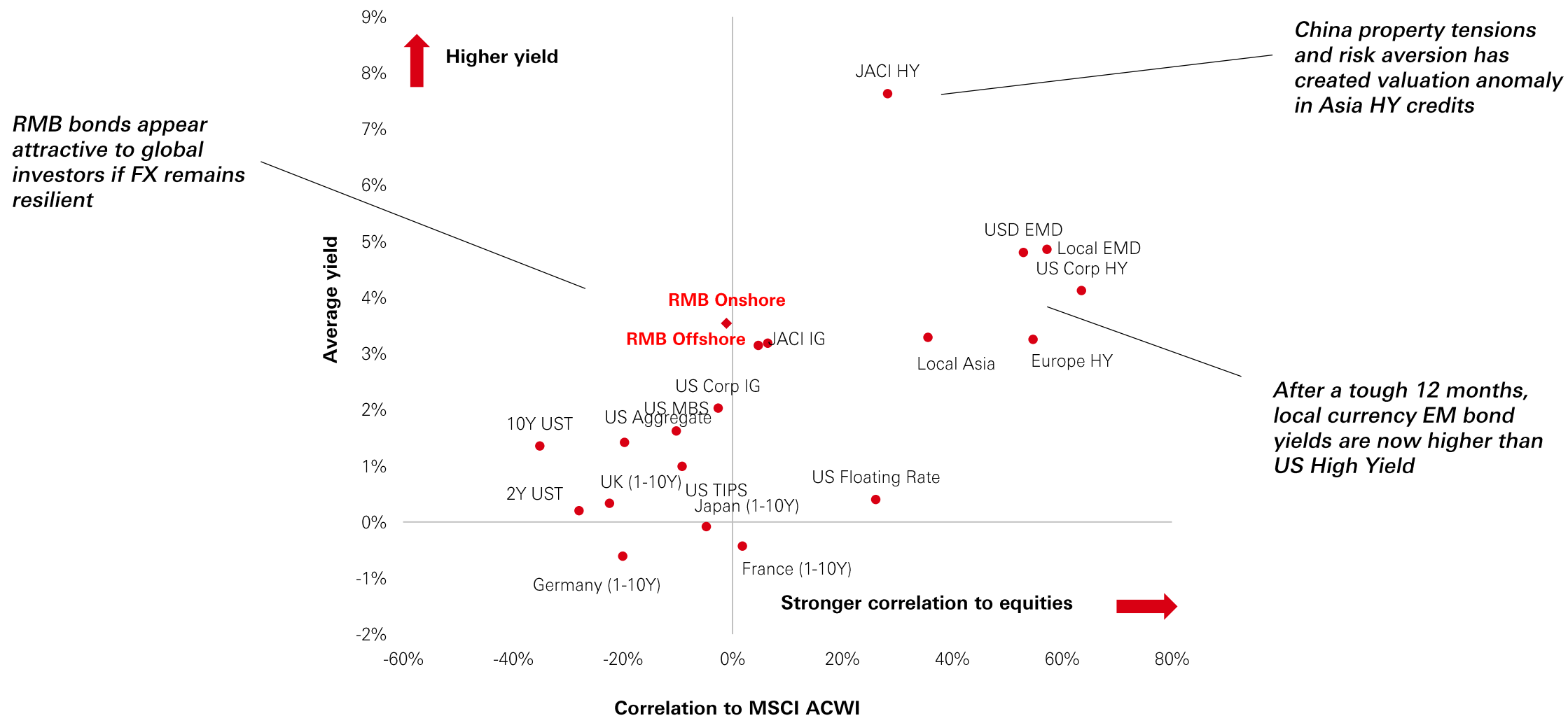


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# Asia fixed income opportunities

11

A balance of carry, credit risk, and diversification



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# The dollar hedge

12

The US dollar may be the best hedge of our macro risk scenarios

Nominal trade weighted USD broad index (January 2006=100)



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