

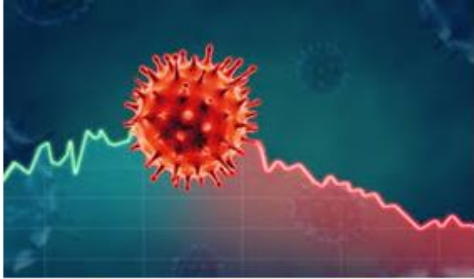


**Evolving global
macro-economic
conditions:**

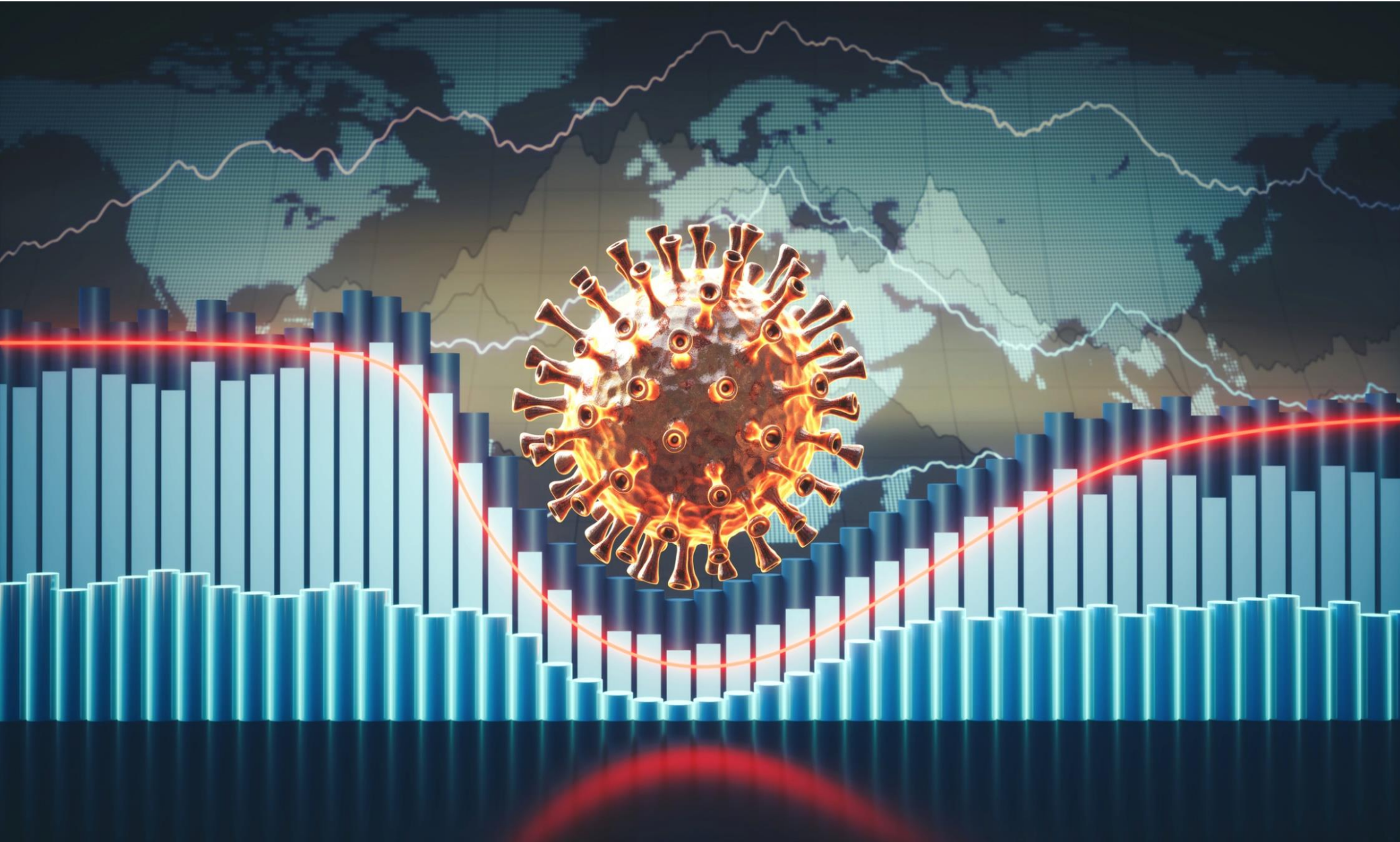
**Dare we look beyond
Covid-19**

**Simon Ballard
Chief Economist
November 18, 2020**

2020 sources of uncertainty, volatility, but also of opportunity



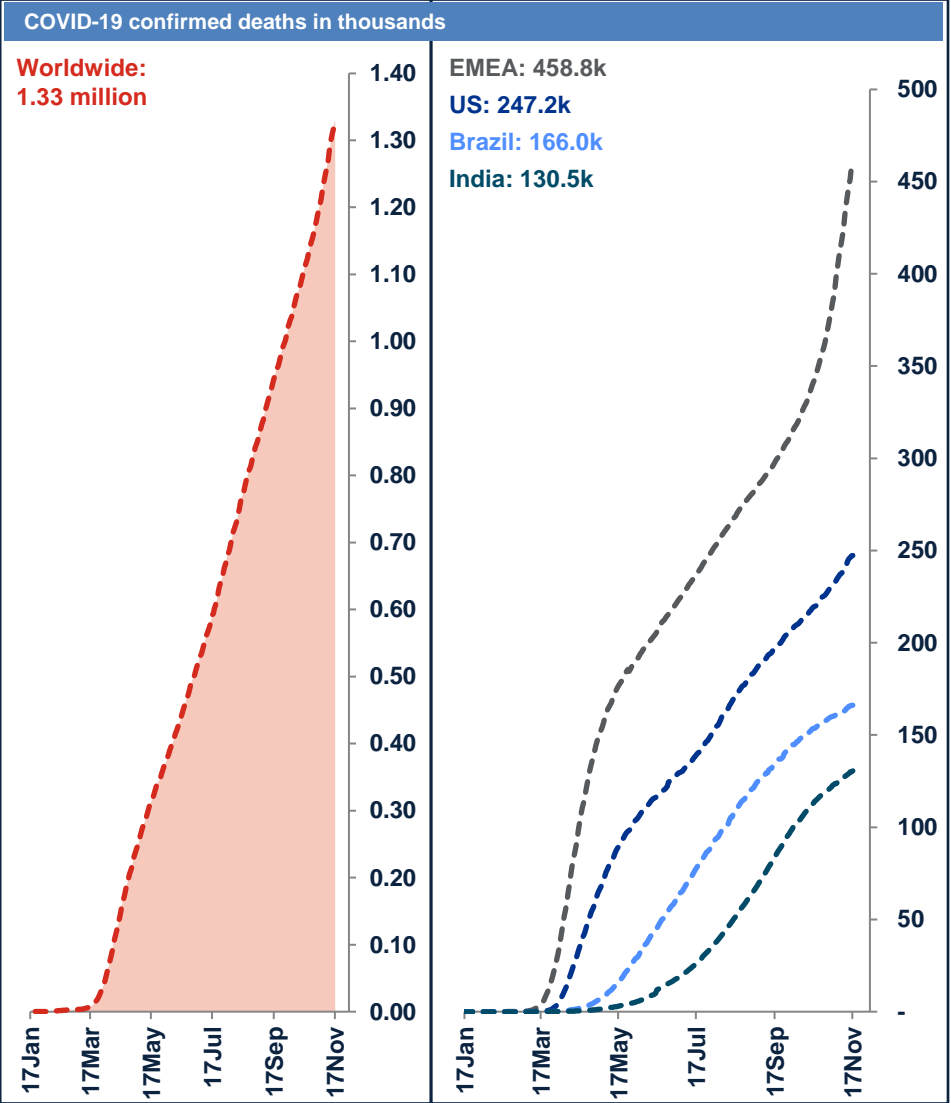
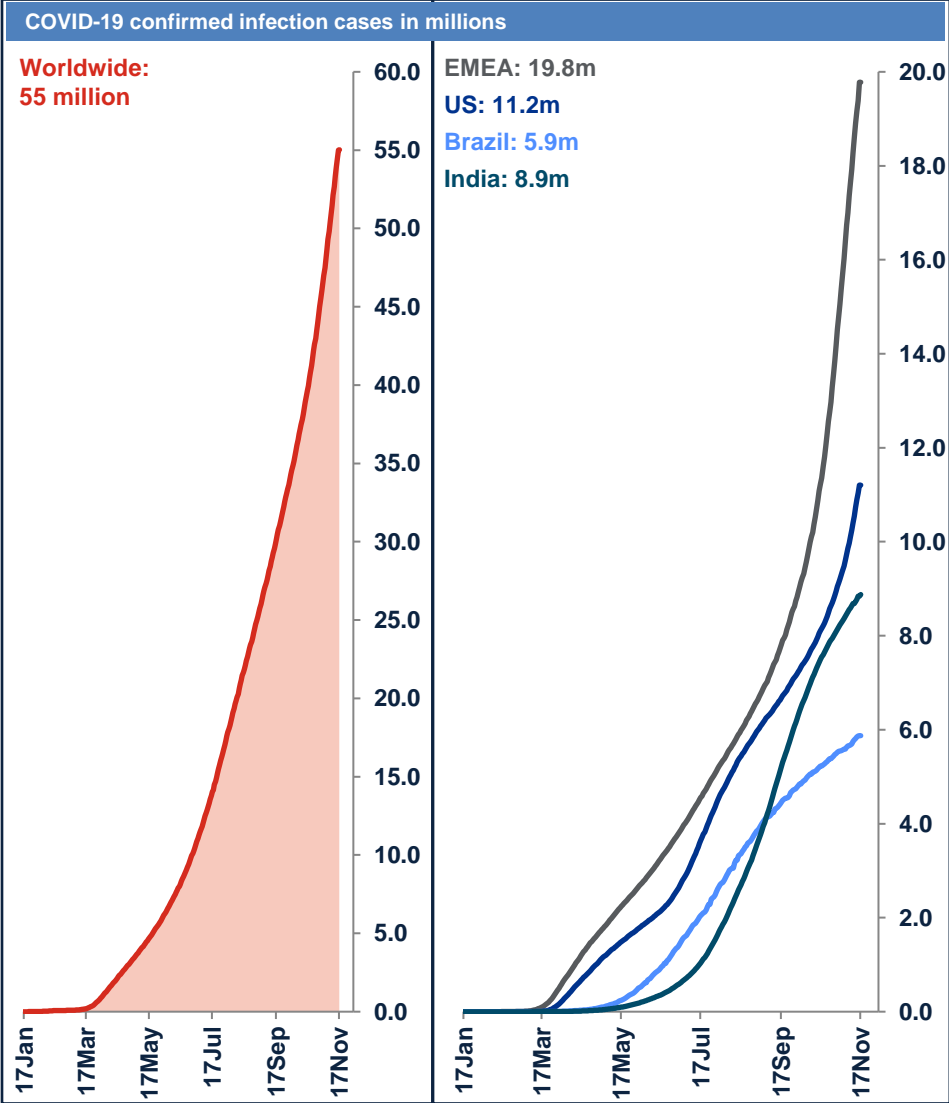
Macro forecasts and dreams cratered by the COVID-19 crisis



The 'R' number and regional pockets of infection

Seasonal effects. How many waves? Vaccine expectations

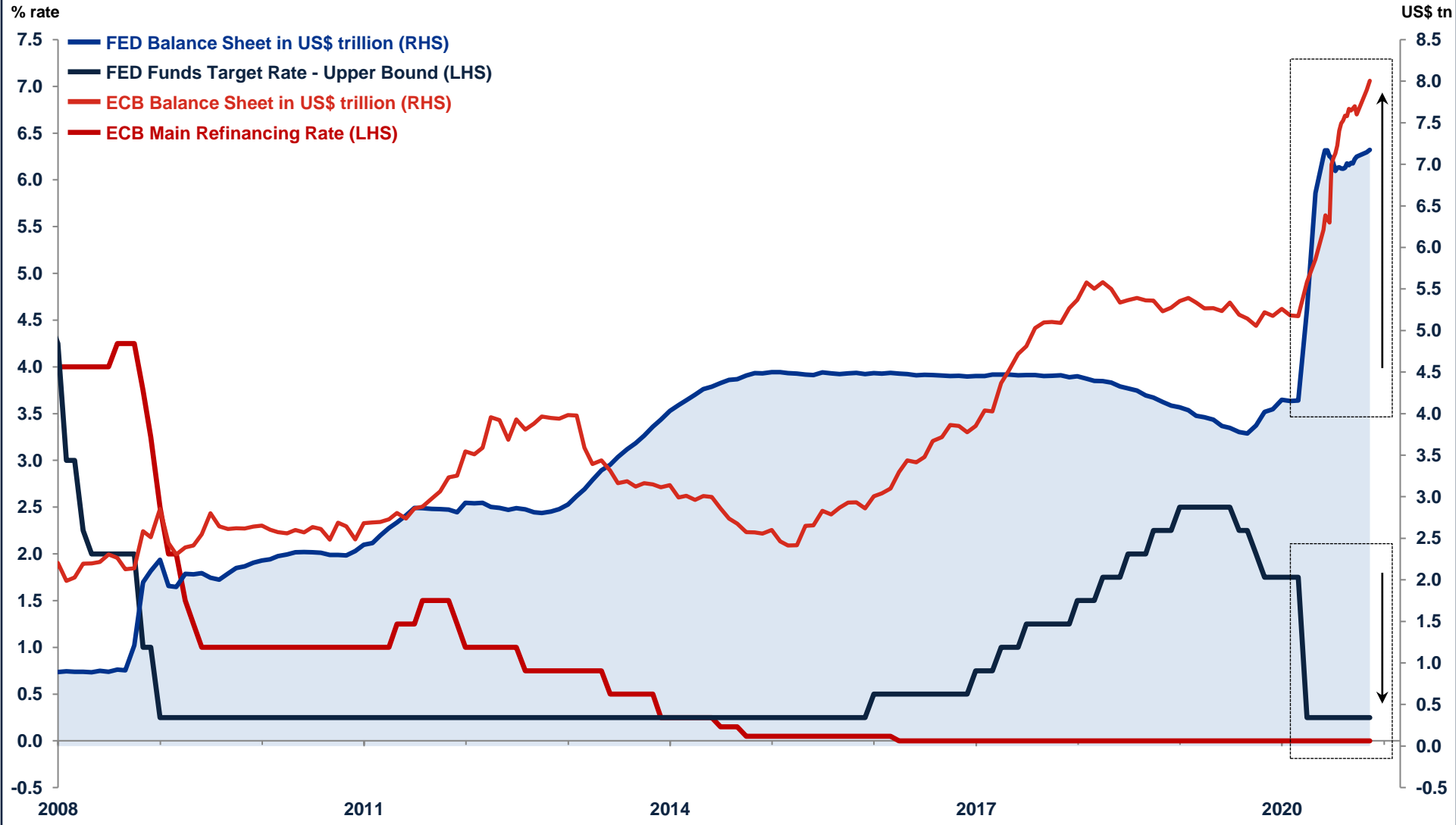
An uphill struggle



Source: Bloomberg/FAB

Low rates/fiscal accommodation, but for how long?

Keeping the policy sluice gates open



Source: Bloomberg/FAB

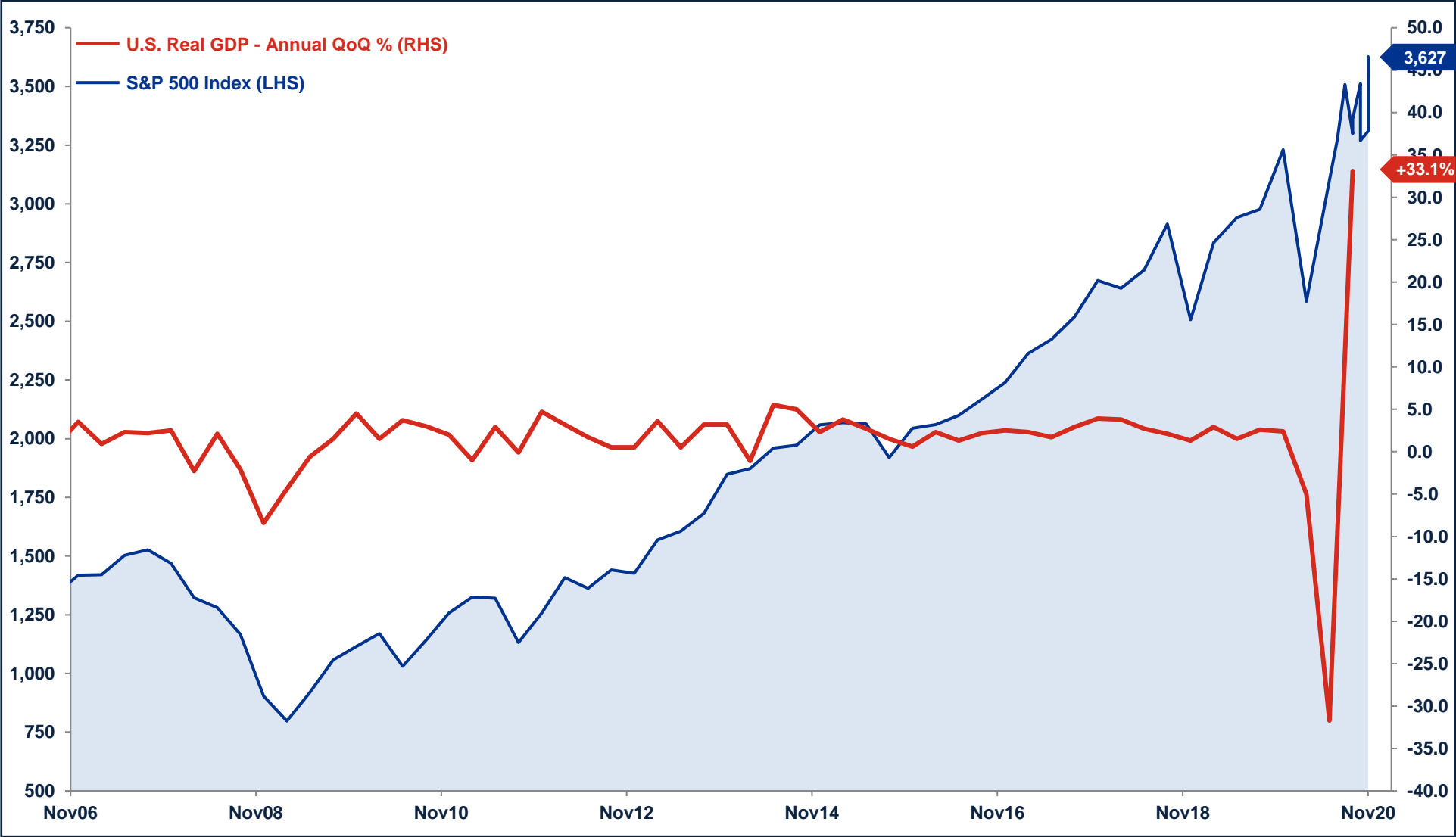
With short yields anchored, bear steepening trend in rates



Source: Bloomberg/FAB

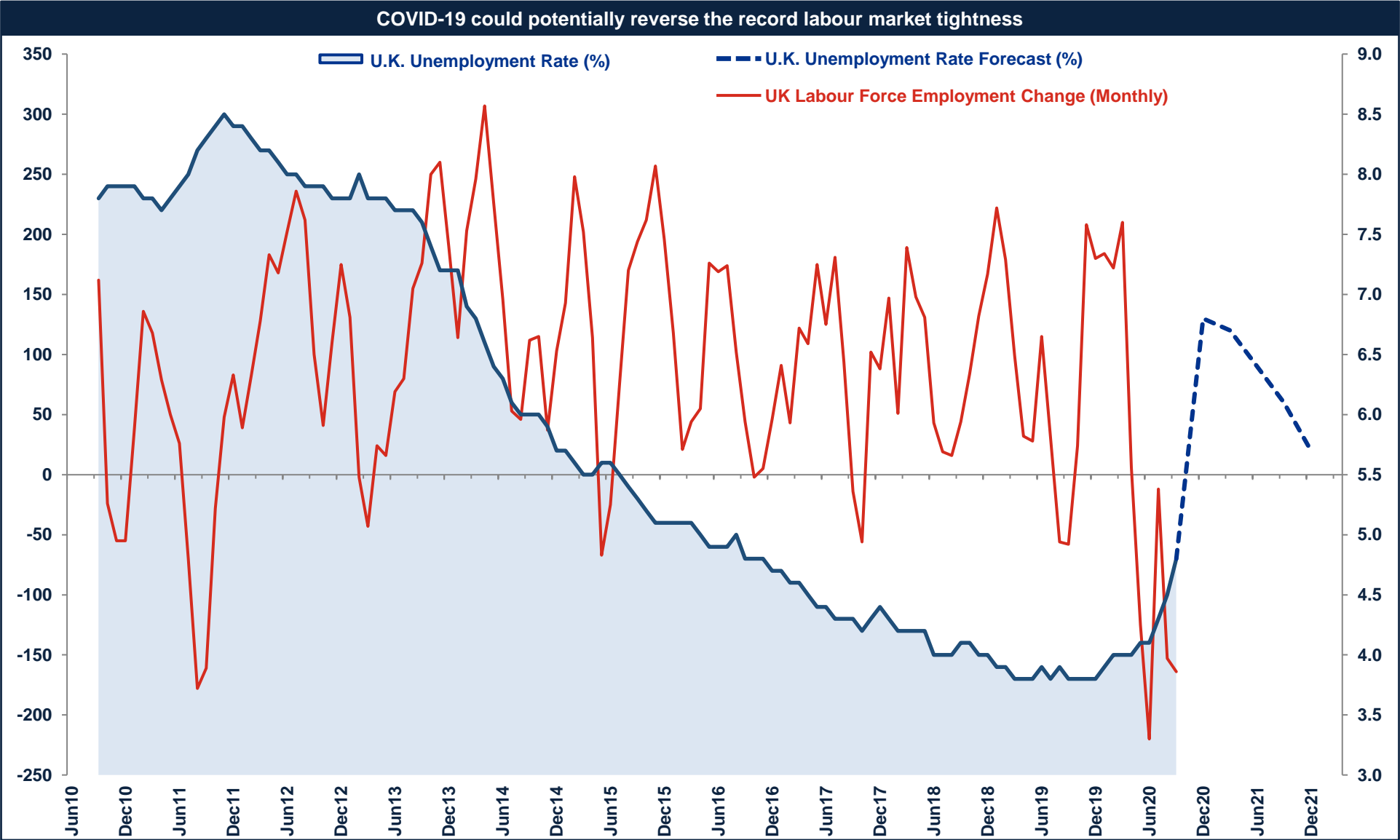
Divorce between fundamentals and valuations

Not out of the woods just yet



Source: Bloomberg/FAB

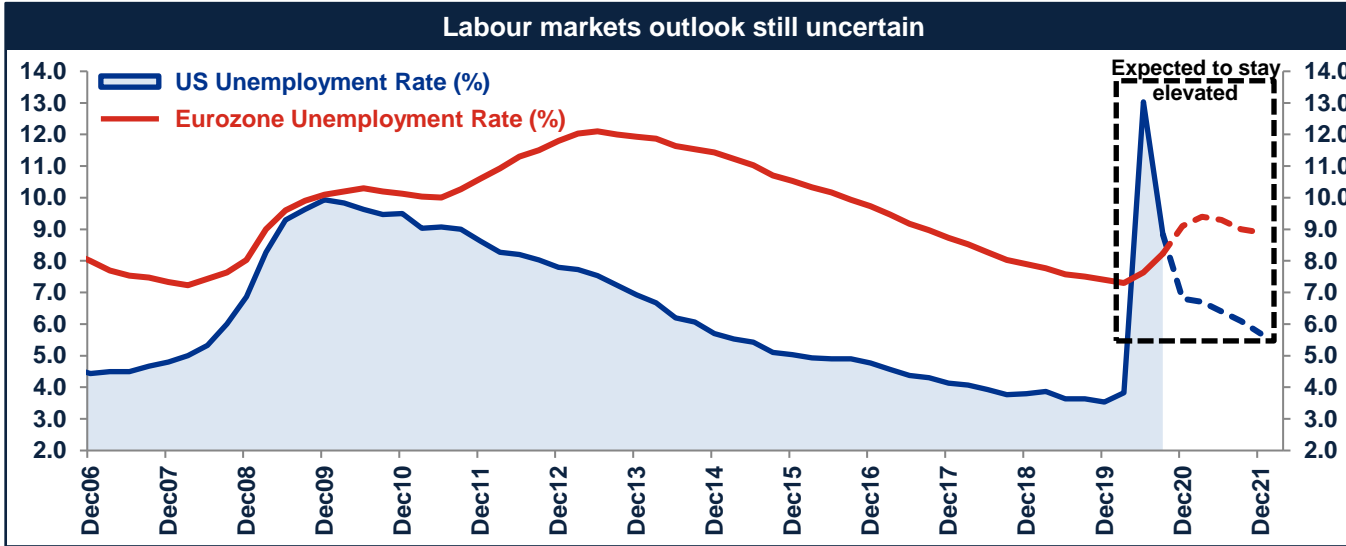
Impact on sentiment from unwinding stimulus/furlough schemes



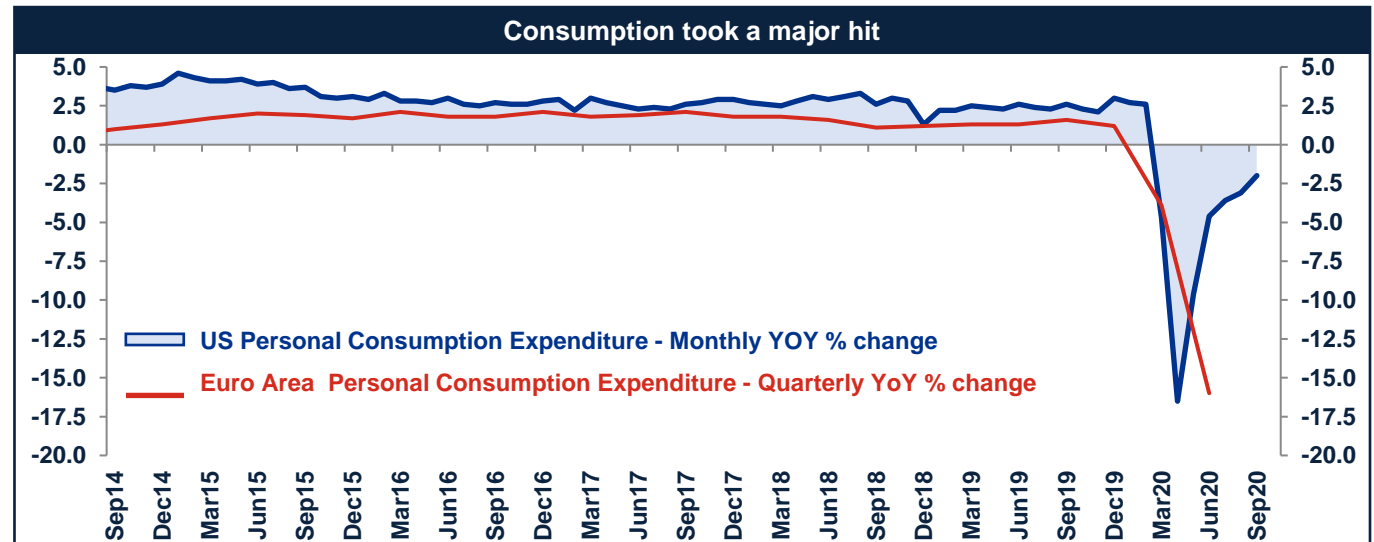
Source: Bloomberg/FAB

Outlook for labour market conditions and consumption

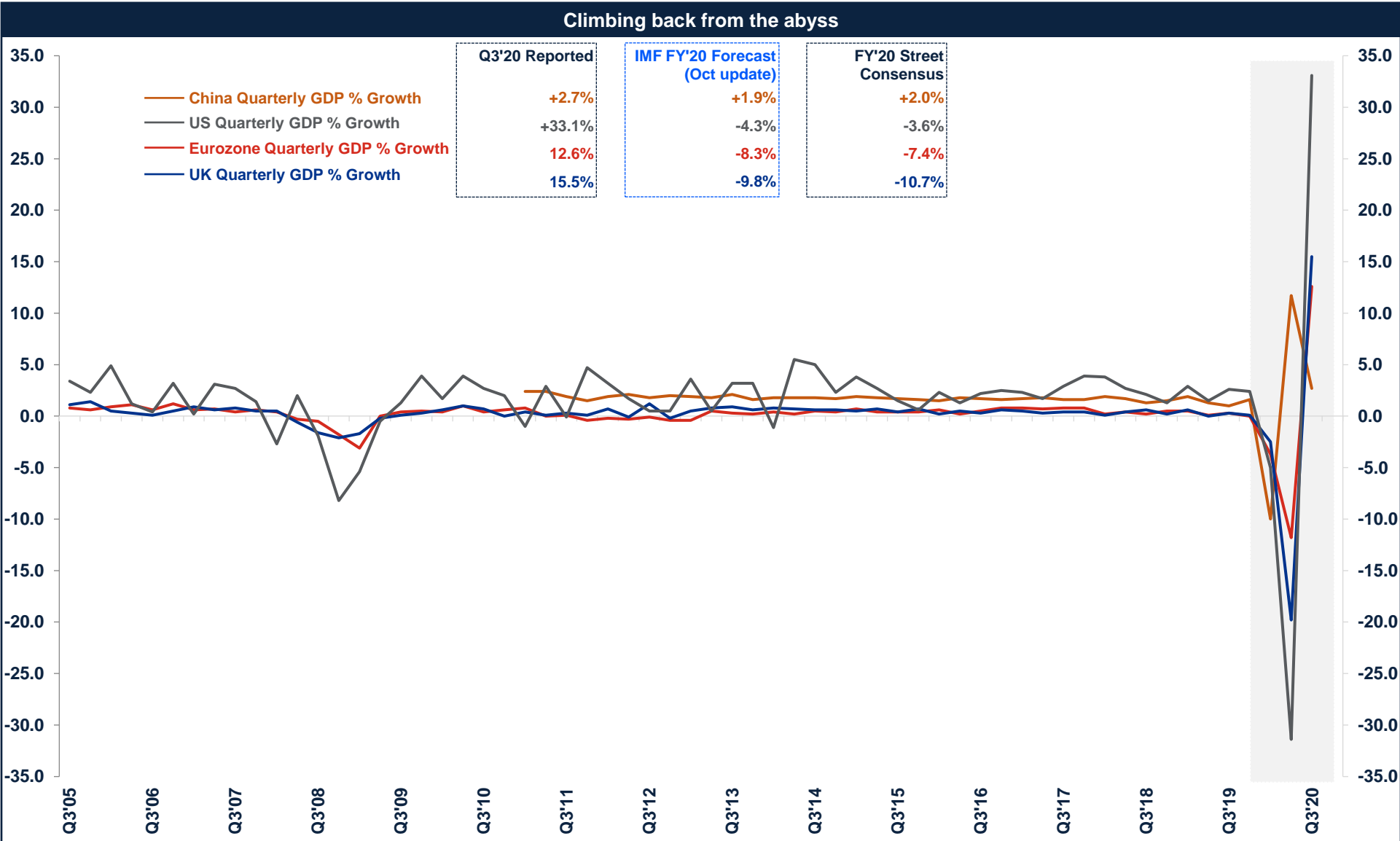
Labour markets outlook still uncertain



Consumption took a major hit



180 degree swing in global growth (expansion to recession)



Source: Bloomberg/IMF/FAB

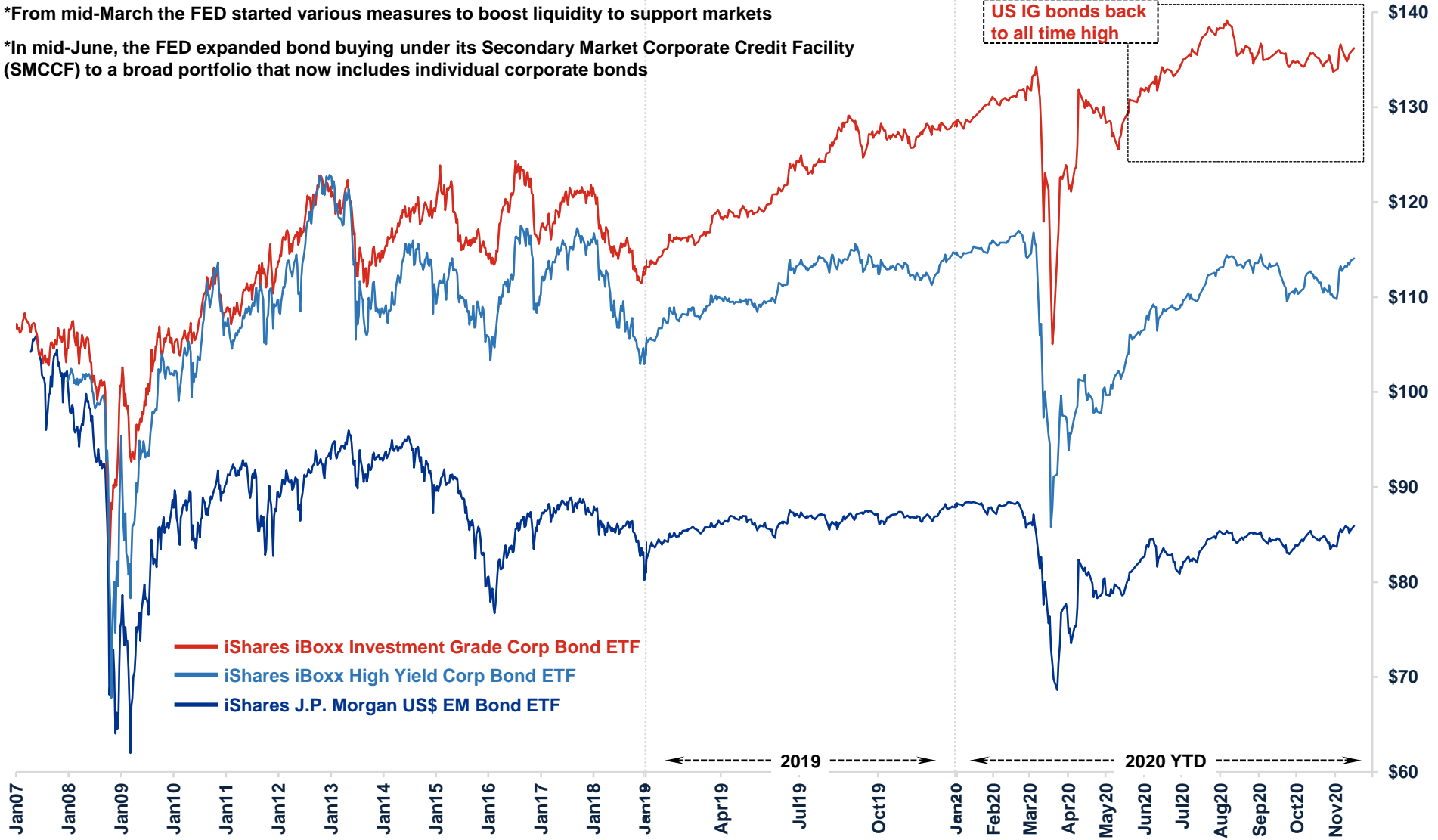
More discerning approach to risk

FED backstop driving bond rally

*From mid-March the FED started various measures to boost liquidity to support markets

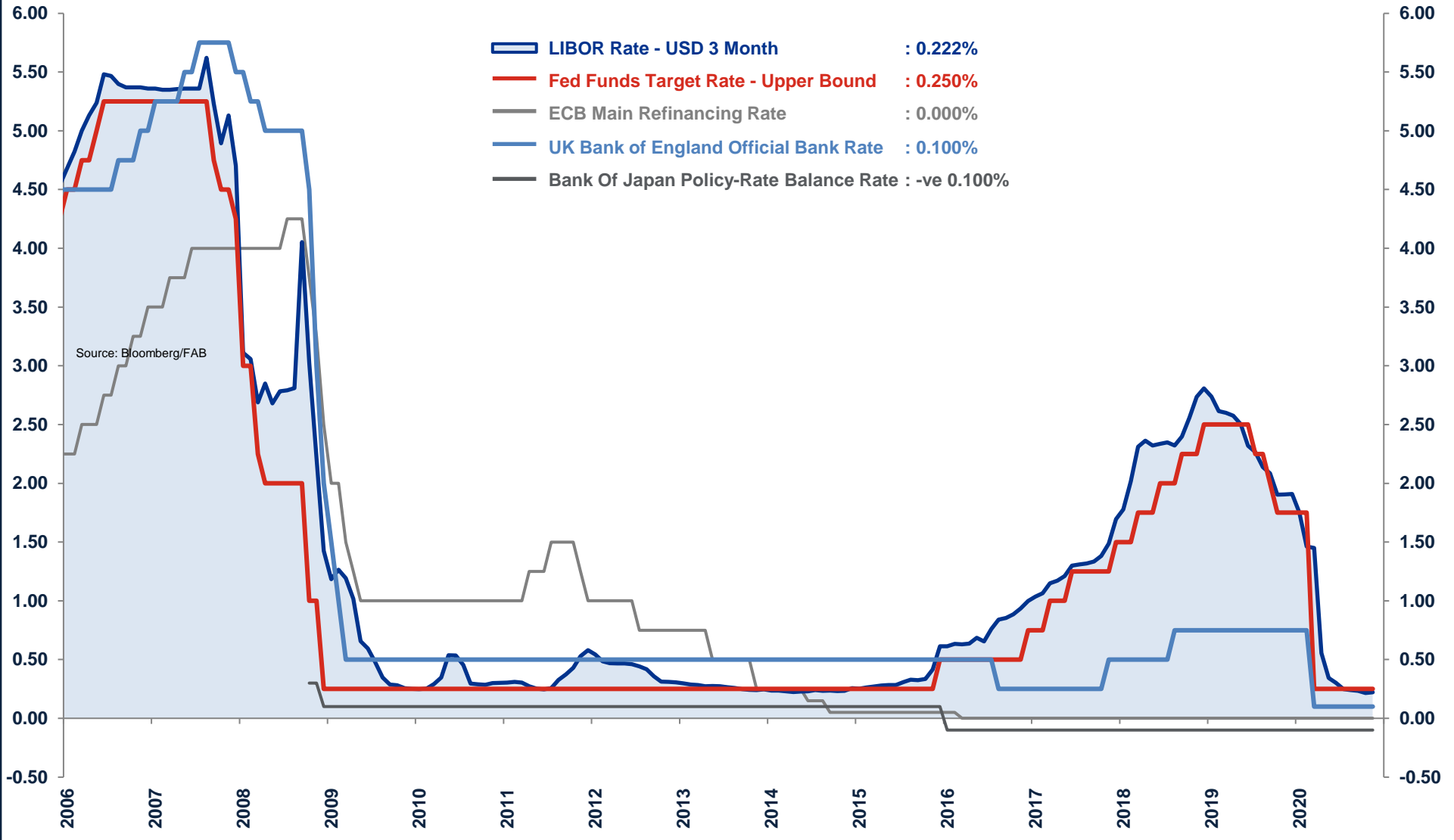
*In mid-June, the FED expanded bond buying under its Secondary Market Corporate Credit Facility (SMCCF) to a broad portfolio that now includes individual corporate bonds

US IG bonds back to all time high



Could economies survive a second wave? Central banks have limited ammo now

Central banks in "whatever it takes" mode to protect markets

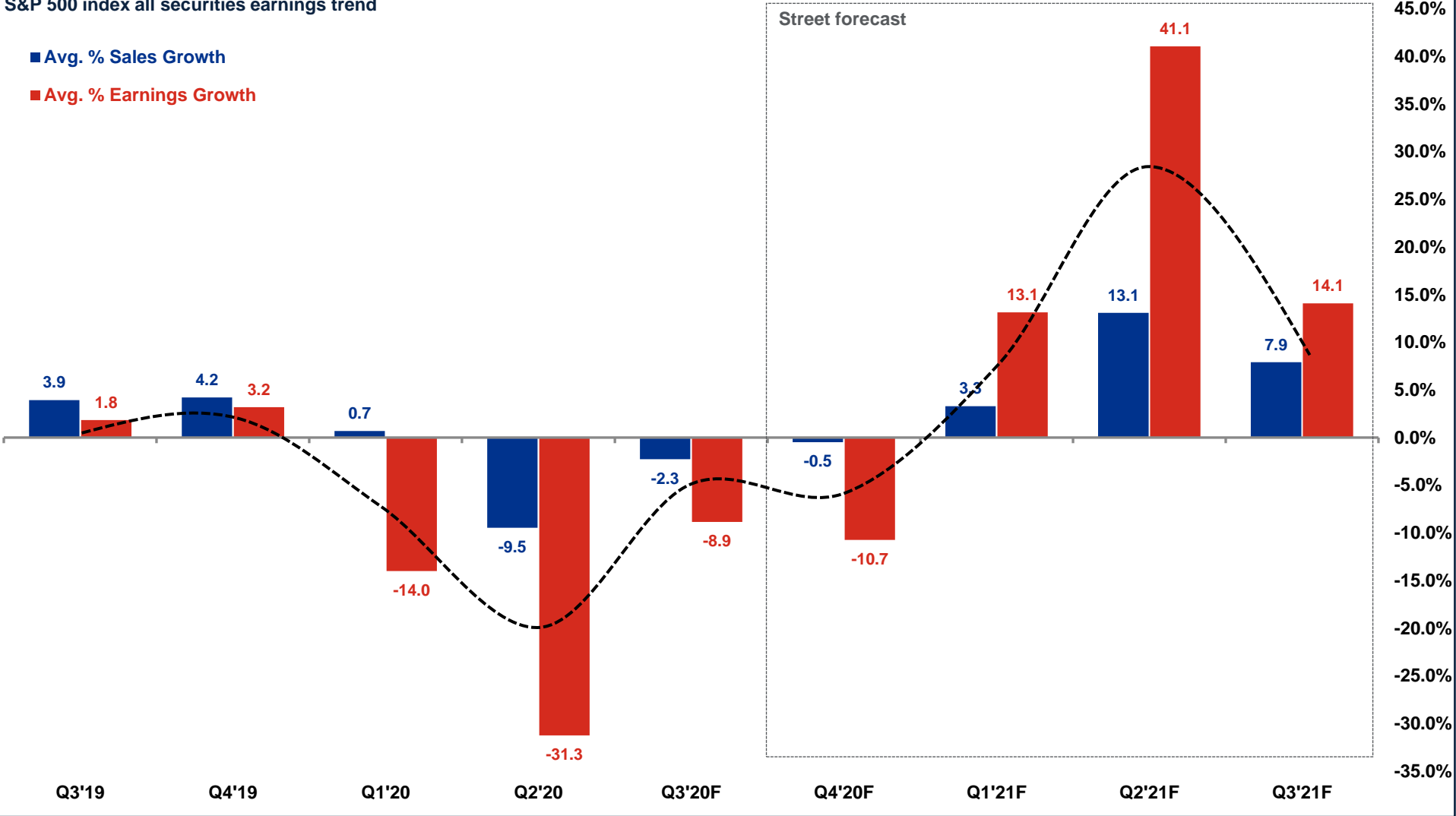


Source: Bloomberg/FAB

'V' sounds attractive, but 'U' may be more sustainable

A slow climb back to health

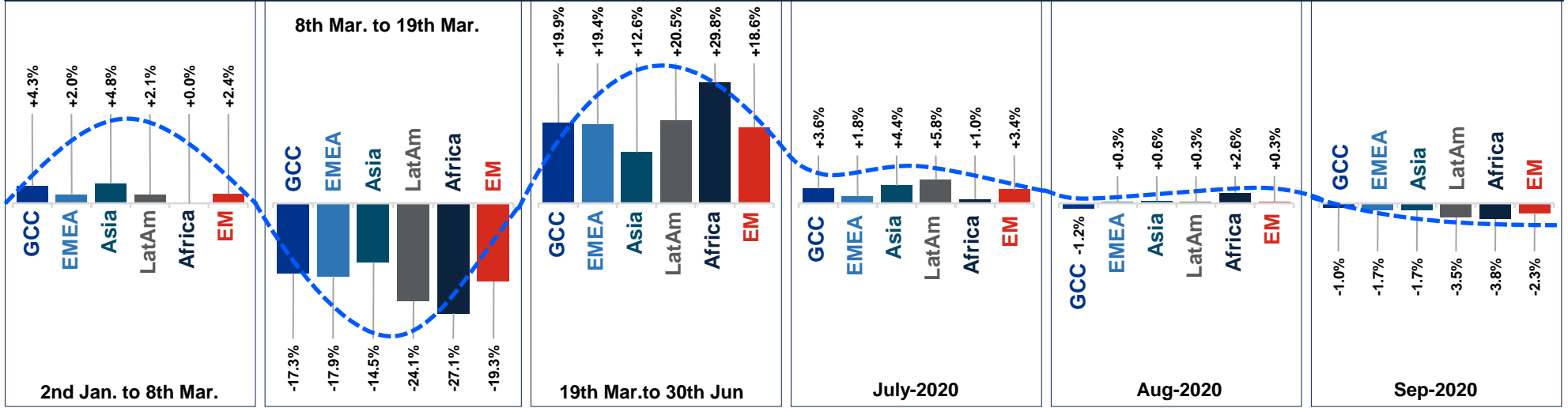
S&P 500 index all securities earnings trend



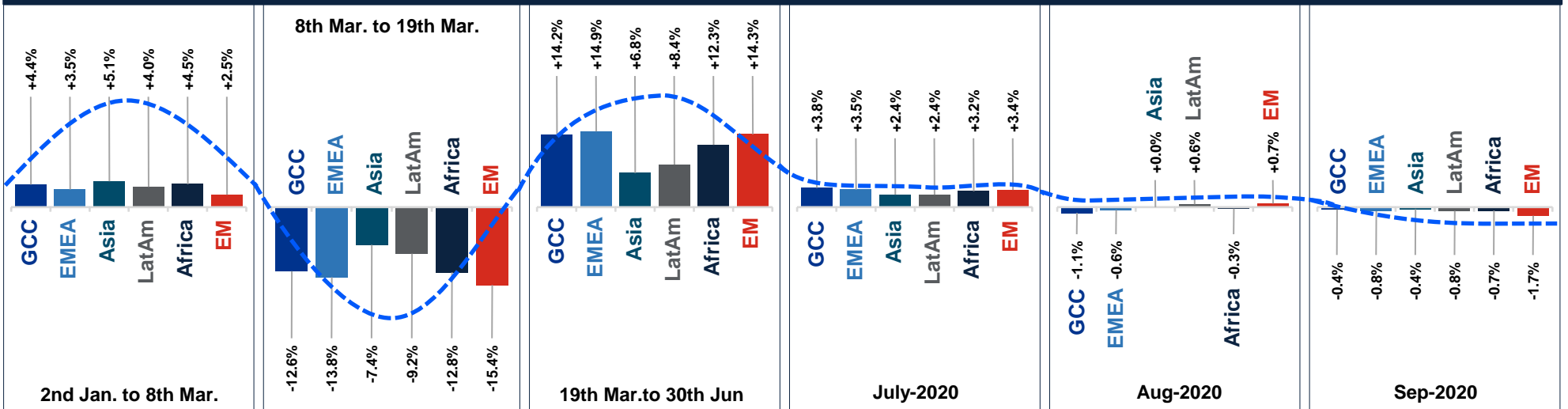
Source: Bloomberg/FAB

Uncertainty feeds a defensive bias

Sovereign Returns (Returns at different time interval of market gyrations in 2020)

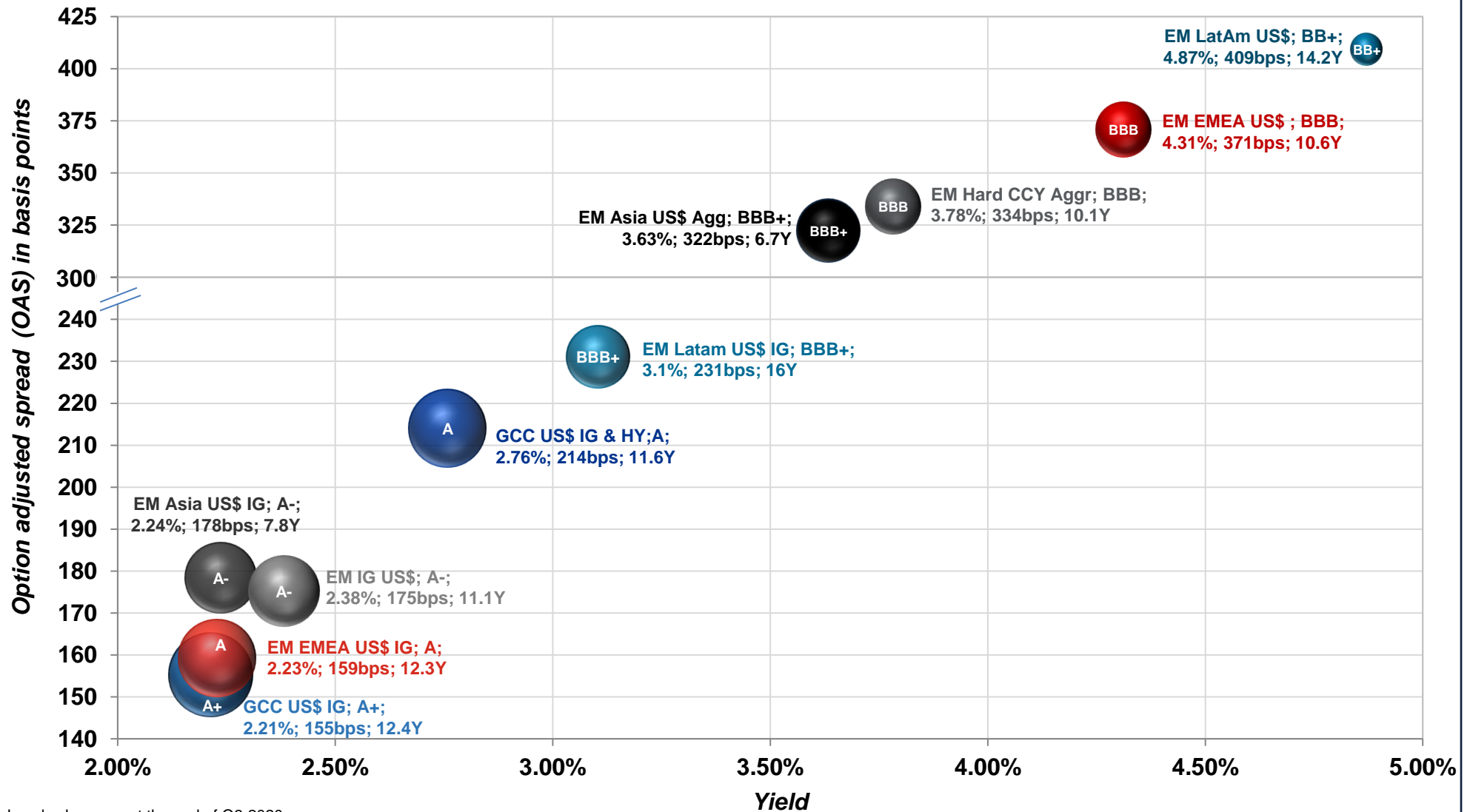


GCC / EM Aggregate Returns (Returns at different time interval of market gyrations in 2020)



Focus on liquidity, quality and yield

Bubble size indicates the average credit rating of the index. Bigger the bubble better the credit quality

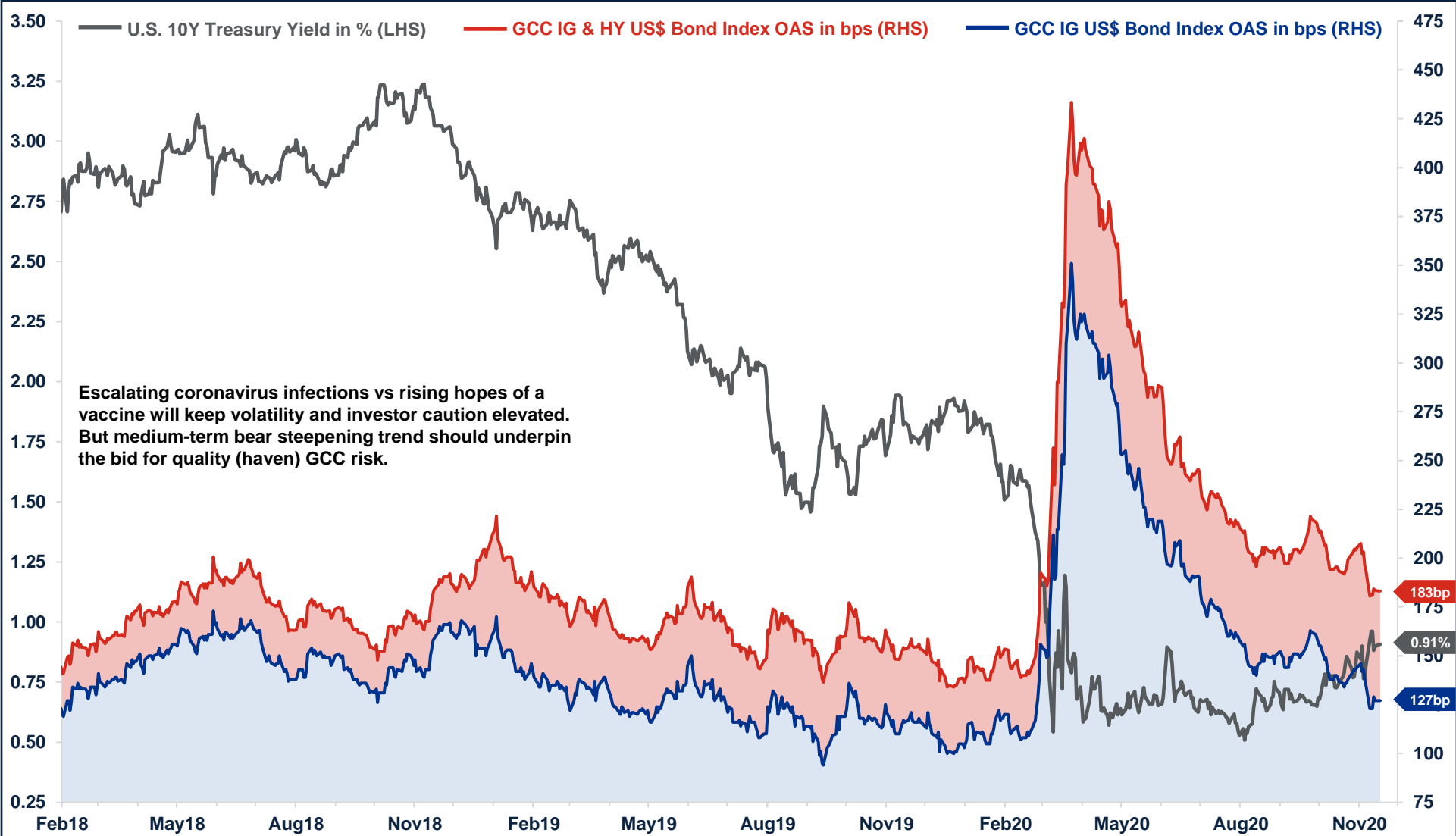


Levels shown as at the end of Q3 2020

Source: Bloomberg/FAB

GCC risk attractive as infection numbers improve and oil prices recover

Short-term obstacles to the longer-term trend



Source: Bloomberg/FAB

Thank You

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