

Six Minute Strategy

A soft landing for the world

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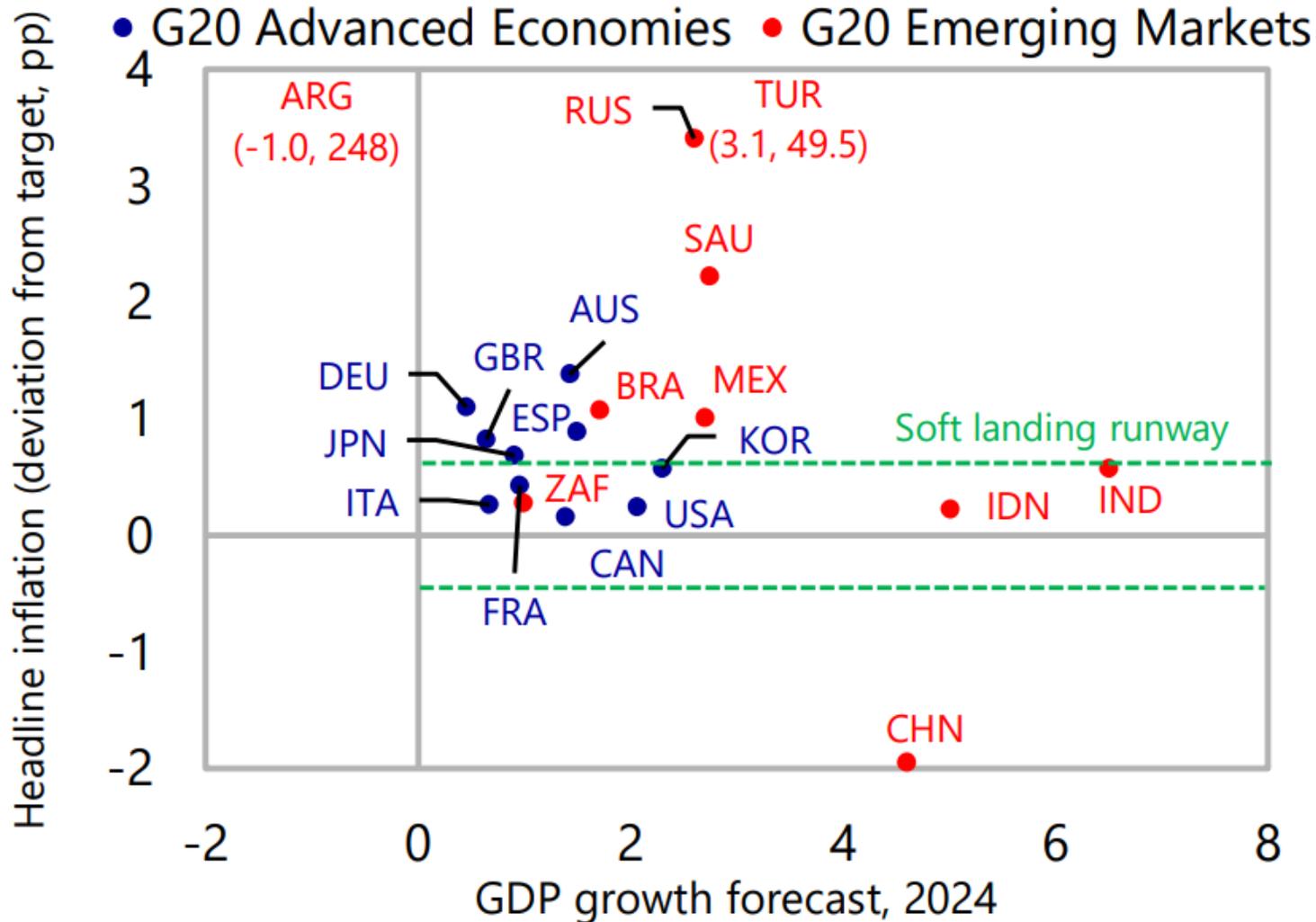


Coming safely into land

The global economy is likely to achieve a remarkable soft-landing



G-20 countries have surprised - disinflation has been successful without triggering recession



A soft landing occurs when inflation descends to target without triggering recession

Source: IMF/G20 February 2024

UK & global inflation trending down

Inflation rates have converged across countries just above central bank targets

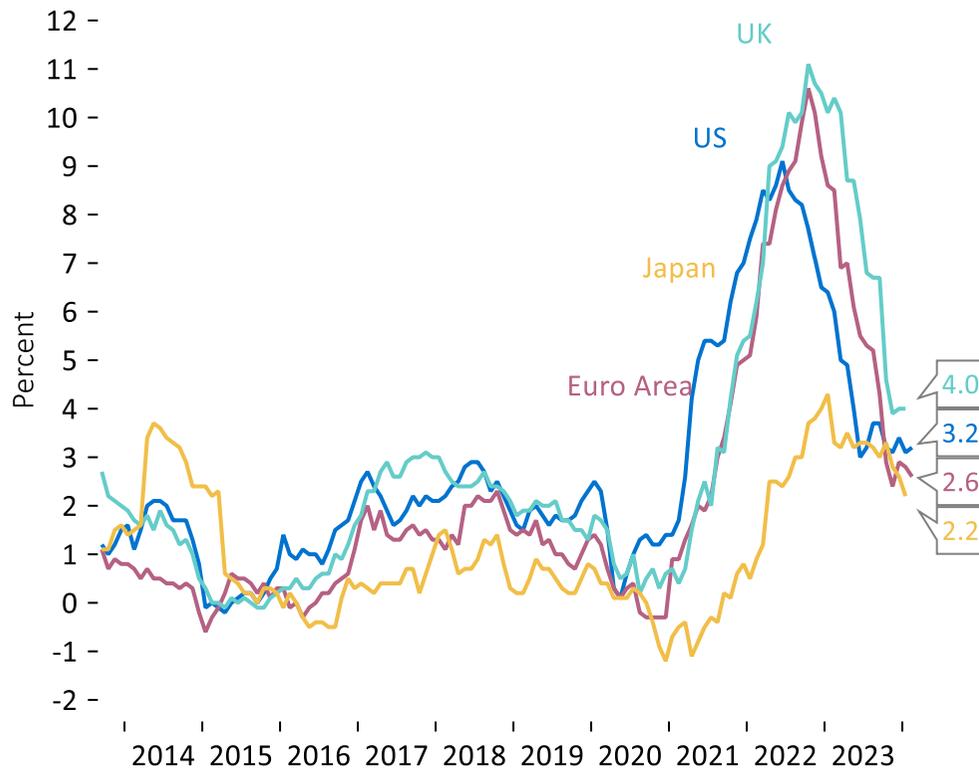


Falling inflation in Europe and UK has caught up with the US



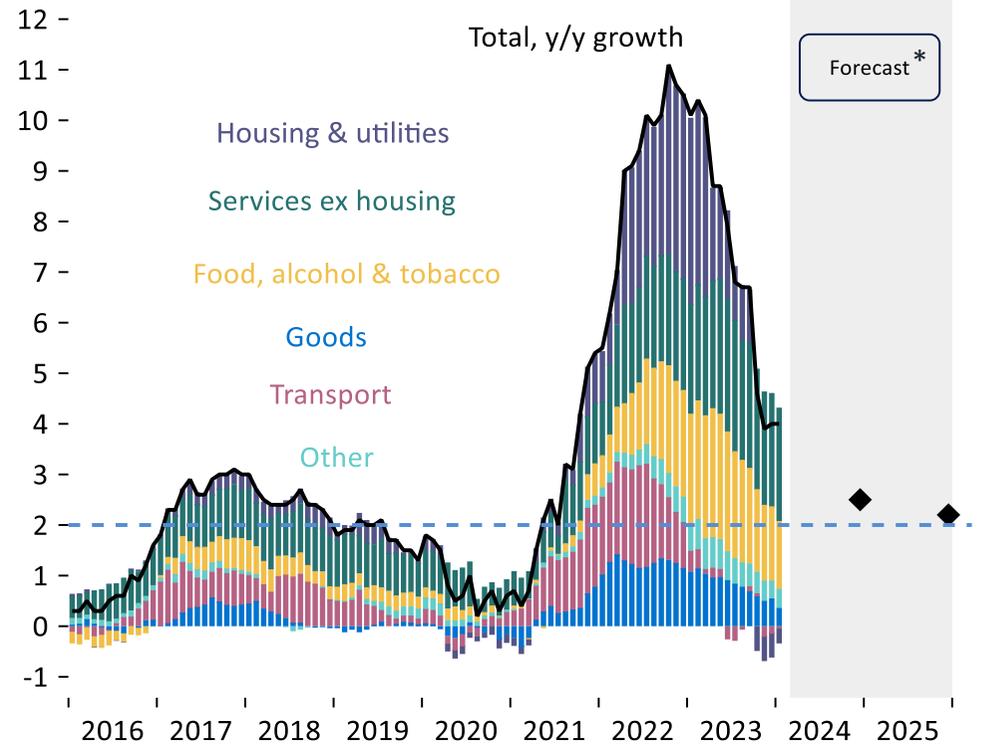
UK CPI could briefly reach 2% in spring 2024

Headline Inflation (CPI)



Source: Macrobond, 14.03.24

Contributions to UK Consumer Price Index



Source: Macrobond, 14.03.24

Source: Macrobond October 2023 and Sarasin forecasts September 2023

* Sarasin Forecasts December 2023

1. Why have prices fallen so fast?

Supply chains have normalised remarkably quickly post pandemic

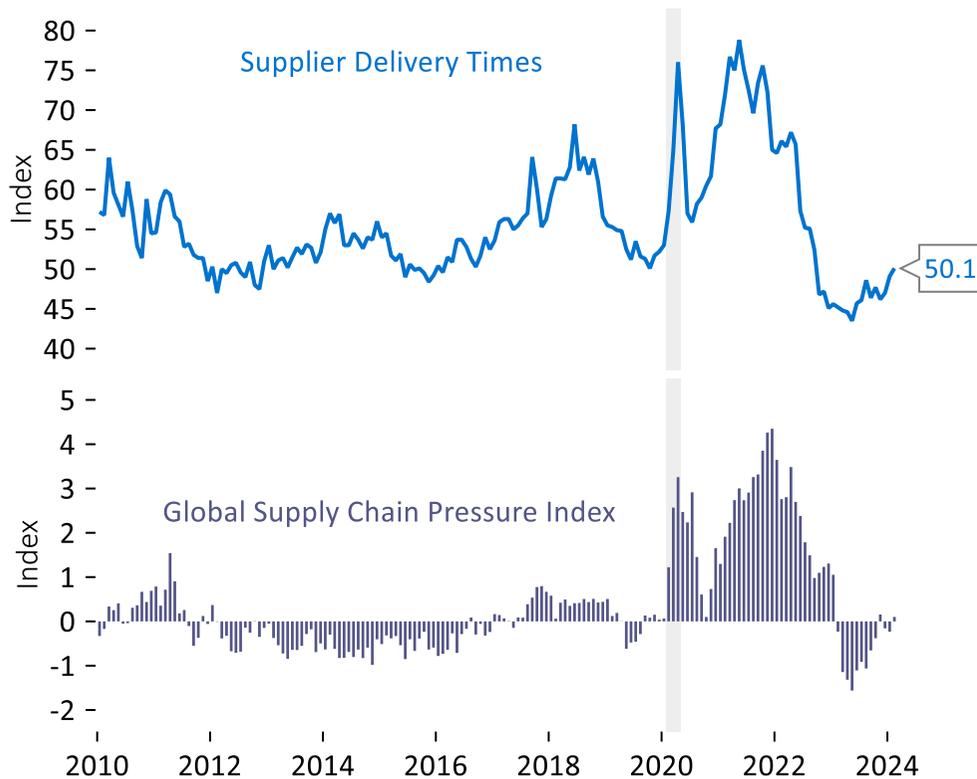


Supply chain pressure gauges stable



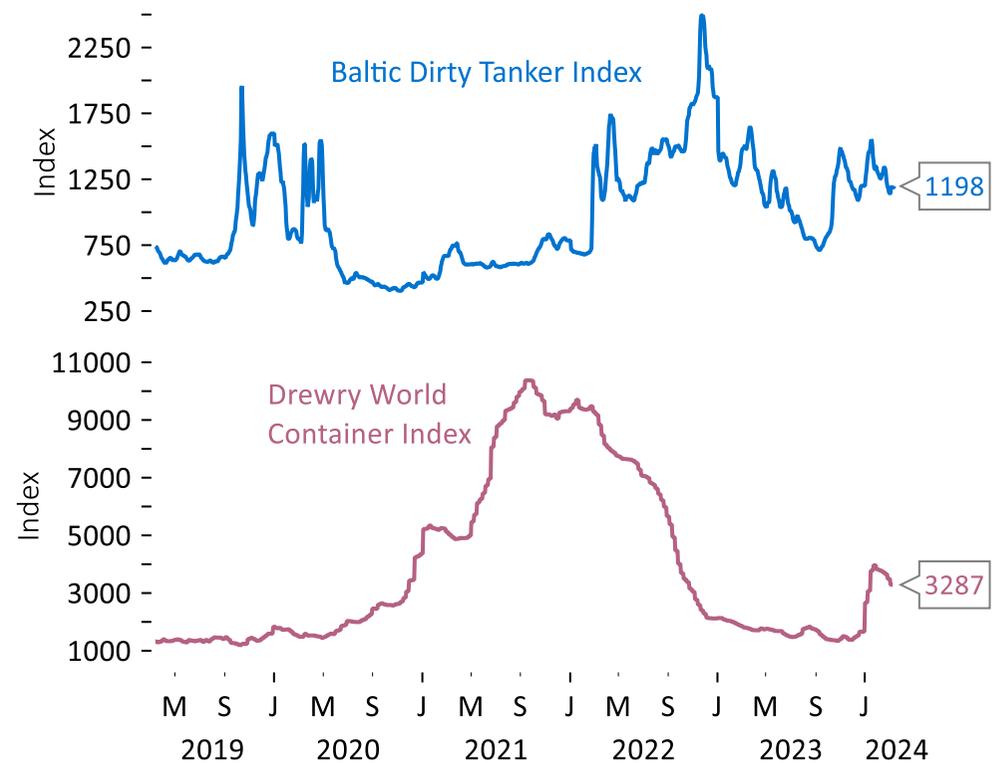
Tanker rates up modestly in the face of Red Sea attacks

US - ISM Manufacturing & Global Supply Chains



Source: Macrobond, 14.03.24

World Shipping Rates



Source: Macrobond, 14.03.24

In the first two months of 2024, Suez Canal trade dropped by 50% from a year earlier (attacks on vessels) while trade through the Panama Canal fell by 32% (drought)

IMF March 2024

2. It will take a wider regional crisis to lift oil & gas prices

Massive rise in US domestic oil production has blunted influence of OPEC +

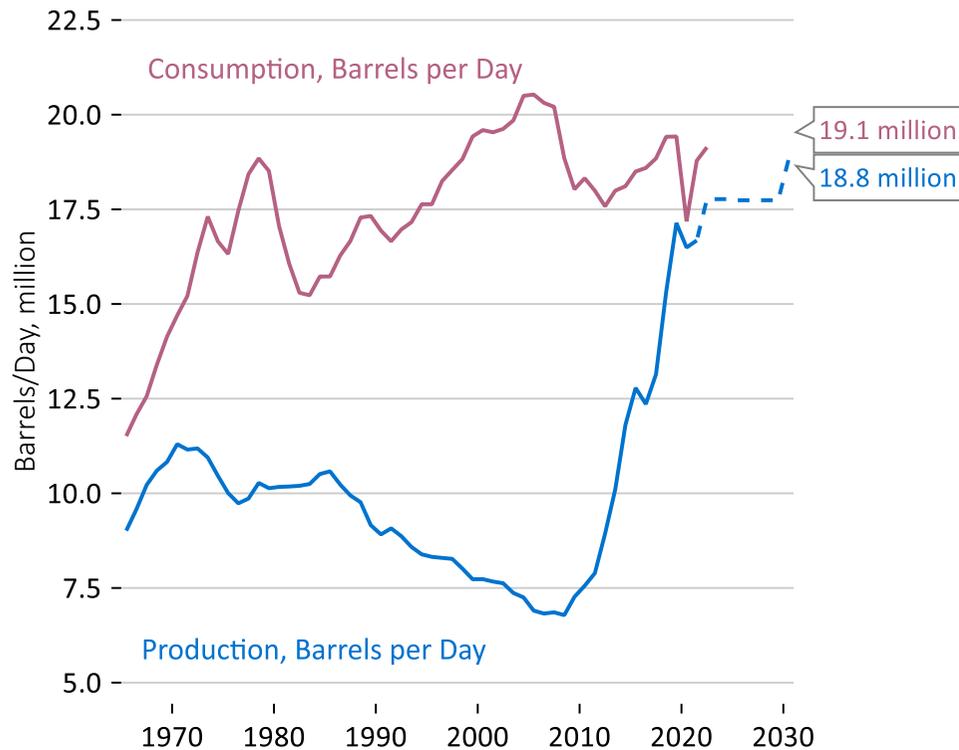


US oil production more than doubles in a decade



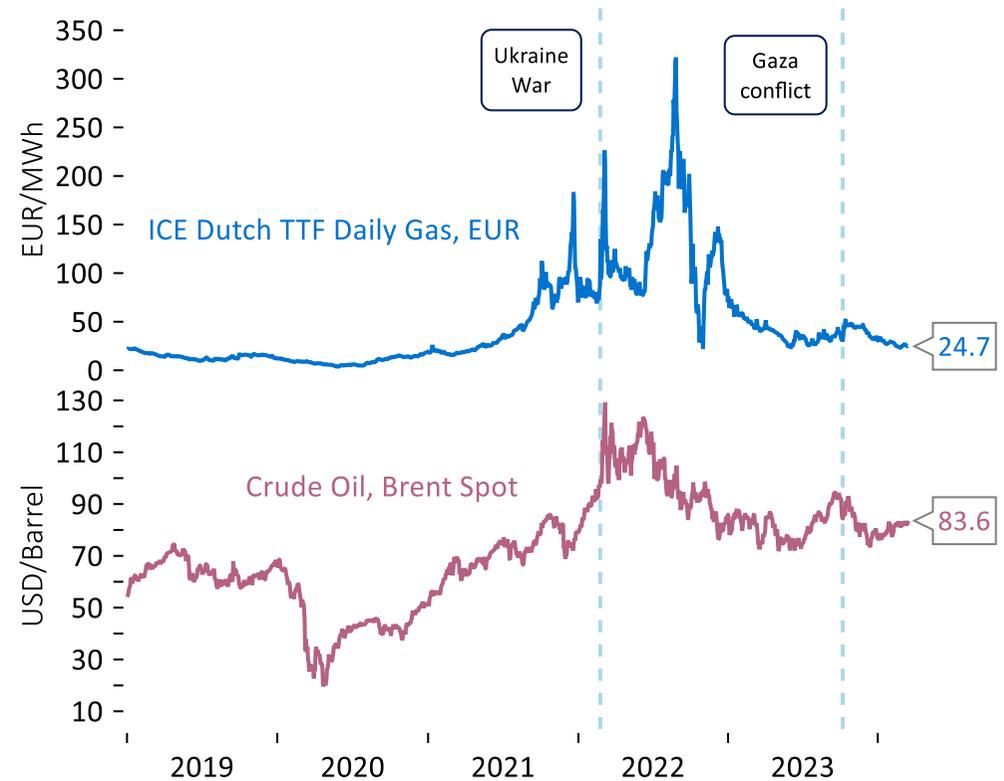
Gas prices collapse as Europe pivots from Russian suppliers

US oil production & consumption



Source: Macrobond, 14.03.24

European wholesale gas and oil prices



Source: Macrobond, 14.03.24

Extended OPEC cuts now amounting to 2.2m barrels per day have had little impact on oil prices in the face of rising output from US, Brazil and Canada

Bloomberg March 2024

3. Chinese export prices continue to fall

China deflation risks rising – low prices leave Chinese exports super competitive

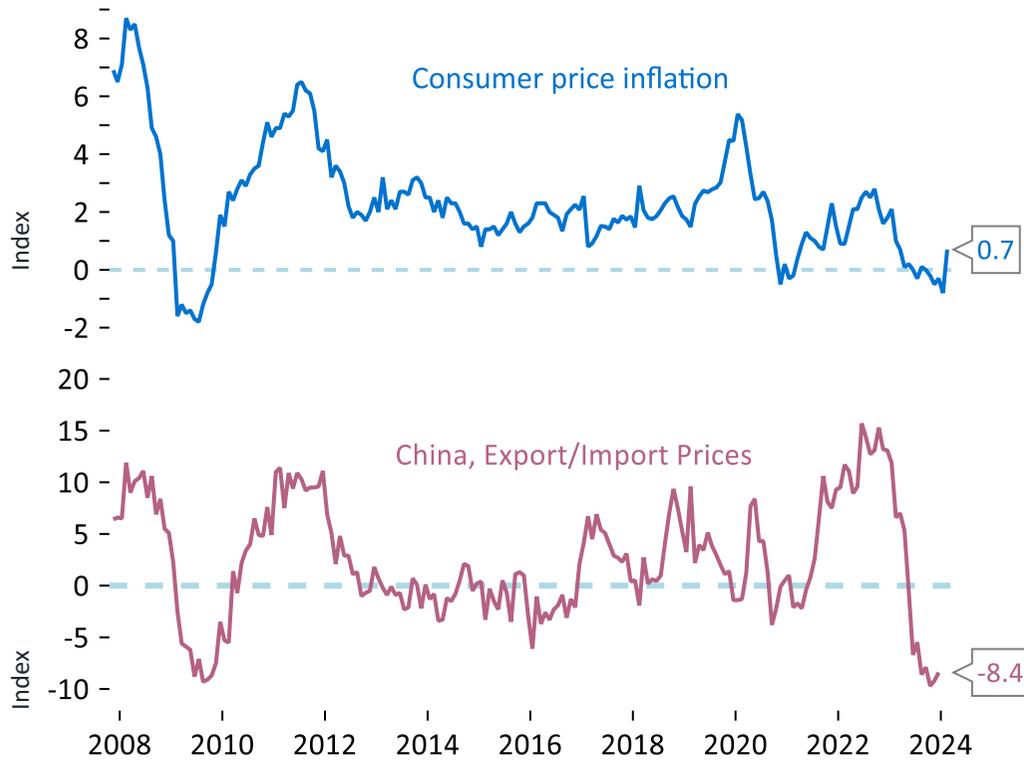


Stubborn Chinese deflation suggests fiscal stimulus needed



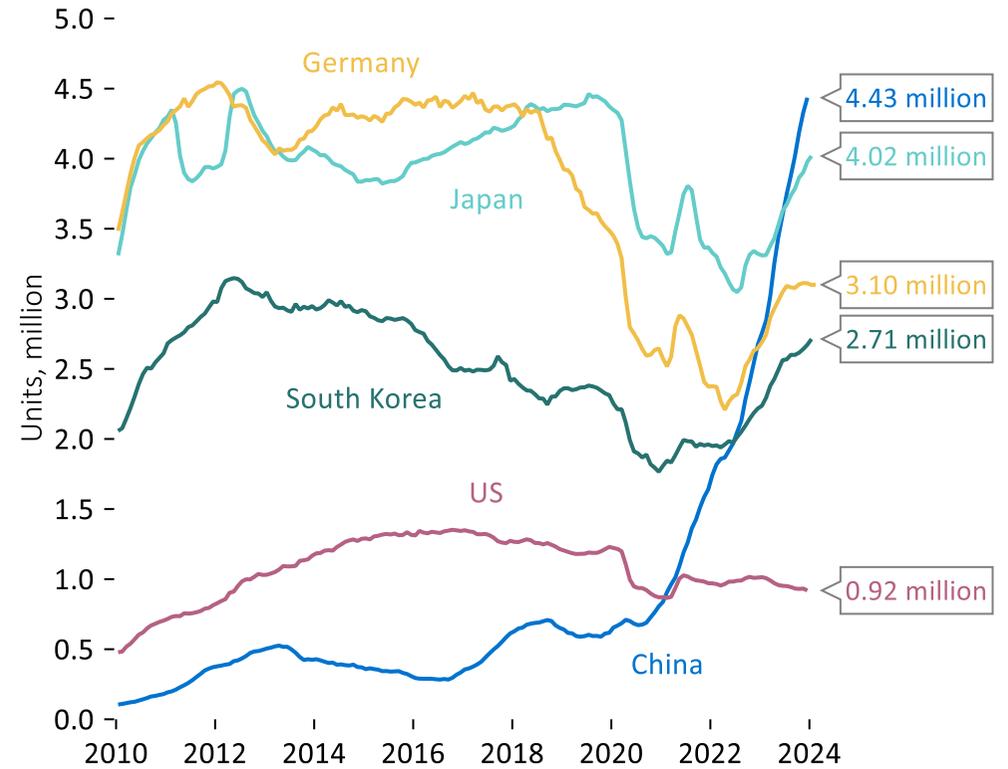
Massive inroads into global auto-sector by China

China inflation measures



Source: Macrobond, 14.03.24

Exports of Passenger Cars; Rolling 12m sum



Source: Macrobond, 14.03.24

The MG4 is now the second-best selling UK electric car. The parent is SAIC motor from China

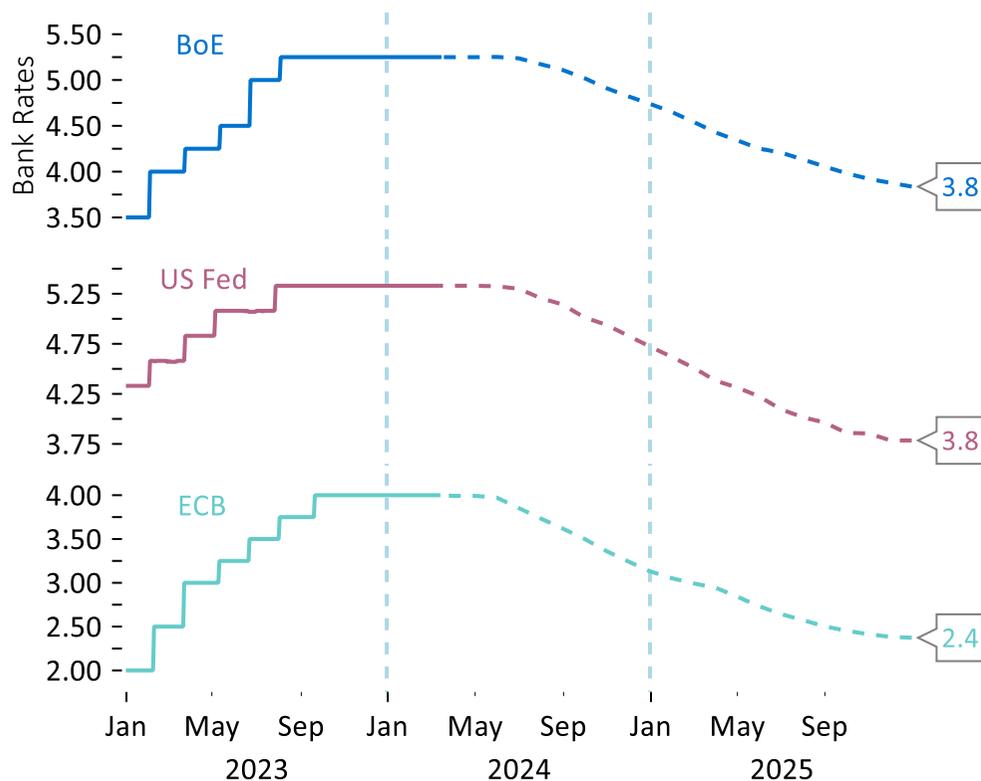
- Source: Carparison, 05.02.2024

Rates: Markets anticipating several rate cuts in 2024



Interest rates – market projections

Central Banks' Policy Rates and Market-implied Rate Trajectories



Source: Macrobond, 14.03.24

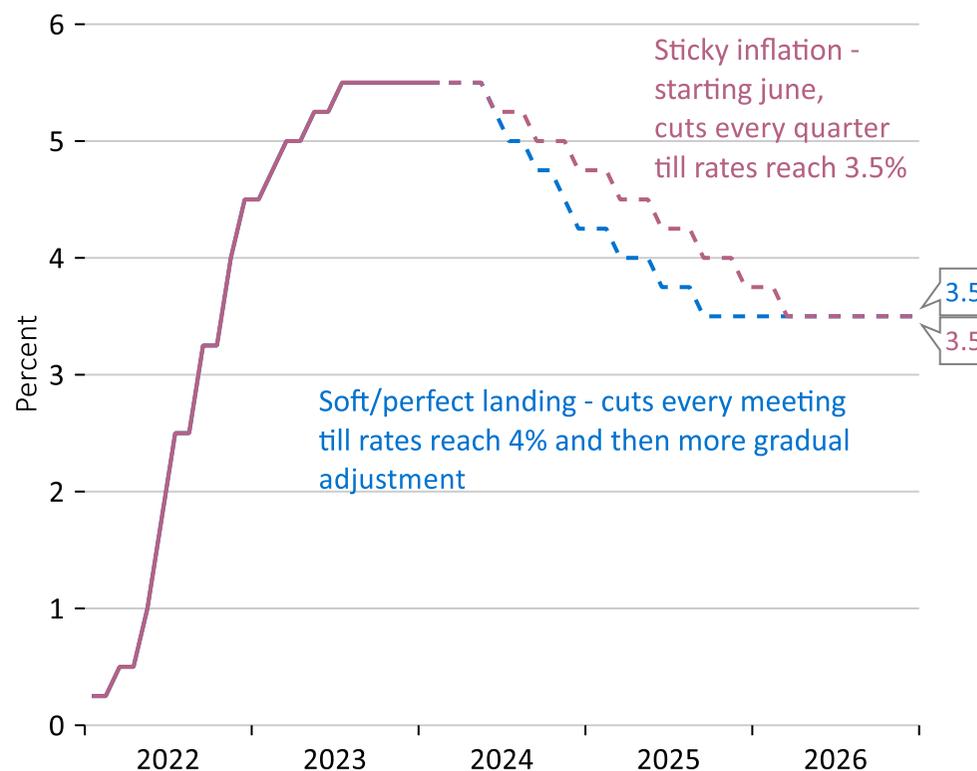
First **UK rate cut** expected in June 2024, falling to 4.5% by end 2024. Neutral rate 3.25%.

Source: Sarasin Feb 2024



US interest rate forecast (Sarasin)

Path of Policy Normalisation in the US



Source: Macrobond, 14.03.24

Policy summary

Global Strategy March 2024

Bonds	Neutral <ul style="list-style-type: none">• Underweight Govt: Higher volatility to remain as government issuance rises• Overweight Inv. Grade Credit: Yields attractive, corporate balance sheets healthy, demand from pension funds high
Equities	Overweight <ul style="list-style-type: none">• Global Equity: Earnings growth attractive, market leadership expected to widen, dividend strategies attractive• Portfolio insurance attractive as valuations rise
Alternatives	Neutral <ul style="list-style-type: none">• Neutral Correlated: Higher interest rates mostly priced in – discounts attractive• Underweight Uncorrelated: Hedge funds and absolute return unlikely to outperform cash/bonds• Overweight Gold as hedge against a failure in the financial system
Cash (tactical)	Double Underweight <ul style="list-style-type: none">• Favour Sterling on lower UK political risk and more hawkish BoE
Risks	<ol style="list-style-type: none">1. Liquidity risks elevated as central bank balance sheets shrink & real rates turn positive2. Geopolitical risk as Pax Americana ends3. Risk of natural disasters as climate change accelerates

Source: Sarasin & Partners, March 2024

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