

SARASIN

Six Minute Strategy 100 today: what have we learnt?

May 2024

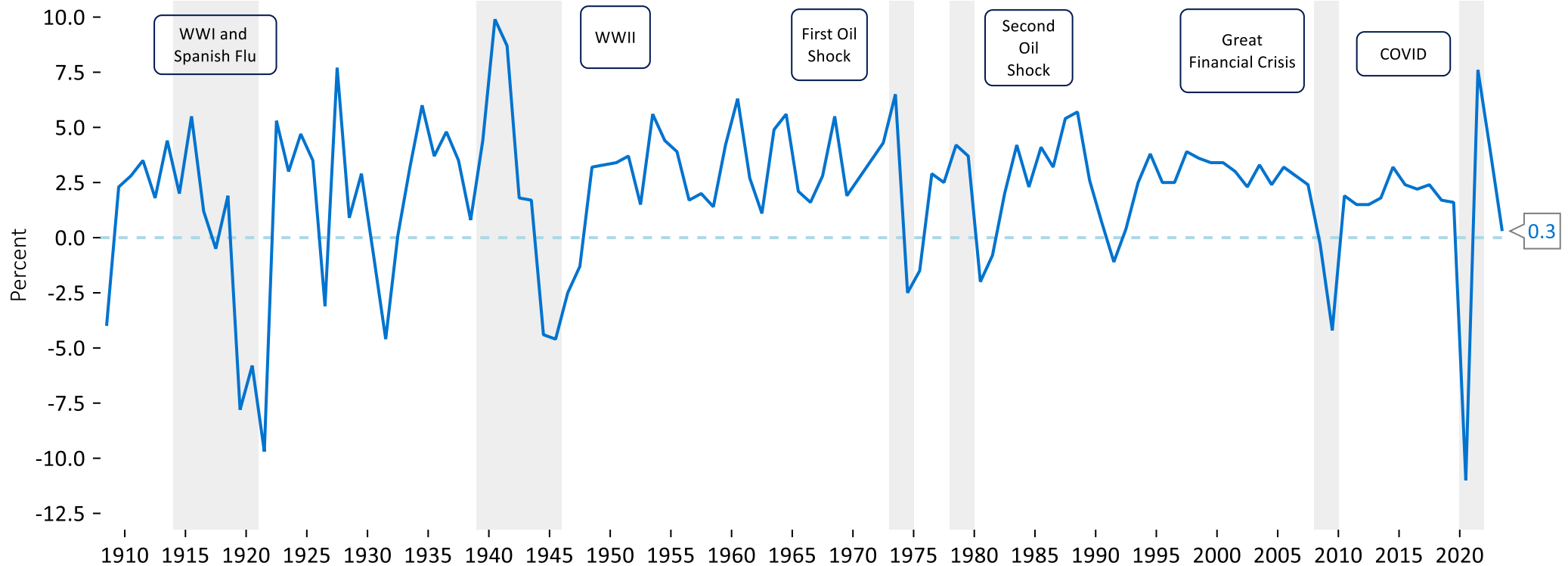
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The UK's Covid recession was the sharpest in 100 years...but so was the recovery

 Massive fiscal and monetary support and end of lockdowns contributed to a rapid recovery

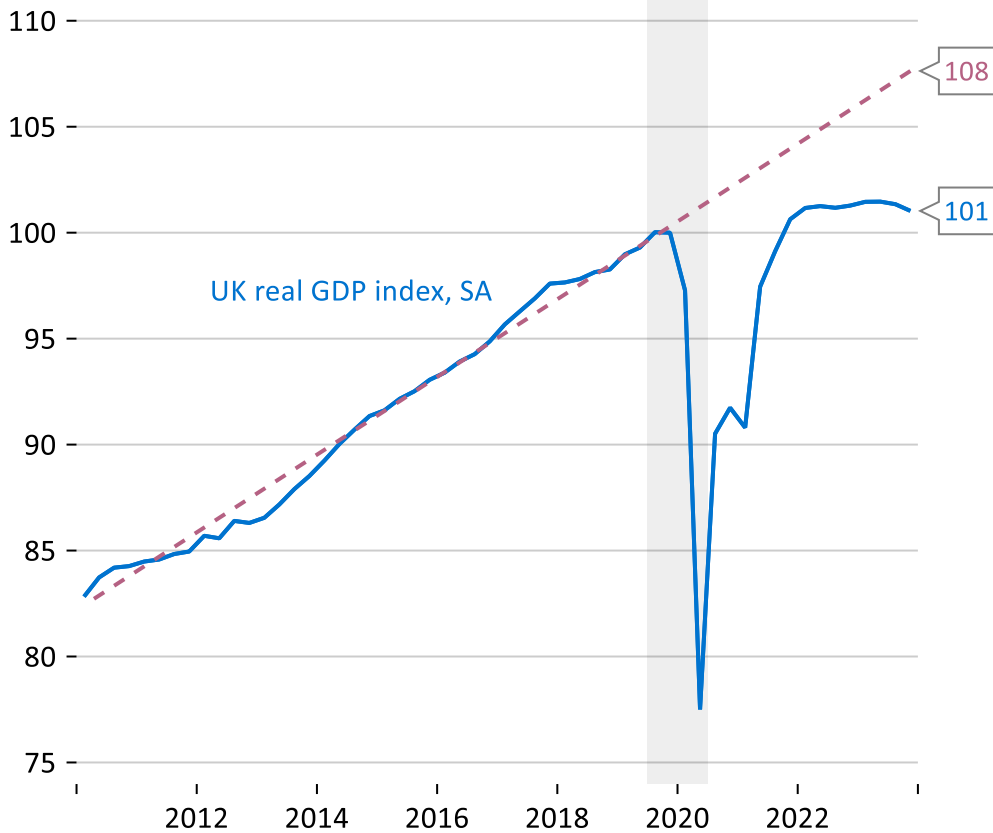
United Kingdom Annual GDP growth



Source: Macrobond, 09.05.24

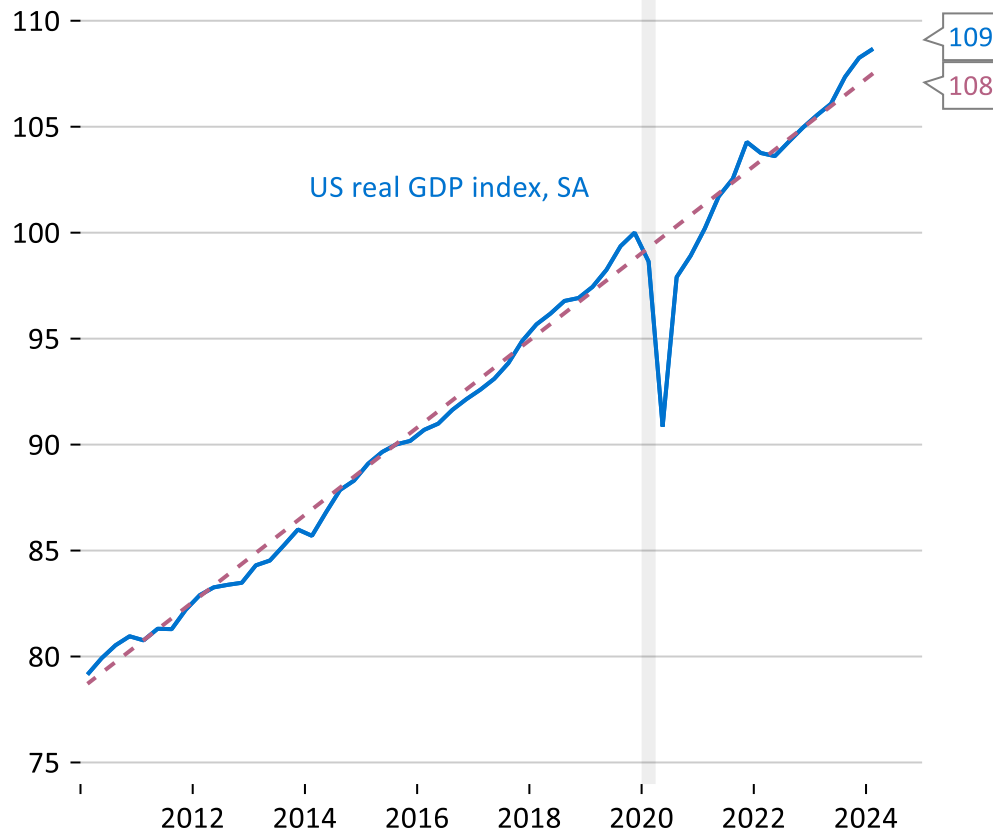
The UK economy has been stagnating while the US has overheated

UK economy struggling under high energy prices and rates



Source: Macrobond, 09.05.24

US GDP is 1% above its pre-pandemic trend



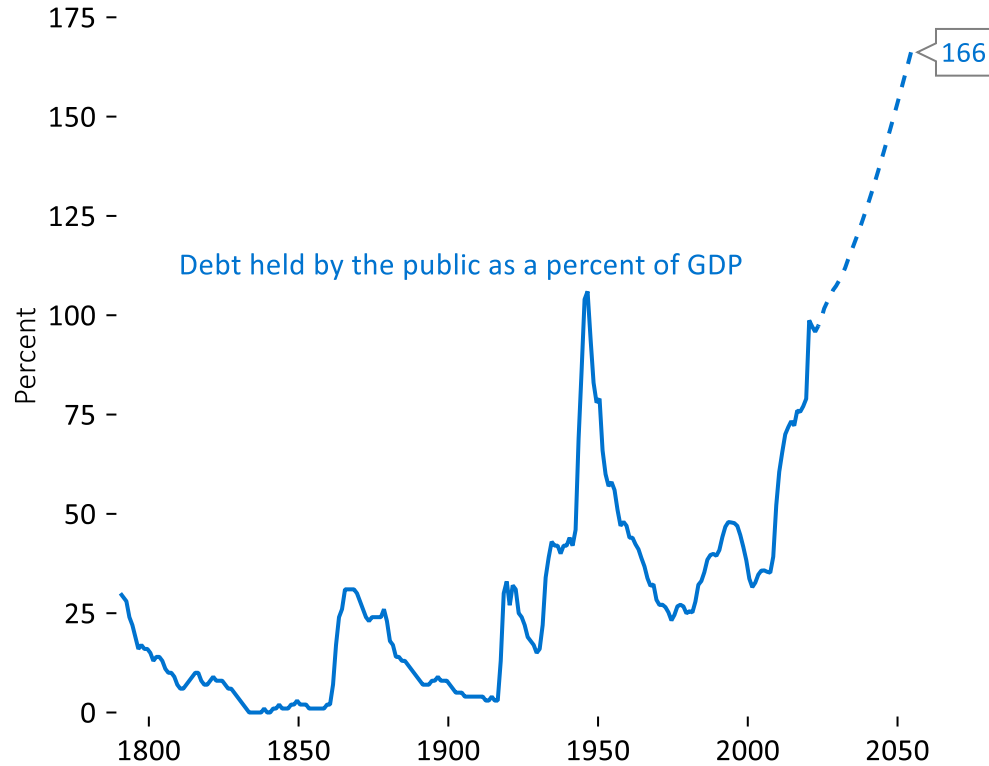
Source: Macrobond

The strong US recovery carries a long term price...

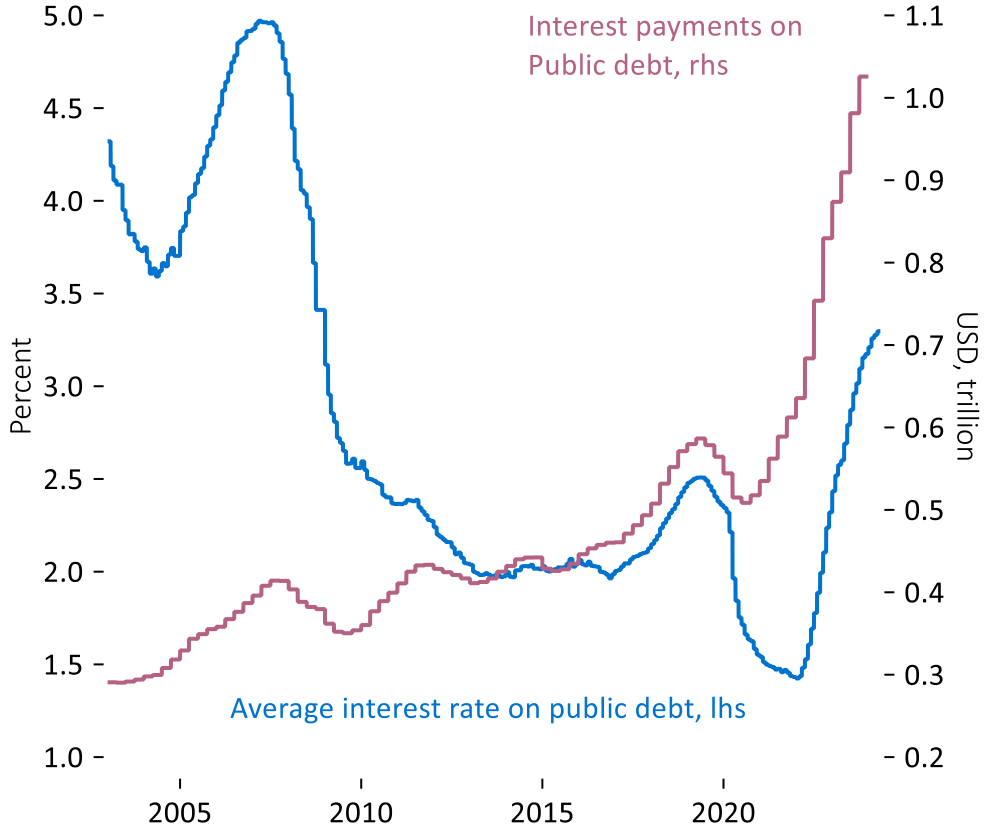
 The price was a massive increase in US government debt

 Interest payments on public debt will exceed U\$1 trillion pa

Extended baseline forecasts by the CBO



Source: Macrobond, 09.05.24



Source: Macrobond, 09.05.24

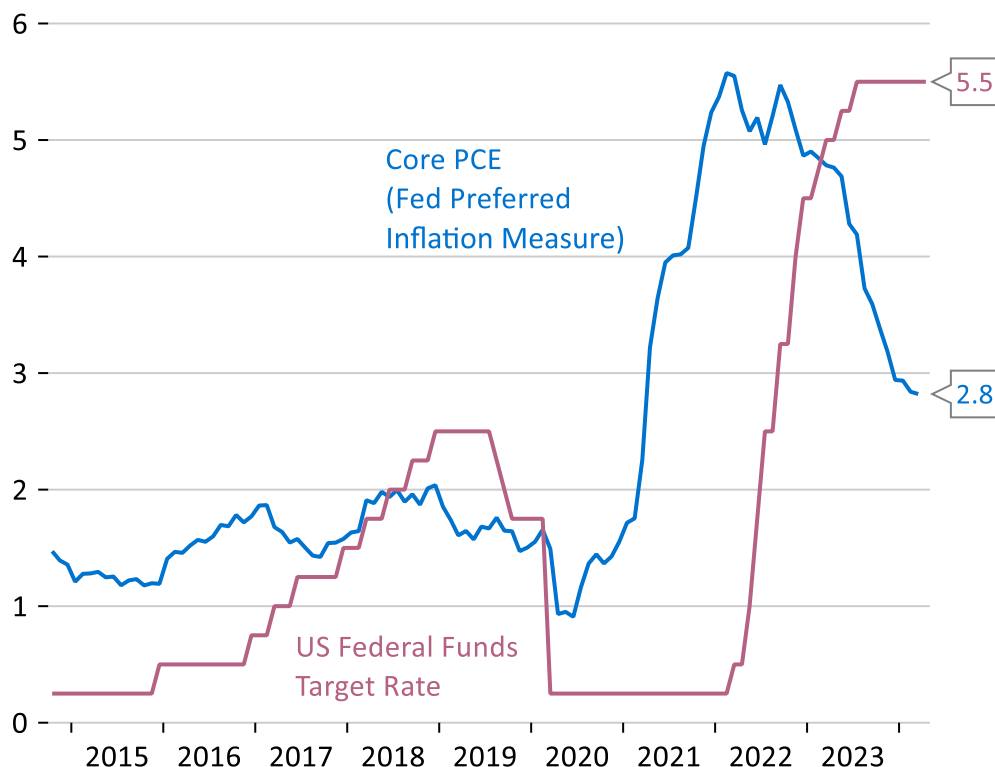
Estimates of full employment Sarasin & Partners

The US Fed was late to raise rates but then acted determinedly



Fed too late in raising rates – it then moved aggressively

US Inflation and Interest Rates

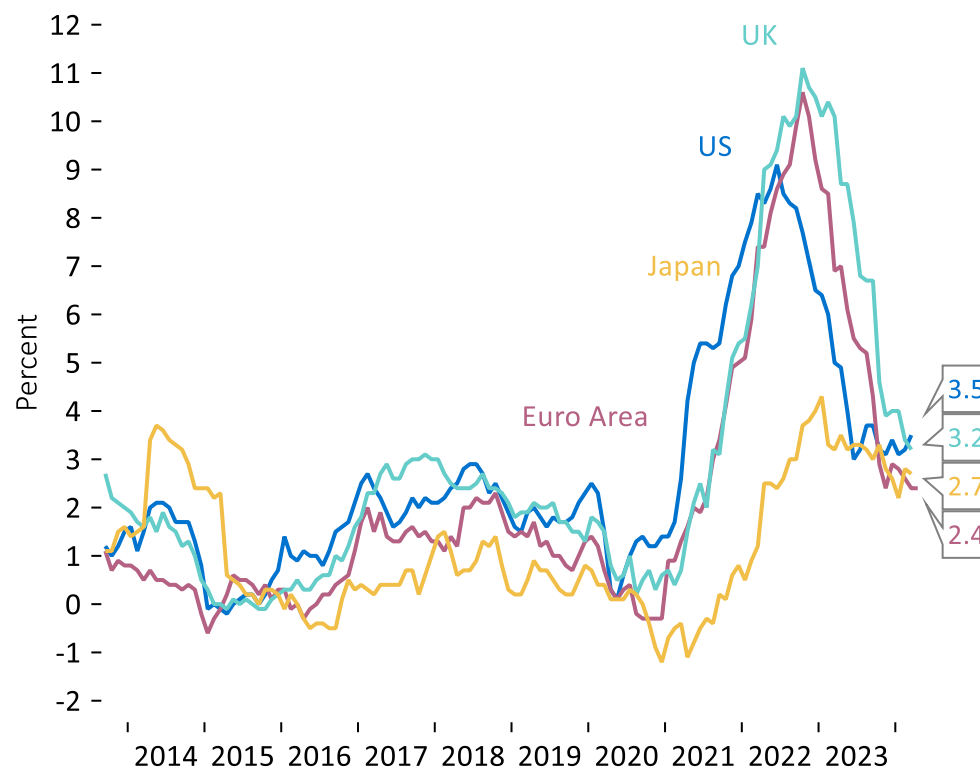


Source: Macrobond, 09.05.24



Inflation fell rapidly as supply chains normalised

Headline Inflation (CPI)



Source: Macrobond, 09.05.24

Fed's error was two fold: it failed to recognise that demand and supply elasticities had dramatically reduced, and then was slow to adjust policy.

US equities saw the fastest fall and the quickest recovery in history

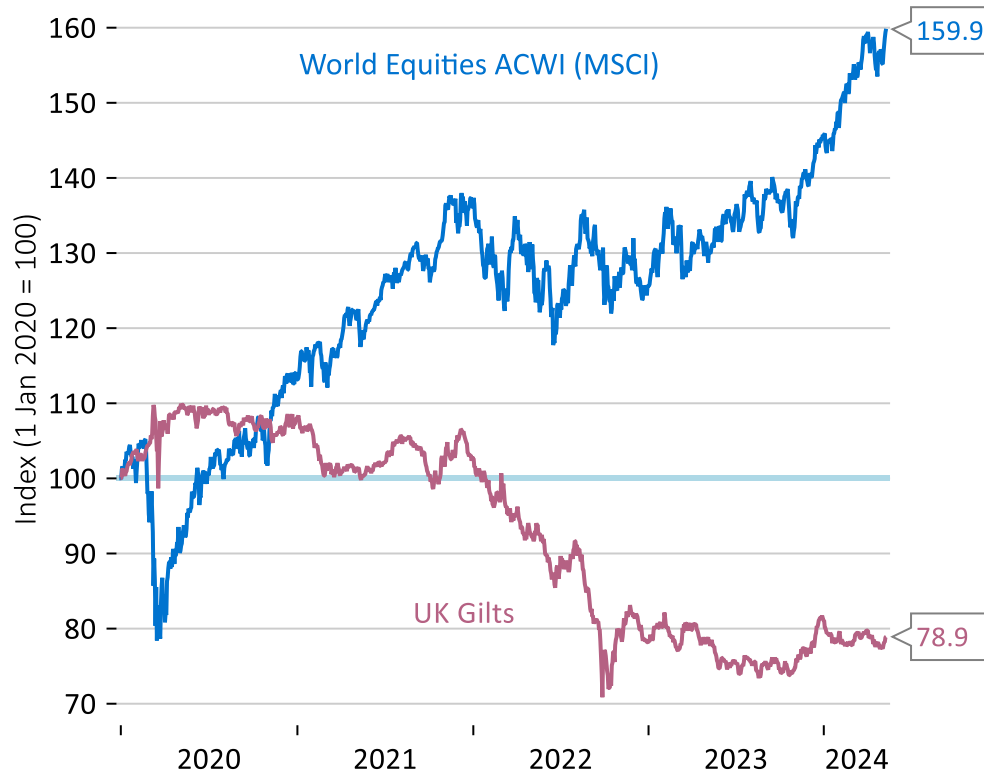


Global equities rally from March lows...



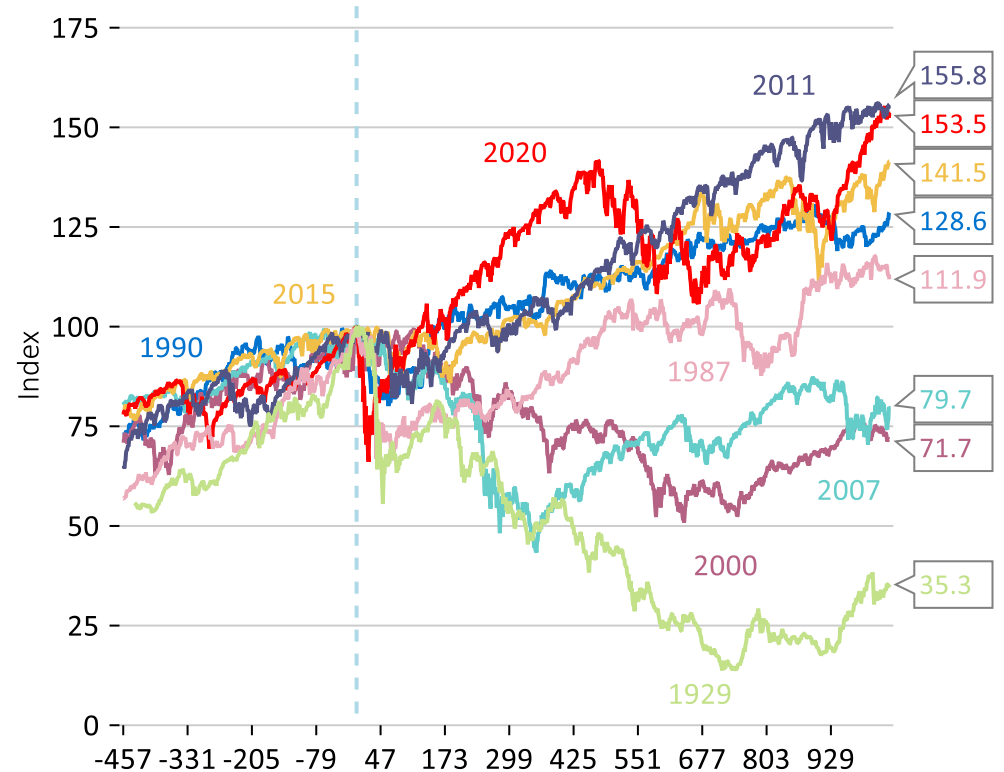
The fastest fall & the best recovery in history for US equities

Global Asset Returns in GBP



Source: Macrobond, 09.05.24

Historic Bear Markets



Source: Macrobond, 09.05.24

Source: Macrobond

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