

Six Minute Strategy **Higher debt for longer**

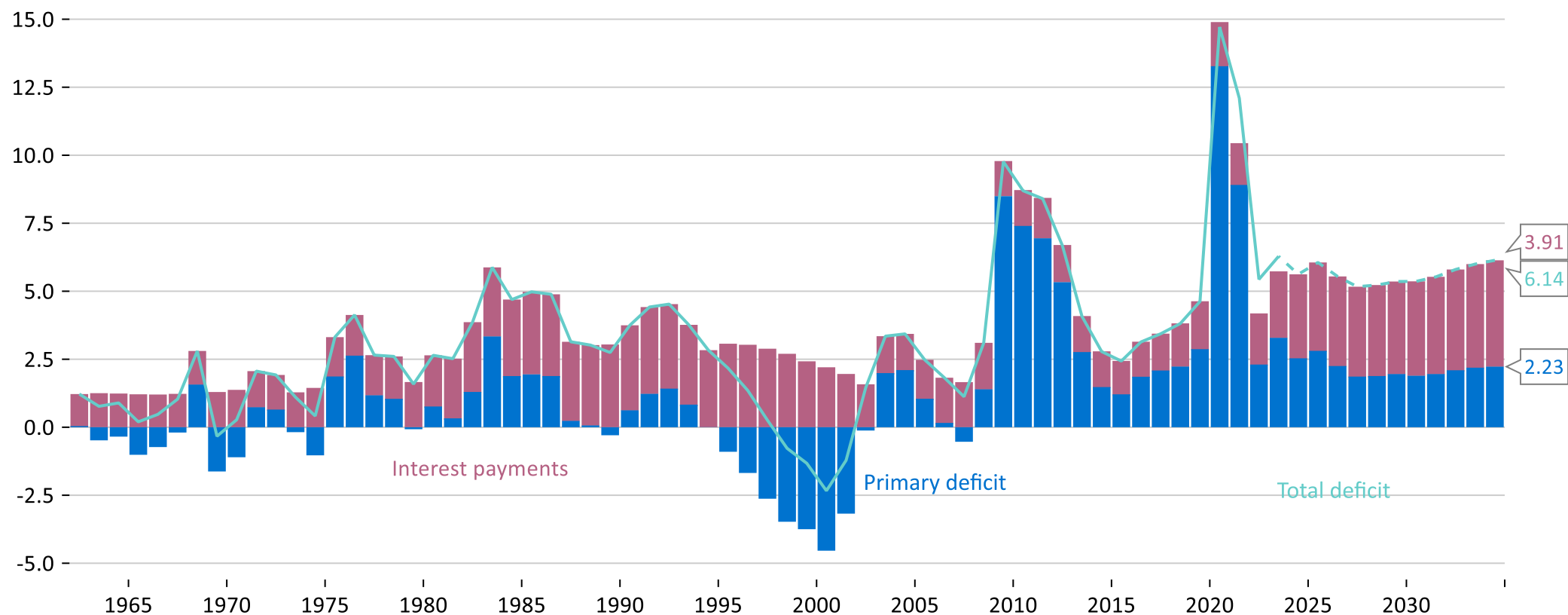
June 2024

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US fiscal deficit: Is 6% the new 3%?

 Deficit ends 2034 at 6.1% on current projections

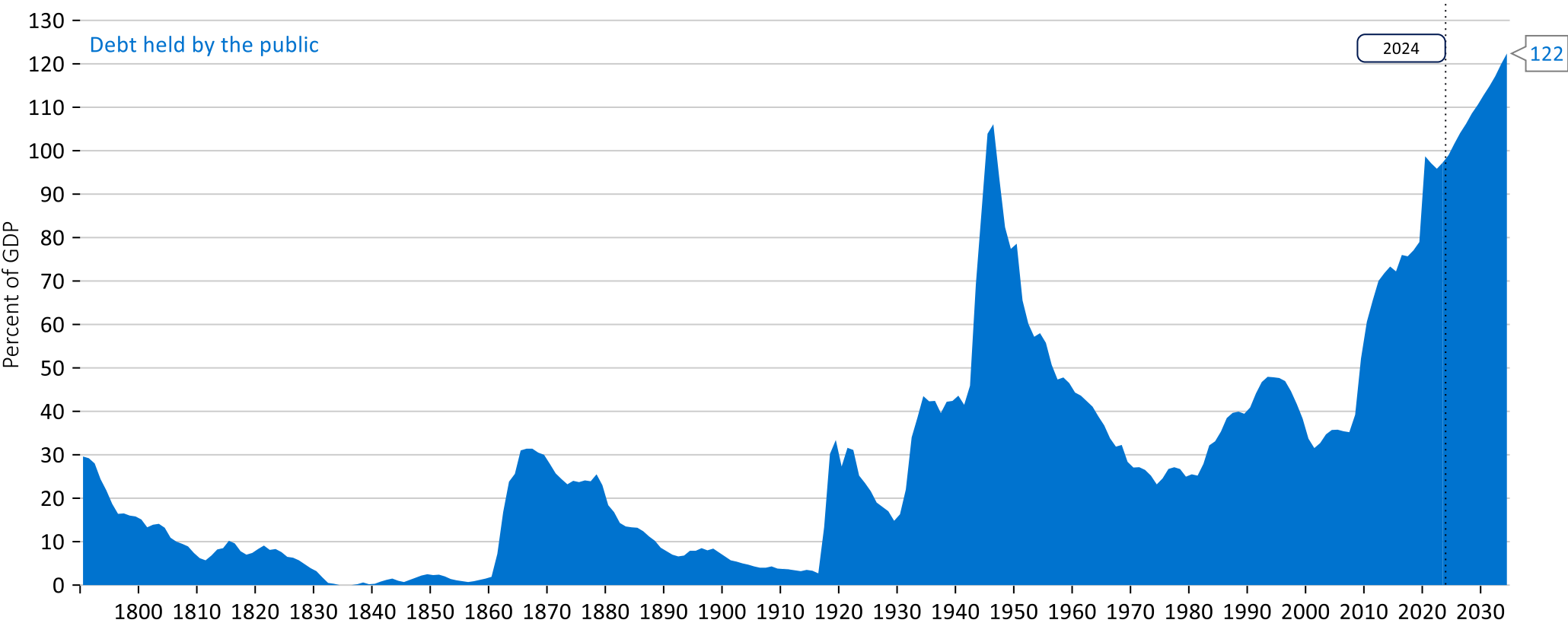


Source: Macrobond, 26.06.24

Source: CBO June 2024-2034

US government debt to GDP set to rise to 122% by 2034

US exorbitant privilege... can it last?

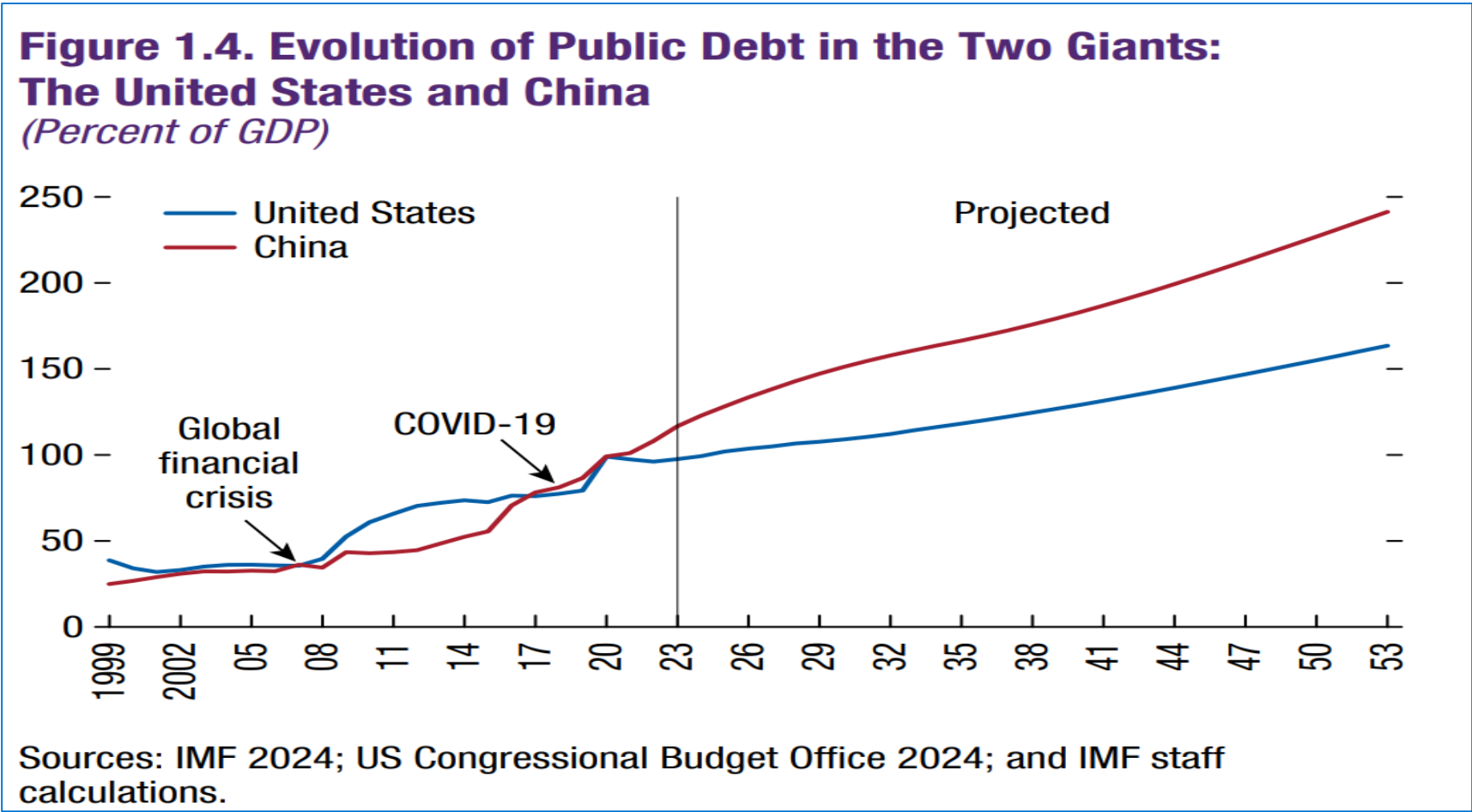


Source: Macrobond, 26.06.24

Debt accumulation now led by the US and China

In both China and the US debt is projected rise by 50-100% by 2050

 China's property & local authority funding crisis continue to lift Chinese debt levels



Source: IMF Fiscal Monitor April 2024.

Note Chinese debt/GDP data includes 1/3 of local government financing vehicles that are classified as debt tiered to special construction and government

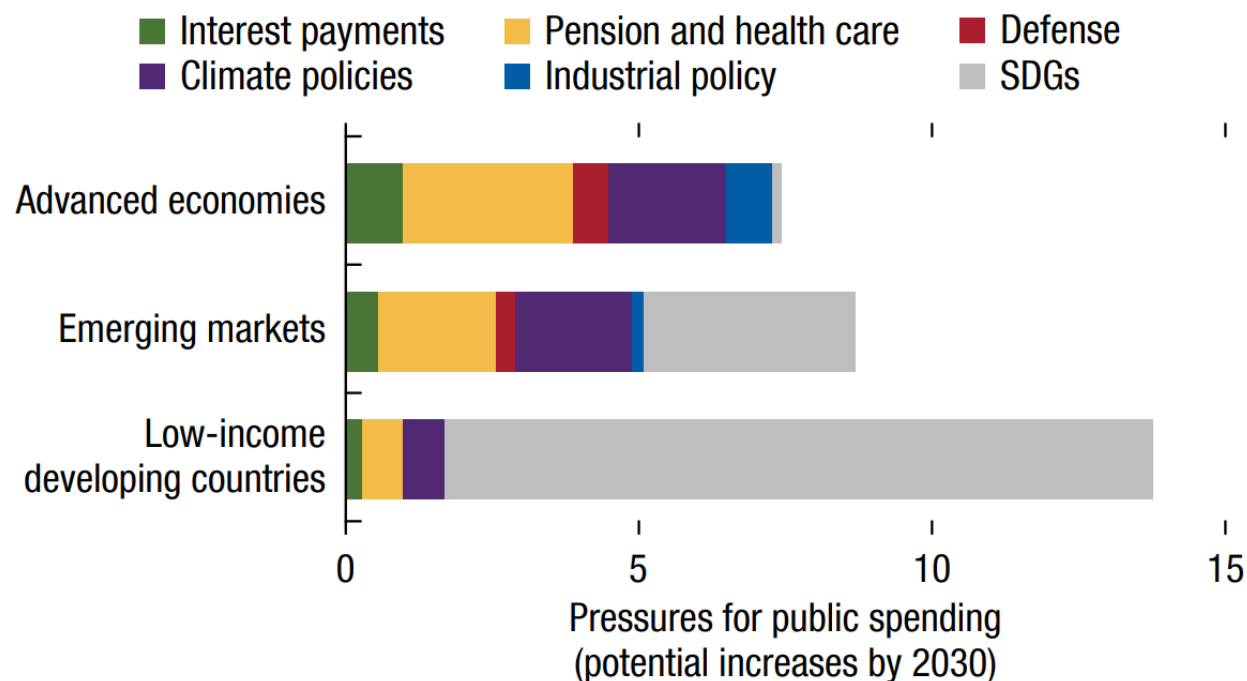
The momentum toward fiscal normalisation is slow

A very slow unwinding of Pandemic subsidies & grants with new commitments rising



Post pandemic fiscal legacies (percentage points of GDP)

Figure 1.18. Potential Annual Increases in Spending through 2030
(Percent of GDP)



Source: IMF staff calculations.

Source: IMF Fiscal Monitor April 2024

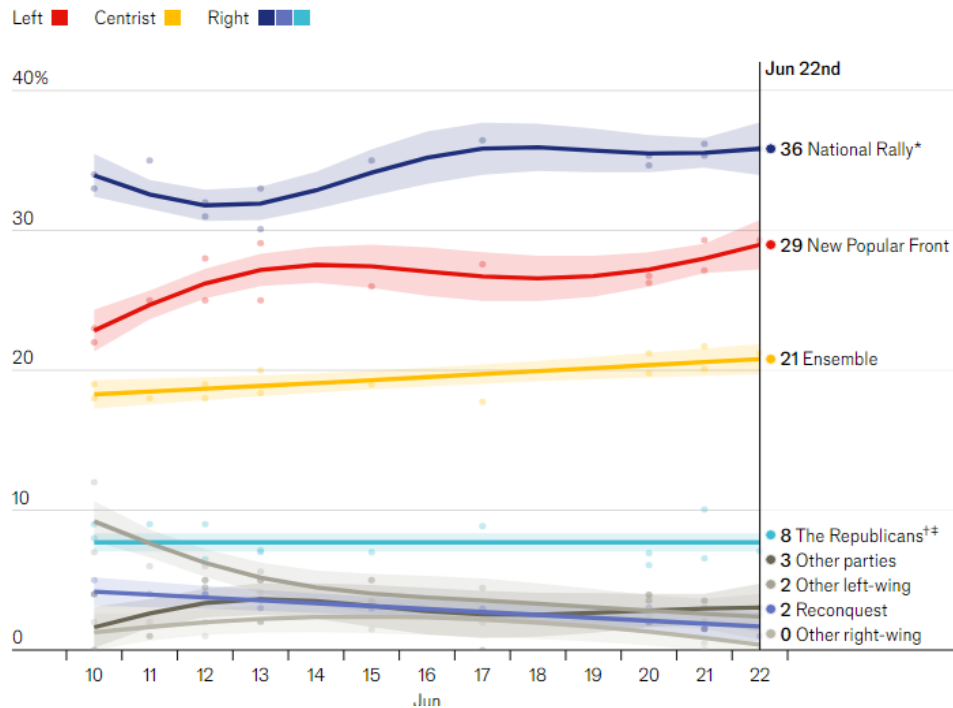
Investment Implications

1. Are the bond market vigilantes back?



French elections pave way for a hard-right/left parliament

Voting intention, %



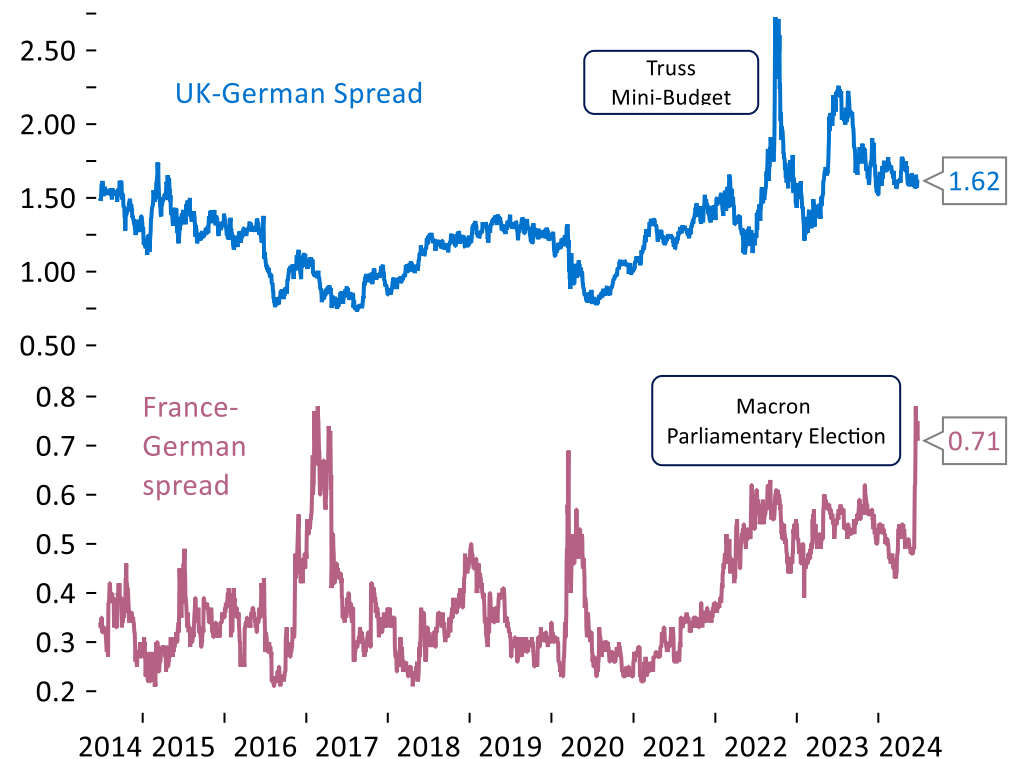
French Parliamentary Election: First vote 30th June 2024, then 7th July. Jordan Bardella of National Rally says he will refuse to form a government unless he wins a clear majority (at least 289 seats).

Economist June 2026



Political uncertainty in France triggers wider spreads

Government benchmarks, 10 year yield spreads



Source: Macrobond, 26.06.24

Source: The Economist June 25th 2024

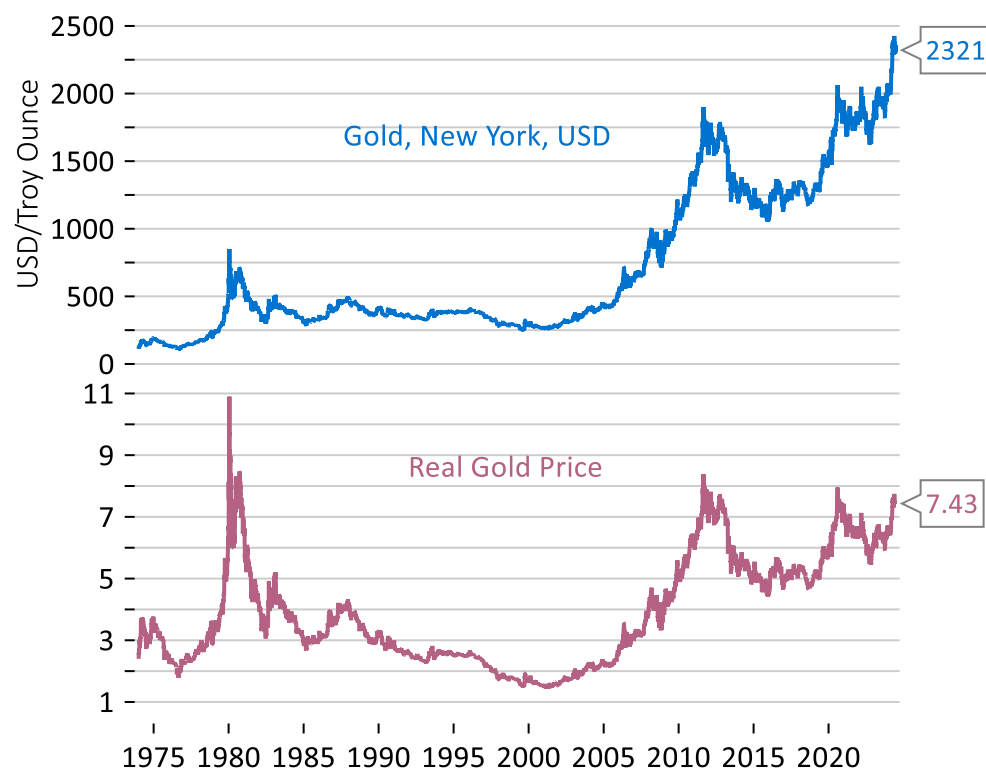
2. Gold as a safe haven from sovereign bonds

Retail demand is strong in India, Turkey and China, particularly during financial stress



Real gold prices still short of peak

Gold Price

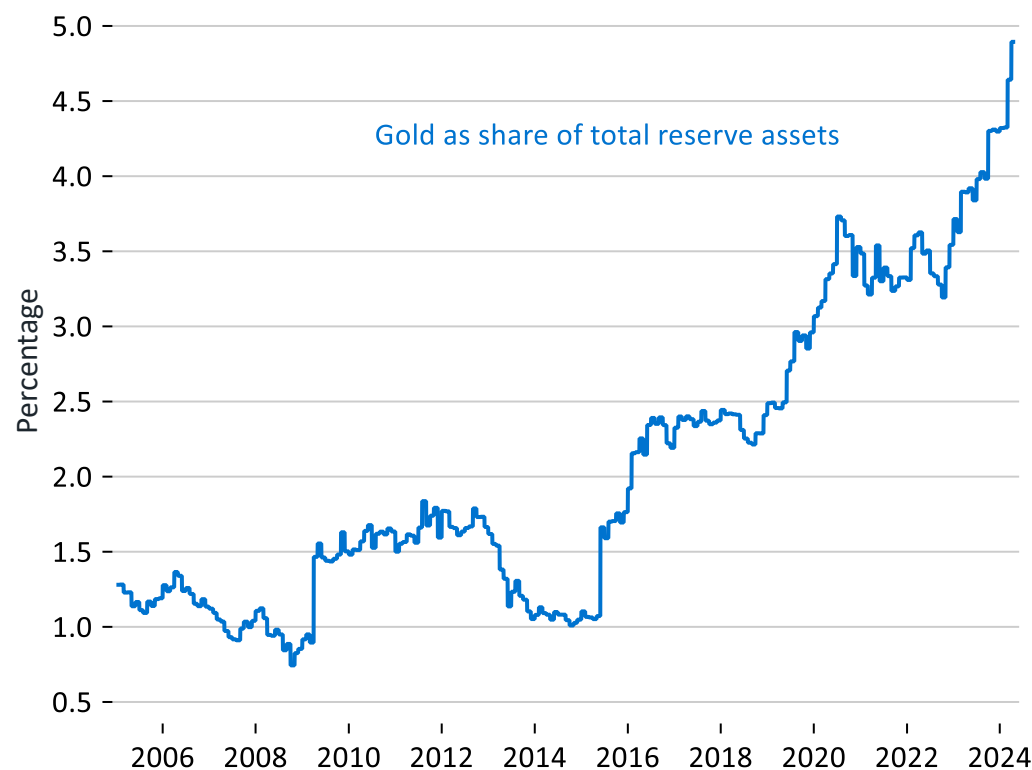


Source: Macrobond, 24.06.24



Gold increasing share of EM central bank reserves

China Official Central Bank Reserves



Source: Macrobond, 24.06.24

Past performance is not a reliable indicator of future results and may not be repeated.

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