

The Conference Board Economy Watch

The Global Economy in 2021 - Divergences, Uncertainty & Risks

January 11, 2021



This month we'll be exploring the following questions:

Key Questions:

- What is The Conference Board's forecast for the US economy in 2021, and what are the key assumptions?
- How does The Conference Board expect the global economy to recover, and what are the primary risks?
- What lies ahead for global markets in 2021, according to Citi?
- What are the risks to financial stability in 2021, according to the International Monetary Fund?



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Strategy & Asset
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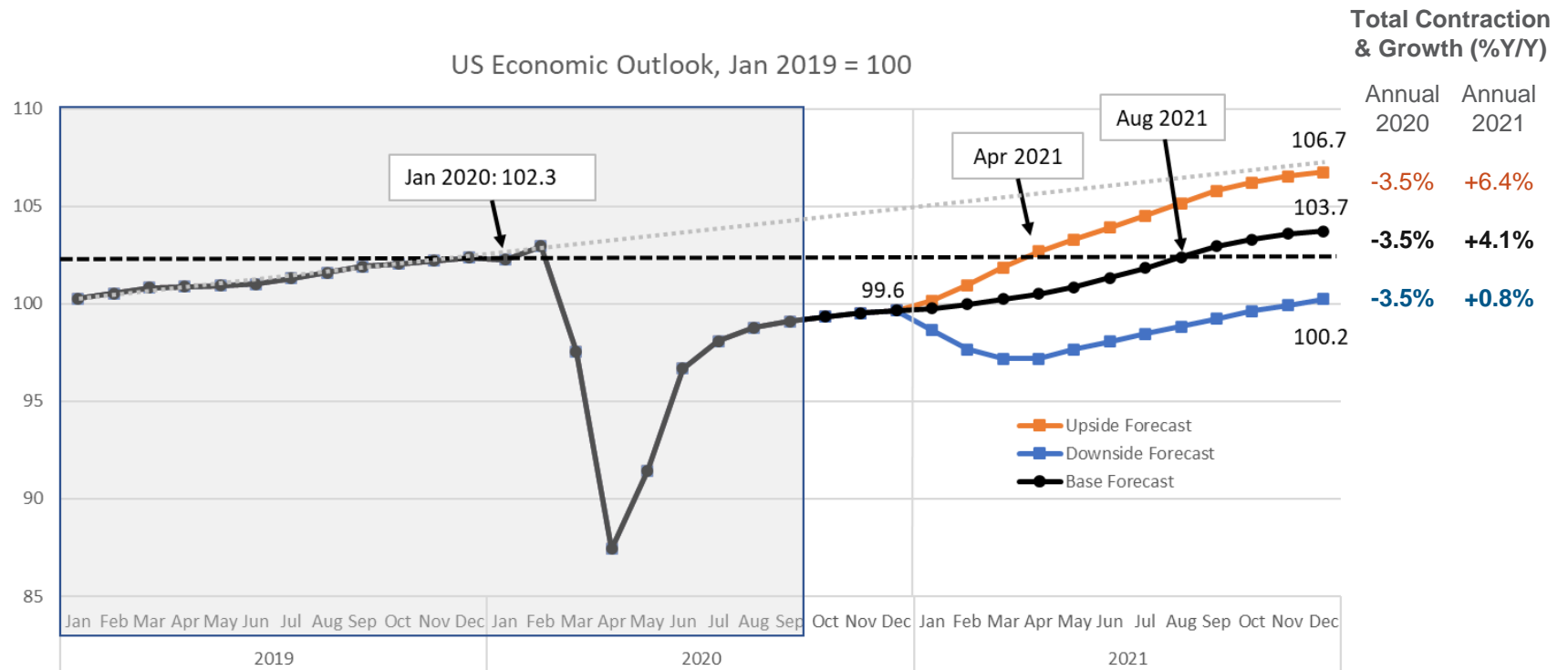


Dana Peterson
Executive Vice
President & Chief
Economist
The Conference Board



US Economic Outlook

US economic outlook: Three scenarios possible, but our base case (black) points to a sustained recovery in 1H21



Source: The Conference Board



US economic outlook: key assumptions for each scenario

1. Base Case Scenario

- ✓ New cases of COVID-19 peak in early 1Q21, but no widespread lockdowns are implemented
- ✓ COVID-19 vaccine deployed gradually in 1Q21, and volume of inoculations rises into 2Q21
- ✓ Labor markets and consumption weaken slightly in 1Q21, but rebound in 2Q21 and 3Q21
- ✓ Dec 2020 stimulus package deployed in 1Q21 and another stimulus package deployed in 2Q21
- ✓ US political transition does not result in a hit to consumer or business confidence

2. Upside Scenario

- ✓ New cases of COVID-19 fall dramatically in late 1Q21, social distancing policies loosened
- ✓ COVID-19 vaccine deployed rapidly in 1Q21, and universally available in early 2Q21
- ✓ Meaningful improvements in unemployment are made and consumption rebounds in 1Q21
- ✓ Dec 2020 stimulus package deployed in 1Q21, and additional package deployed in 1Q21
- ✓ US political transition results in boost to consumer or business confidence

3. Downside Scenario

- ✓ New cases of COVID-19 rise dramatically in 1Q21, widespread lockdowns are implemented
- ✓ Lengthy distribution of COVID-19 vaccine / ineffective against new strains of virus
- ✓ Unemployment deteriorates and consumption contracts in 1H21
- ✓ Dec 2020 stimulus package deployed in 1Q21, but no additional stimulus implemented this year
- ✓ US political transition highly disruptive and hurts consumer and business confidence



Following a lull in the recovery over the winter (4Q20 & 1Q21) we expect the economy to reaccelerate in 2Q21

	2020						2021						2019	2020	2021
	I Q*	II Q*	1st half	III Q*	IV Q	2nd half	I Q	II Q	1st half	III Q	IV Q	2nd half			
Real GDP	-5.0	-31.4	-18.2	33.4	3.5	18.5	2.0	3.6	2.8	6.1	4.6	5.3	2.2	-3.5	4.1
Real consumer spending	-6.9	-33.2	-20.0	41.0	3.4	22.2	3.6	4.0	3.8	7.1	4.9	6.0	2.4	-3.8	5.2
Residential investment	19.0	-35.5	-8.3	63.0	20.0	41.5	7.0	6.0	6.5	5.0	5.0	5.0	-1.7	5.2	10.9
Nonresidential investment	-6.7	-27.2	-16.9	22.9	6.6	14.8	2.4	3.7	3.1	4.5	4.8	4.6	2.9	-4.4	3.9
Inventory change (bln '09\$)	-80.9	-287.0	-184.0	-3.7	20.0	8.2	0.0	5.0	2.5	16.0	16.0	16.0	48.5	-87.9	100.0
Total gov't spending	1.3	2.5	1.9	-4.8	0.0	-2.4	0.0	1.0	0.5	1.7	2.7	2.2	2.3	1.2	0.1
Exports	-9.5	-64.4	-36.9	59.6	15.2	37.4	3.0	5.1	4.0	7.1	5.1	6.1	-0.1	-13.3	4.6
Imports	-15.0	-54.1	-34.5	93.0	16.2	54.6	6.1	5.1	5.6	6.1	4.5	5.3	1.1	-9.9	9.7
Unemployment rate	3.8	13.0	8.4	8.8	6.7	7.8	6.5	6.1	6.3	5.4	4.9	5.2	3.7	8.1	5.8
CPI inflation	1.2	-3.5	-1.2	5.2	2.1	3.6	2.3	1.9	2.1	1.9	2.0	2.0	1.8	1.2	2.1

Source: The Conference Board



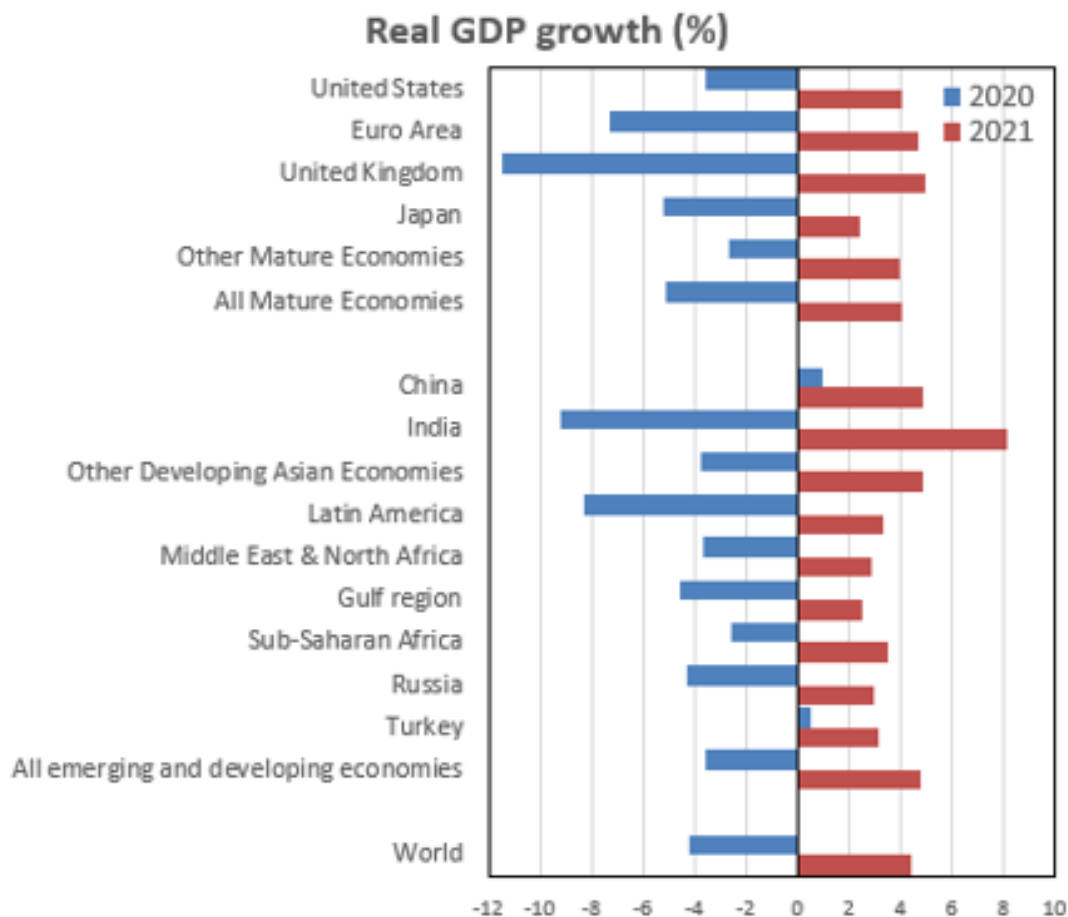
Global Economic Outlook and Recovery Risks

The Conference Board – Global Economic Outlook: Jan 2021

The Conference Board Global Economic Outlook, 2011-2030

Real GDP Growth Rates (Average Annual Percent Change)

	2011-2019	2020	2021
United States	2.3	-3.6	4.1
Europe	1.6	-7.2	4.4
Euro Area	1.2	-7.3	4.7
United Kingdom	1.9	-11.4	5.0
Japan	1.0	-5.2	2.5
Other Mature Economies	2.7	-2.7	4.0
All Mature Economies	1.9	-5.1	4.1
China	4.4	1.0	4.9
India	6.8	-9.2	8.1
Other Developing Asian Economies	5.0	-3.7	4.9
Latin America	1.1	-8.3	3.3
Brazil	0.7	-4.9	2.5
Mexico	2.4	-9.3	3.1
Middle East & North Africa	2.8	-3.7	2.9
Gulf region	3.3	-4.5	2.5
Sub-Saharan Africa	3.6	-2.5	3.5
Russia, Central Asia and SE Eu	2.8	-2.7	3.2
Russia	1.7	-4.2	3.0
Turkey	5.5	0.6	3.1
All emerging and developing economies	3.9	-3.5	4.8
World	2.9	-4.2	4.4
Addenda			
China (Official)	7.4	1.6	8.2
United States (adjusted)*	2.4	-3.4	4.3



Source: The Conference Board, Inc.



Risks to the Global Economic Outlook

Downside Risks

- Geopolitics (downsides)
- Sovereign debt build-up
- Deglobalization: reduced trade
- Economic inequality
- Climate change
- Financial stability concerns

Upside Risks

- Geopolitics (upsides)
- Rapid vaccine deployment
- Faster productivity growth
- Digital transformation
- High impact investments

Source: The Conference Board, Inc.: StraightTalk® - Divergencies, Uncertainty, and Risks



Markets in 2021

Global Macro Strategy and Asset Allocation

Cross Asset Outlook 2021

Global Macro Strategy

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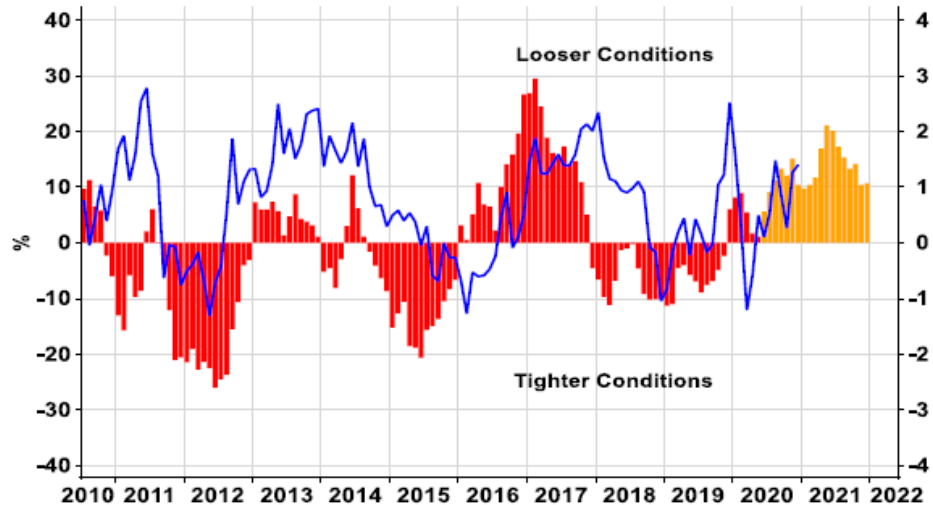
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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures

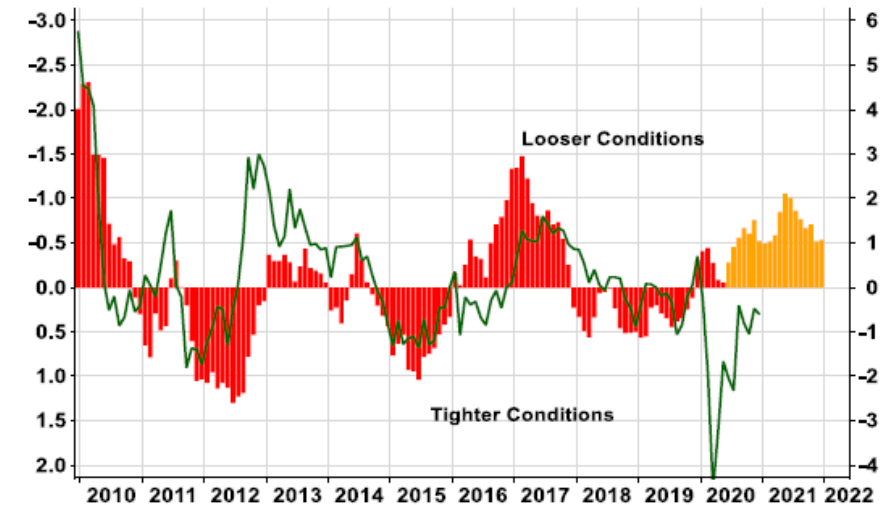
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This presentation was approved for distribution on 12 January 2021; the disclosures in Appendix A1 are current as of the same date.

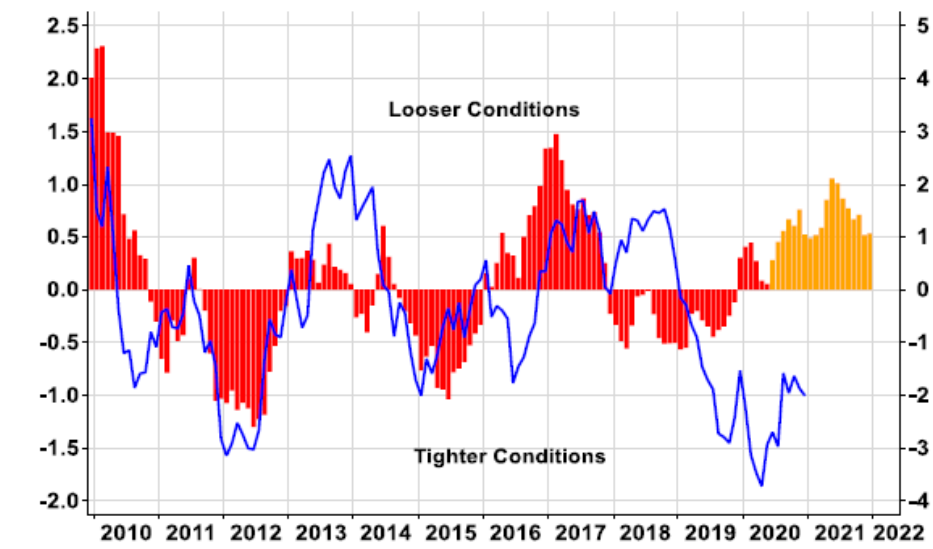
Easy Money + Lower USD = Lower Vol + Reflation



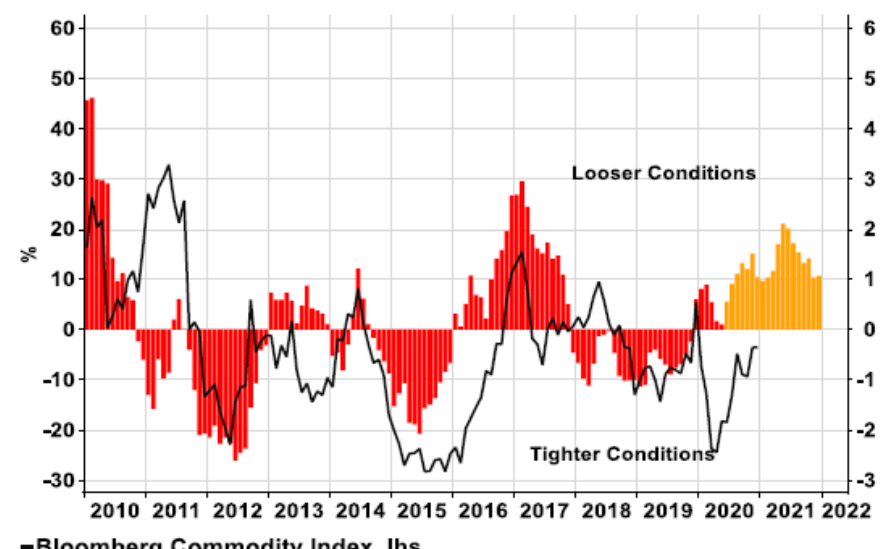
— MSCI World Index (YoY%), lhs
 ■ Global Monetary Condition Proxy, rhs



— Citi Global Risk Aversion Macro Index (GRAMI, YoY Change, Inverse), lhs
 ■ Global Monetary Condition Proxy, rhs



— US Generic Govt 10 Yr, lhs
 ■ Global Monetary Condition Proxy, rhs

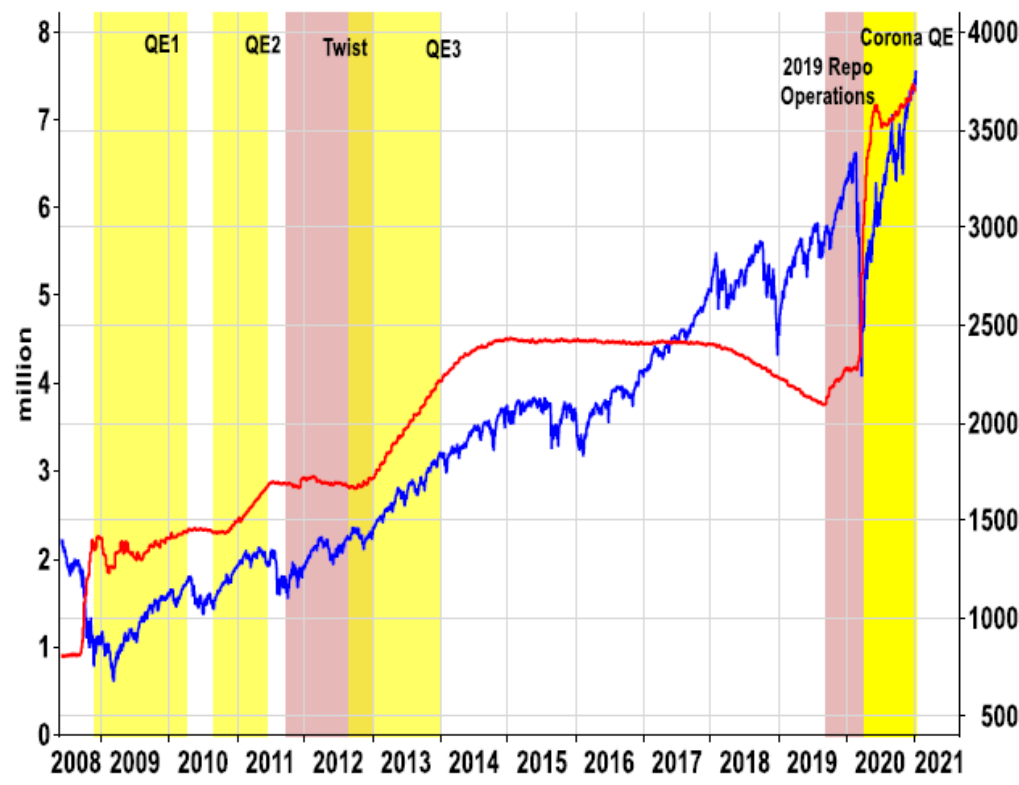


— Bloomberg Commodity Index, lhs
 ■ Global Monetary Condition Proxy, rhs

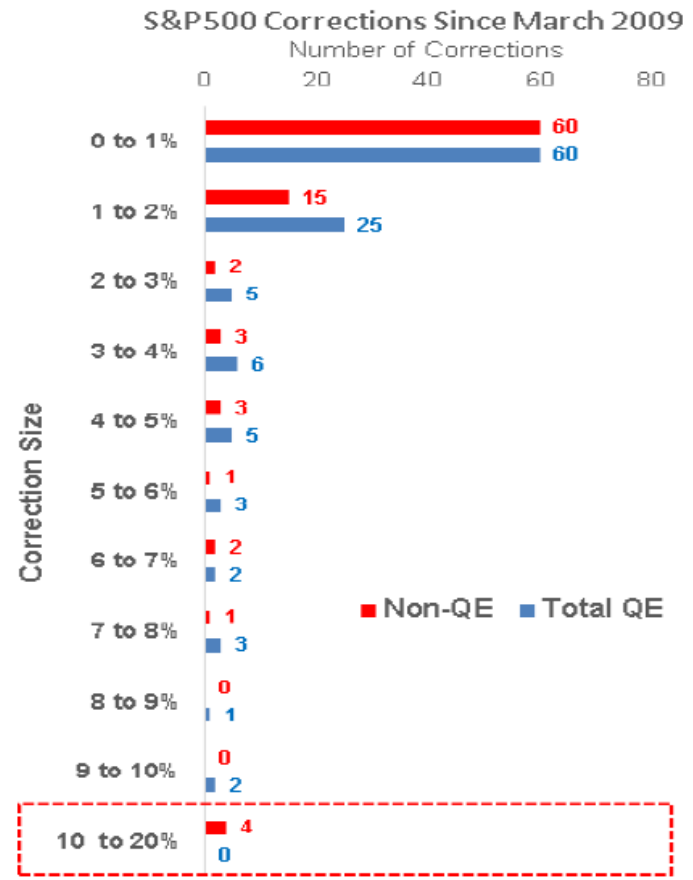
Source: Citi Research and Macrobond



Shallow Dips During QE

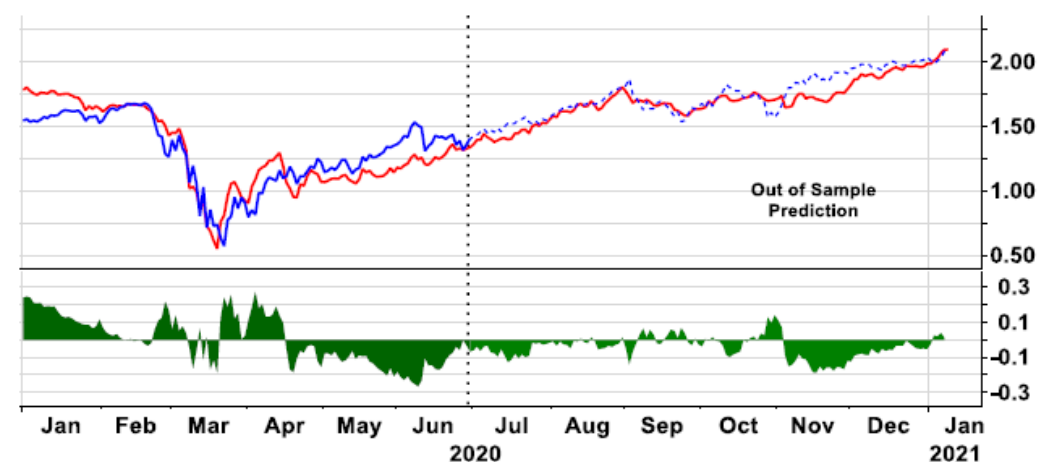


- Fed Balance Sheet Total Assets, lhs
 - S&P 500, rhs



Total QE Periods = QE 1,2, Twist, QE 3, 2019 Repo

Fed: Easy For Longer (For Now...)



— Predicted (Assuming 10% fall in SPX from spot)
— US Breakeven 10 Year
■ Residuals

Regression report

US Breakeven 10 Year, c.o.p. val 1 week
 Estimation sample range 01/01/2020 30/06/2020
 Observations 130
 Degrees of freedom 128
 R2 0.51081
 Adjusted R2 0.50311
 F 133.65755
 P-value (F) 0.00000
 Sum of squared errors 1.55510
 Standard error of regression 0.11022
 Standard error of forecasts 0.00081
 Durbin-Watson 0.51595
 AIC -1.55735
 HQ -1.53942
 Schwarz -1.51323

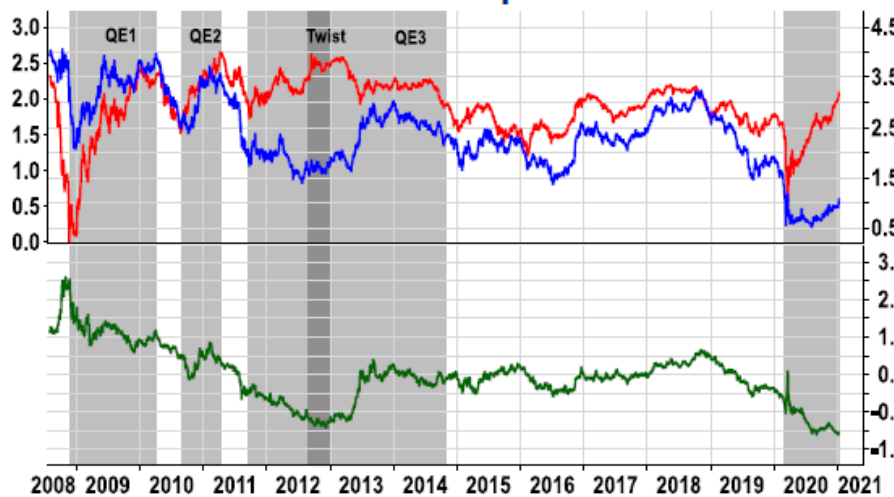
**10% Drop in SPX = ~25bp
 Fall in Mkt Implied
 Inflation Expectations**

	Coefficient	Standard error	t	P-value
Intercept	-0.01501	0.00967	-1.55239	0.12304
x1	0.02176	0.00188	11.56104	0.00000

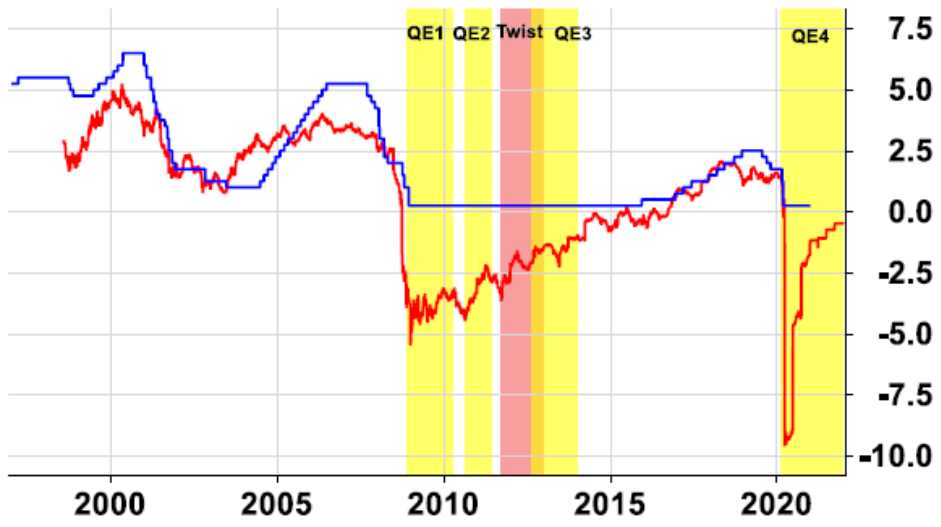
Legend

x1 S&P 500 Index, c.o.p. 1 week

Financial Repression...



— US Nominal 10y, rhs
— US Breakeven 10y, lhs
— US Real Yields 10y

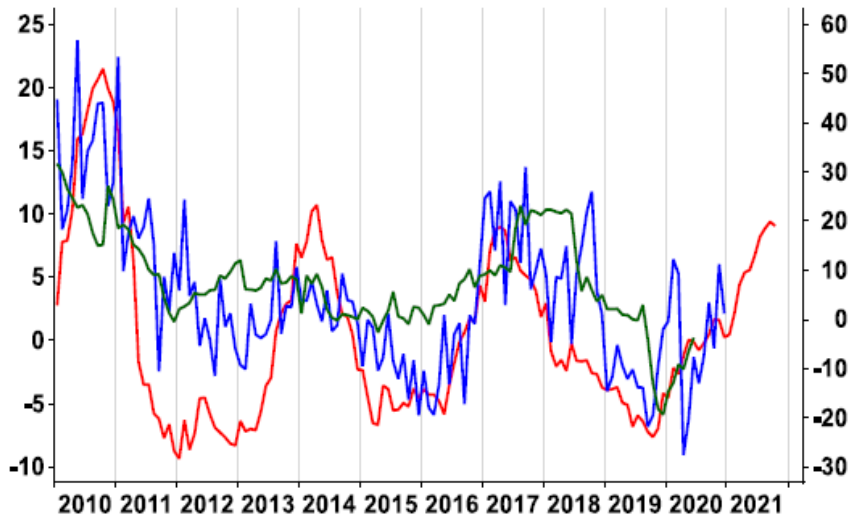


— Federal Funds Target Rate - Upper Bound
— $(\text{Laubach Williams } R^*) + 2 + 1.5 * ((10\text{y BE Inf} - 0.7) - 2) + (4.1 - \text{UR})$

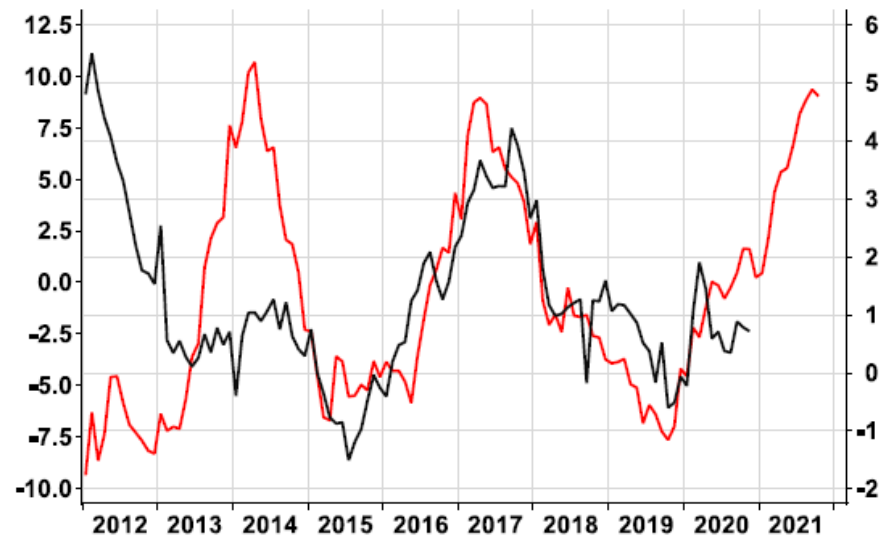
Source: Citi Research, Bloomberg and MacroBond



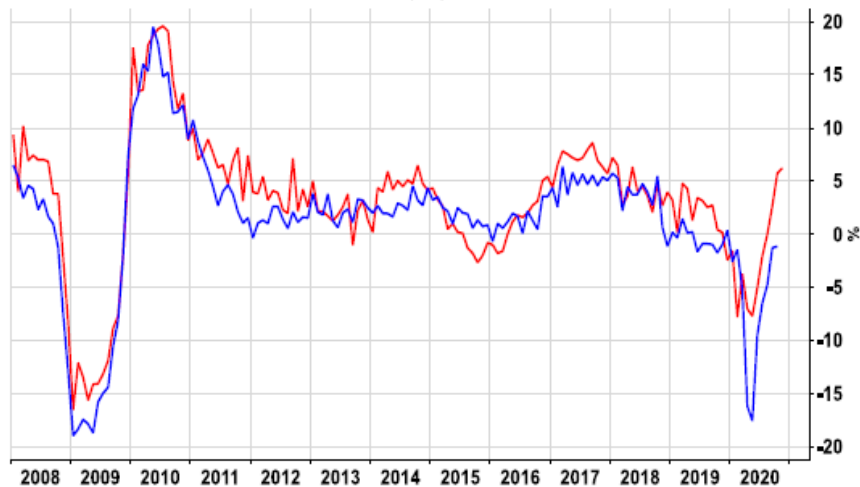
Macro Cycle Turning



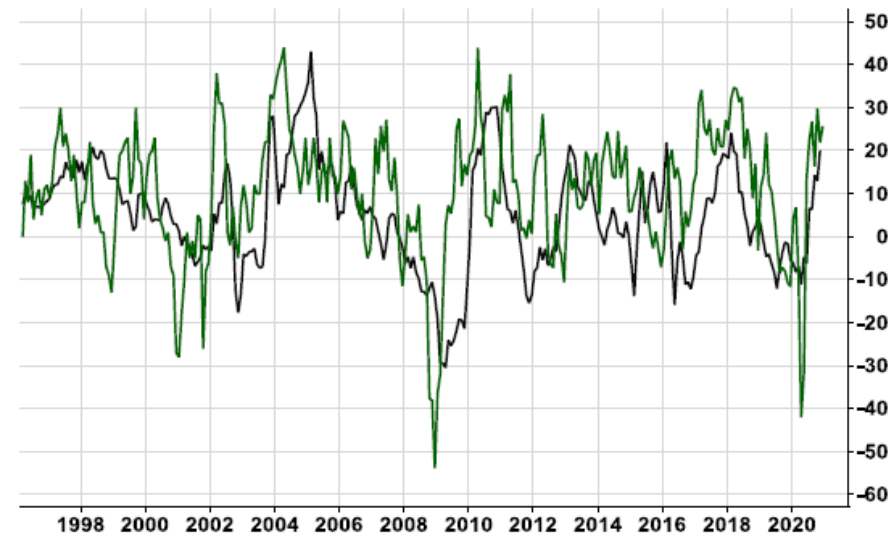
-S&P, 500 12 Months Forward EPS (YoY%), rhs
 -South Korea Exports (YoY%, Preliminary), rhs
 -China Credit Impulse (YoY, 12m lead), lhs
 World, SA, Index



-South Korea Industrial Production (YoY%), rhs
 -China Credit Impulse (YoY, 12m lead), lhs



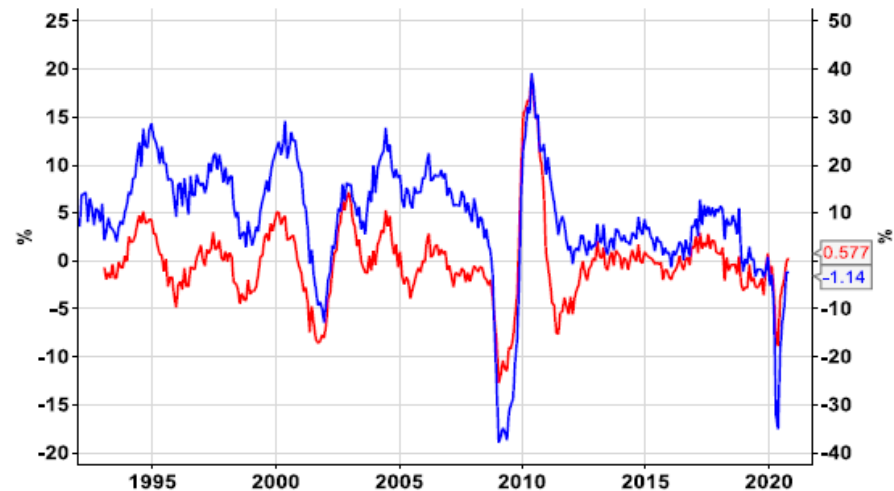
-Foreign Trade, CPB World Trade Monitor, Total, Volume
 -RWI/ISL Container Throughput Index, Total



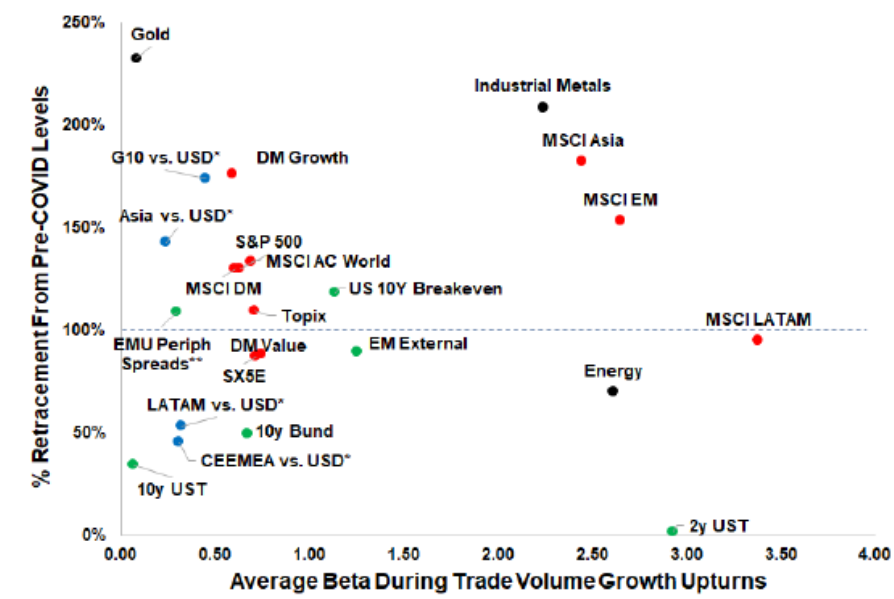
-ISM New Orders -Port of Long Beach Total Containers

Highest Beta To Growth Recovery

Trade Recoveries of +10% in YoY Growth



— CPB World Trade Volume - YoY% Growth, lhs
 — CPB World Trade Volume - 1y Net Change in YoY% Growth, rhs

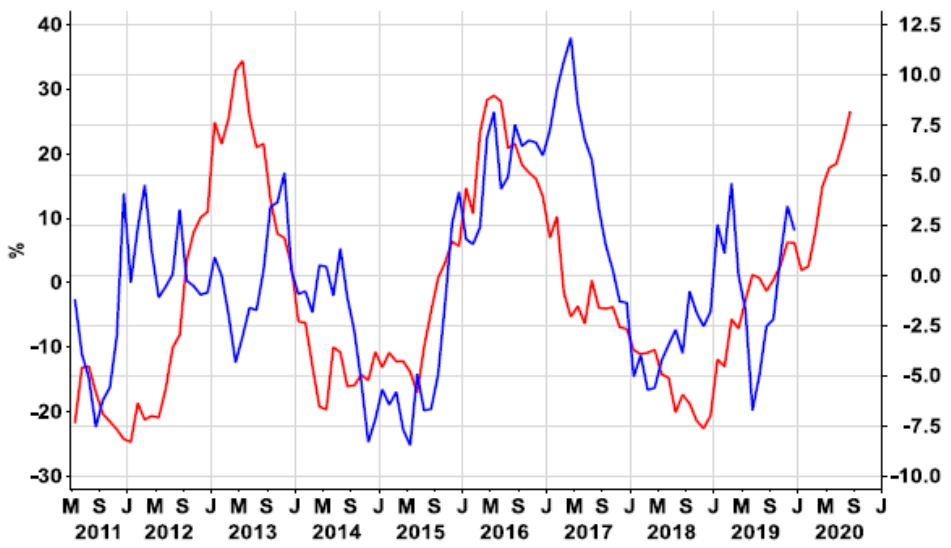


Asset	Average Beta During Trade Volume Growth Upturns***	Implied %Chg if Trade Volume Growth Increased by 10% Using Upturn Beta	Implied %Chg if Trade Volume Growth Increased by 20% Using Upturn Beta	% Chg From May 2020 (bottom in global trade volume growth)
MSCI LATAM	3.38	33.8%	67.6%	36.0%
2y UST	2.93	29.3	58.5	-7.7
MSCI EM	2.65	26.5%	53.0%	35.0%
Energy	2.61	26.1%	52.3%	22.1%
MSCI Asia	2.45	24.5%	49.0%	35.3%
Industrial Metals	2.24	22%	45%	44%
BCOM	1.76	18%	35%	30%
EM External	1.26	13%	25%	19%
US 10Y Breakeven	1.14	11.4	22.8	94.2
NKY	0.86	8.6%	17.2%	38.9%
DM Value	0.75	7.5%	15.0%	24.8%
SXSE	0.72	7.2%	14.4%	21.7%
TOPIX	0.71	7.1%	14.2%	25.4%
MSCI AC World	0.70	7.0%	13.9%	30.0%
10y Bund	0.67	6.73	13.46	-1.80
S&P 500	0.63	6.3%	12.6%	30.7%
MSCI DM	0.60	6.0%	12.1%	29.3%
DM Growth	0.59	5.9%	11.9%	41.3%
FTSE 100	0.58	5.8%	11.6%	14.0%
G10 vs. USD*	0.45	4.5%	9.0%	13.3%
EM vs. USD*	0.33	3.3%	6.7%	7.4%
LATAM vs. USD*	0.32	3.2%	6.5%	10.4%
CEEMEA vs. USD*	0.31	3.1%	6.1%	5.4%
EMU Periph Spreads**	0.29	2.9	5.9	-88.9
Asia vs. USD*	0.24	2.4%	4.8%	6.4%
Gold	0.08	0.8%	1.6%	14.3%
EUR/USD	0.08	0.8%	1.6%	11.5%
10y UST	0.07	0.70	1.40	30.14
G10 vs. EM FX*	0.00	0.0%	0.0%	5.5%
DX	-0.19	-1.9%	-3.7%	-9.3%
MSCI CEEMEA	-0.21	-2.1%	-4.2%	17.0%
DM/EM Equities	-1.86	-18.6%	-37.2%	-4.3%
10y JGB	-2.63	-26.3	-52.6	4.0
2s10s	-2.86	-28.6	-57.2	37.6
US 10Y Real	-7.14	-71.4	-142.9	-65.7

*Dollar weakness is a positive value ***Equally Weighted
 ** EMU Periphery spreads are equally weighted vs Bunds, starting in 1997. The spread beta is inverted to reflect equity-like directionality
 Government bond values in yields; Equities and bonds are in local terms
 BTPs Start in 1999, MSCI CEEMEA in 2001, Reals & Breakevens in 1998, EM External in 1996

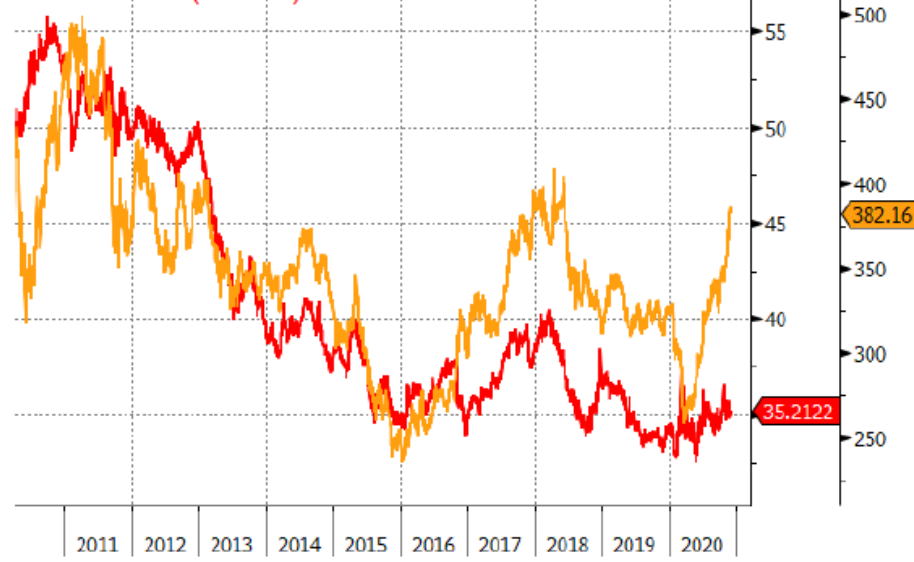
Tailwinds For EM & Japan Outperformance

China Credit vs. Markets: 6-9 Month Lag



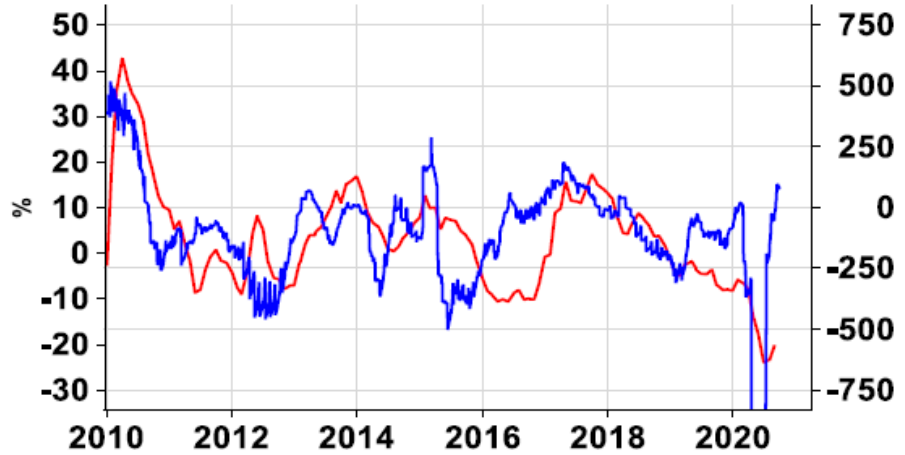
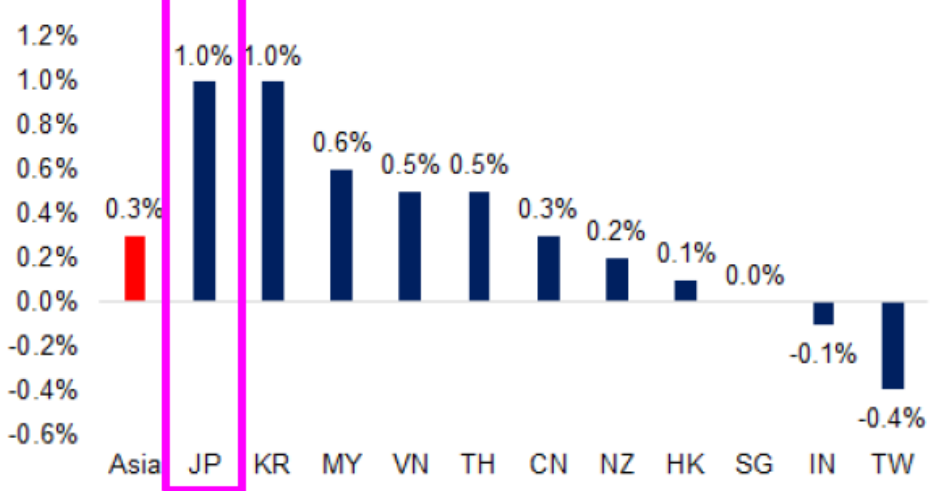
-MXEF Index (YoY%, 9m Lag), lhs -China Credit Impulse (YoY%), rhs

EM / DM (Local) vs. Industrial Metals Index



SPSSIN Index (S&P GSCI Industrial Metals Spt Index) EM DM with industrials: Dai1 Copyright© 2020 Bloomberg Finance L.P. 04-Dec-2020 10:12:20

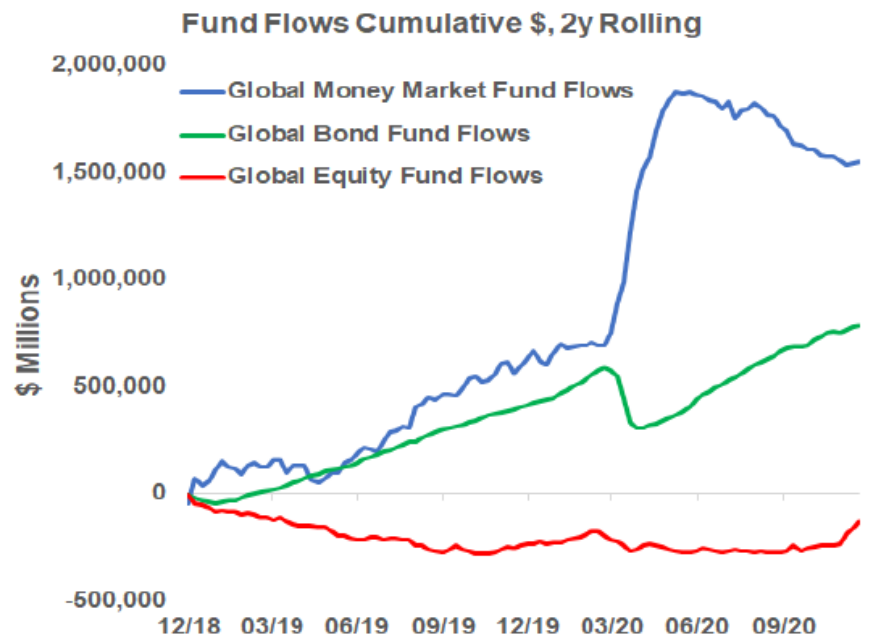
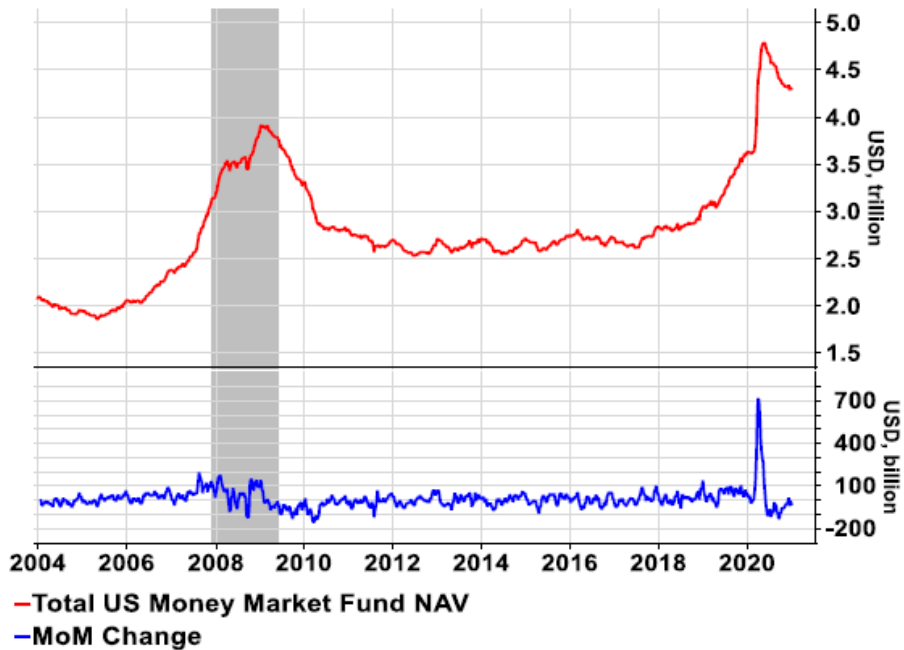
Incremental Percentage Change in Real Income by 2030 from RCEP



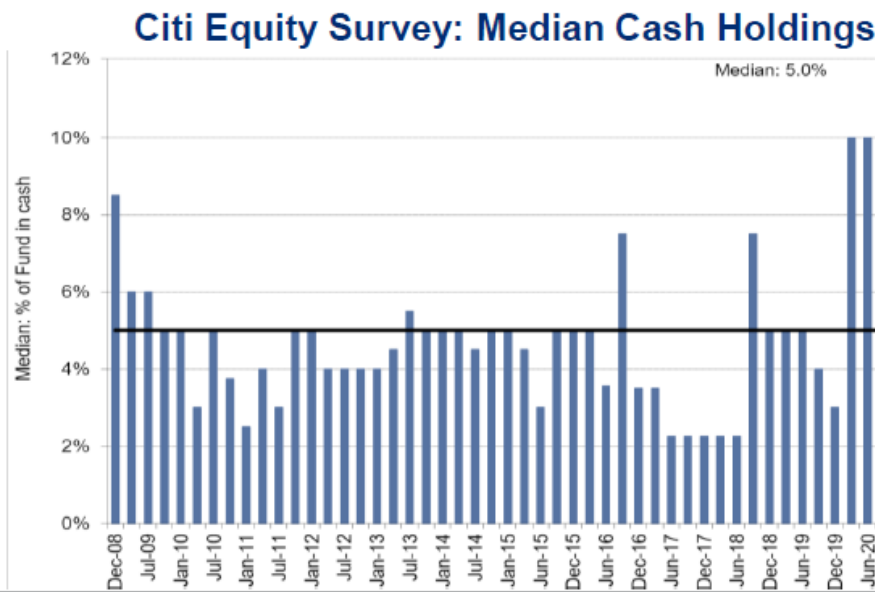
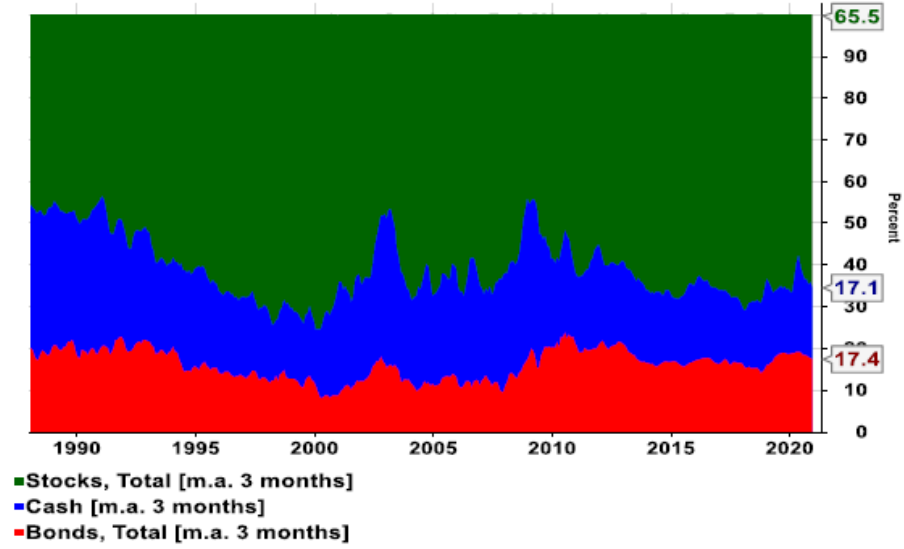
Citi Economic Data Change Index - China, rhs Japan, Export, SA, YoY % Change (3m Rolling Average), lhs

Source: Citi Research, Macrobond and Bloomberg

Elevated Asset-Manager Cash Balances



AAll Investor Asset Allocation Survey

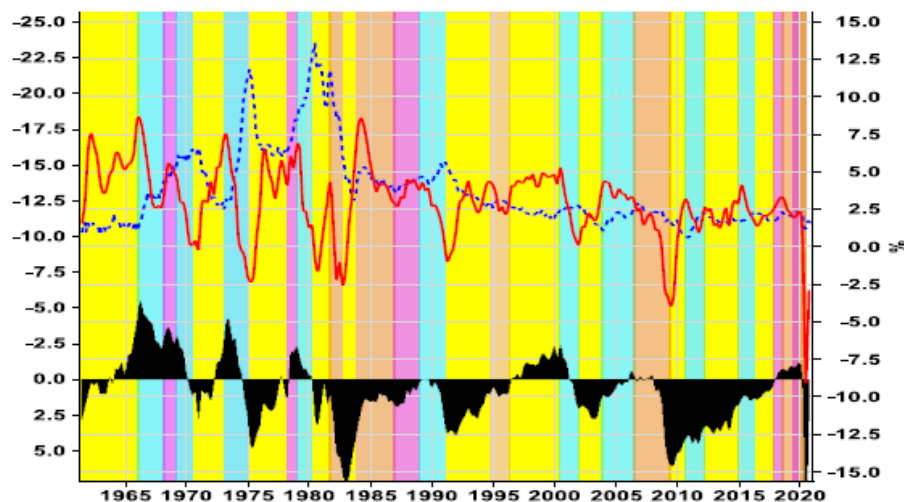


Source: Citi Research, Macrobond, EPFR and Bloomberg



(4) Phases of the Macro Cycle

Goldilocks Reflation Stagflation Stagnation



— US Real GDP Growth YoY % Chg., rhs [a.r. 12 months]
 - - US Core CPI YoY % Chg., rhs [a.r. 12 months]
 ■ CBO Output Gap % of GDP, lhs

Citi Economic Forecasts

	GDP Growth			CPI Inflation		
	2020	2021	2022	2020	2021	2022
Global	-3.9	5.0	3.6	2.0	2.2	2.4
United States	-3.4	5.1	1.6	1.2	1.9	2.0
Japan	-5.1	2.0	2.3	0.1	-0.3	0.6
Euro Area	-7.3	3.6	4.3	0.2	0.7	1.3
Emerging Markets	-2.0	6.2	4.5	3.7	3.3	3.4
Asia	-0.4	7.5	5.1	2.7	1.7	2.5
Latin America	-7.2	4.1	2.5	6.6	8.6	7.1
Europe	-3.4	3.4	3.6	4.8	5.3	4.5
Mid East/Africa	-4.4	3.3	3.6	4.4	5.9	4.5

		Annualised % Return						
		SPX Index	MSCI EM	CRB CMDT Index	SPGSCI Index	Dollar Index	US Gov	US IG Credit
Goldilocks: Growth + & Inflation -	Average Return During Periods	17.4%	39.1%	4.4%	6.6%	4.8%	6.0%	9.1%
	Standard Deviation of Returns Within Periods	12.4%	15.2%	11.1%	14.8%	6.9%	4.5%	5.0%
	Standard Deviation of Annualised Returns Between Periods	12.1%	49.8%	11.9%	16.9%	10.9%	6.3%	9.5%
	Average Return during Period / Risk	1.41	2.57	0.40	0.44	0.68	1.35	1.81
Reflation: Growth + & Inflation +	Average Return During Periods	25.0%	38.5%	20.6%	33.5%	-7.4%	1.6%	8.9%
	Standard Deviation of Returns Within Periods	15.1%	12.6%	6.8%	13.0%	7.2%	4.0%	4.7%
	Standard Deviation of Annualised Returns Between Periods	24.9%	37.7%	36.7%	10.2%	8.5%	4.6%	8.6%
	Average Return during Period / Risk	1.66	3.06	3.04	2.58	-1.03	0.41	1.87
Stagflation: Growth - & Inflation +	Average Return During Periods	-1.6%	44.2%*	-2.4%	15.6%	-1.3%	7.9%	7.5%
	Standard Deviation of Returns Within Periods	15.5%	20.3%	14.1%	22.9%	8.2%	5.1%	8.1%
	Standard Deviation of Annualised Returns Between Periods	16.4%	106.9%	5.0%	24.6%	5.0%	8.3%	9.7%
	Average Return during Period / Risk	-0.11	2.17	-0.17	0.68	-0.15	1.55	0.92
Stagnation: Growth - & Inflation -	Average Return During Periods	5.3%	-0.6%	-5.4%	-1.3%	2.1%	14.6%	17.2%
	Standard Deviation of Returns Within Periods	18.6%	19.2%	9.7%	25.5%	8.1%	6.2%	10.2%
	Standard Deviation of Annualised Returns Between Periods	8.7%	0.6%	6.7%	7.2%	10.1%	19.4%	24.6%
	Average Return during Period / Risk	0.29	-0.03	-0.55	-0.05	0.26	2.36	1.68

SPX TR index starts 1987, price index from 1961; CRB CMDT TR index starts 1994, price index from 1981; data begins for MSCI EM: 1987, DXY: 1967, SPGSCI: 1970, US Gov: 1972 & US IG Credit: 1980

*MSCI EM total returns on average in stagflation are extremely skewed by the period 1988-1991, where annualised returns were 235%. Without this period returns in stagflation are -3.5%

FX Forecasts

Market Data and
Forecasts as of
06 January 2021

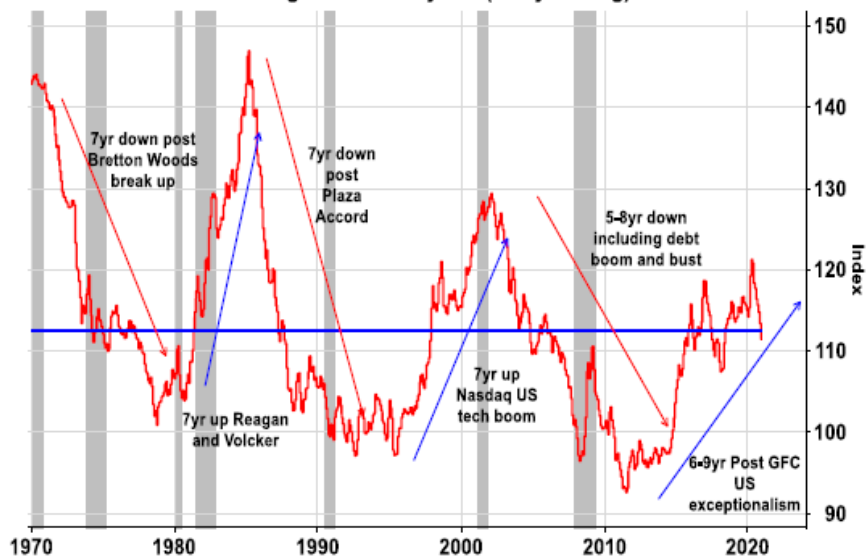
		Market data*			Forecasts			Returns***		WERM 2020 Q4
		spot	3m Fwd	12m Fwd	0-3 mos	6-12 mos	long-term	3 mos rtn	12 mos rtn	
G10										
Euro	EURUSD	1.23	1.23	1.24	1.24	1.27	1.27	0.5%	2.4%	1.35
Japanese yen	USDJPY	103	103	103	102	99	95	-1.1%	-3.7%	86
British Pound	GBPUSD	1.36	1.36	1.36	1.38	1.40	1.45	1.4%	2.7%	1.57
Swiss Franc	USDCHF	0.88	0.88	0.87	0.88	0.89	0.91	0.2%	2.1%	0.93
Australian Dollar	AUDUSD	0.78	0.78	0.78	0.78	0.81	0.80	0.6%	3.9%	0.75
New Zealand Dollar	NZDUSD	0.73	0.73	0.73	0.73	0.75	0.74	0.2%	2.9%	0.65
Canadian Dollar	USDCAD	1.27	1.27	1.27	1.25	1.22	1.20	-1.4%	-3.8%	1.14
Dollar Index**	DXY	89.55	89.38	88.94	88.66	86.51	85.56	-0.8%	-2.7%	80.0
G10 Crosses										
Japanese yen	EURJPY	127	127	128	126	126	121	-0.7%	-1.3%	116
Swiss Franc	EURCHF	1.08	1.08	1.08	1.09	1.13	1.16	0.7%	4.6%	1.26
British Pound	EURGBP	0.91	0.91	0.91	0.90	0.91	0.88	-0.9%	-0.2%	0.86
Swedish Krona	EURSEK	10.07	10.09	10.13	9.90	9.70	9.50	-1.9%	-4.2%	8.88
Norwegian Krone	EURNOK	10.37	10.39	10.47	10.10	10.00	9.50	-2.8%	-4.5%	9.25
Norwegian Krone	NOKSEK	0.97	0.97	0.97	0.98	0.97	1.00	1.0%	0.3%	0.96
Australian Dollar	AUDNZD	1.07	1.07	1.07	1.07	1.08	1.08	0.4%	1.0%	1.15
Australian Dollar	AUDJPY	80	80	80	80	80	76	-0.5%	0.1%	64
Asia										
Chinese Renminbi	USDCNY	6.46	6.49	6.59	6.35	6.15	5.60	-2.1%	-6.7%	6.8
Hong Kong Dollar	USDHKD	7.75	7.75	7.75	7.75	7.75	7.76	0.0%	0.0%	6.3
Indonesian Rupiah	USIDR	13895	14012	14437	13200	14000	13700	-5.8%	-3.0%	14284
Indian Rupee	USDINR	73.1	73.9	76.3	73.0	72.5	74.5	-1.2%	-4.9%	68.9
Korean Won	USDKRW	1086	1086	1086	1070	1050	1120	-1.5%	-3.3%	1035
Malaysian Ringgit	USDMYR	4.01	4.02	4.06	3.98	3.90	3.85	-1.1%	-3.9%	3.4
Philippine Peso	USDPHP	48.0	48.3	48.9	47.9	47.5	48.5	-0.9%	-2.9%	57.8
Singapore Dollar	USDSGD	1.32	1.32	1.32	1.31	1.28	1.26	-0.6%	-2.8%	1.2
Thai Baht	USDTHB	29.9	30.0	30.1	29.6	29.3	30.5	-1.2%	-2.5%	34.0
Taiwan Dollar	USDTWD	28.0	27.5	26.4	27.8	27.2	26.5	1.1%	3.2%	n/a
EMEA										
Czech Koruna	EURCZK	26.2	26.2	26.4	26.3	25.6	25.4	0.3%	-2.9%	29.4
Hungarian Forint	EURHUF	359	360	363	360	357	370	0.1%	-1.6%	342
Polish Zloty	EURPLN	4.52	4.53	4.56	4.51	4.41	4.35	-0.4%	-3.2%	4.55
Israeli Shekel	USDILS	3.18	3.18	3.17	3.17	3.25	3.20	-0.3%	2.6%	3.72
Russian Ruble	USDRUB	73.9	74.6	76.9	75.0	70.0	72.0	0.5%	-9.0%	69.92
Russian Ruble Basket		81.6	82.5	85.3	83.1	78.6	80.8	0.8%	-7.9%	80.94
Turkish Lira	USDTRY	7.28	7.56	8.41	7.50	8.25	8.50	-0.8%	-1.9%	4.73
South African Rand	USDZAR	15.05	15.25	15.73	15.00	15.25	15.50	-1.6%	-3.1%	9.49
LATAM										
Brazilian Real	USDBRL	5.33	5.35	5.46	5.25	5.20	5.15	-1.9%	-4.7%	4.29
Chilean Peso	USDCLP	696	696	696	690.00	675.00	670	-0.9%	-3.0%	690.47
Mexican Peso	USDMXN	19.7	19.9	20.6	19.59	19.72	19.98	-1.7%	-4.2%	16.49
Colombian Peso	USDCOP	3429	3445	3505	3371	3296	3450	-2.1%	-6.0%	2410.51

* market data including spot as of 3:19 PM London time on 06-Jan-2021

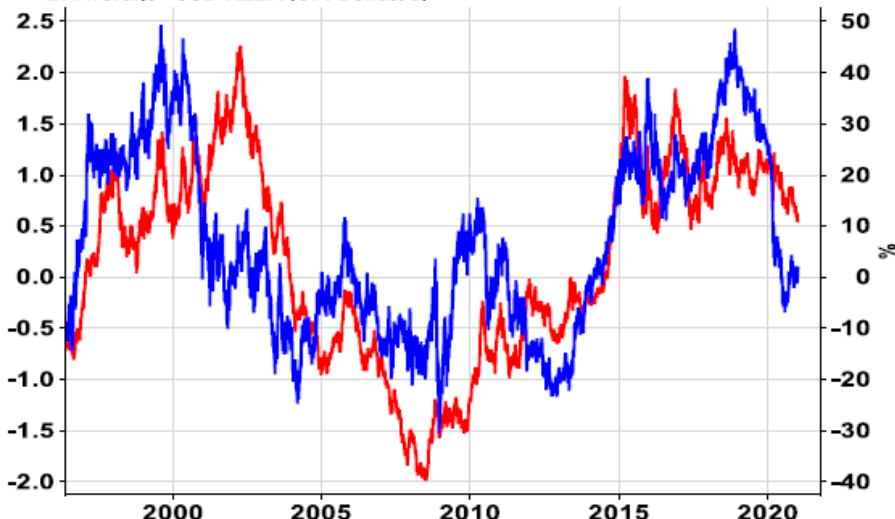
** The DXY forecasts are implied from the forecasts of the constituent crosses. *** Returns are relative to forwards

Cycles, Valuation & Rate Differentials

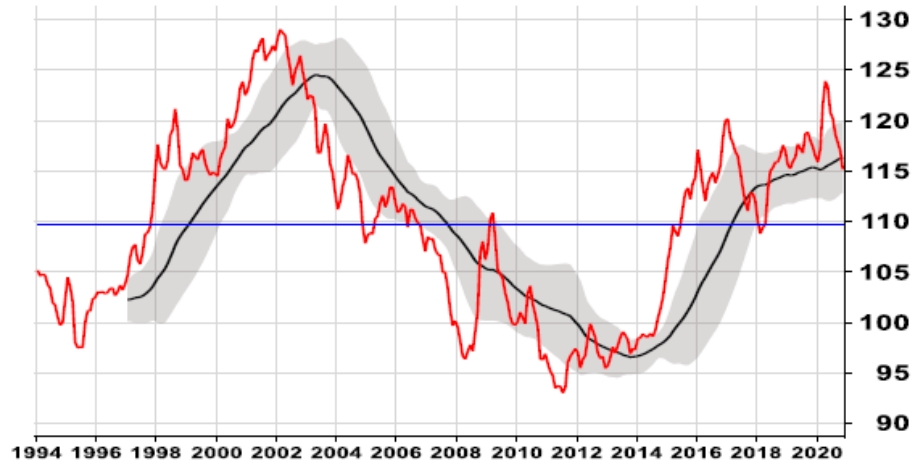
Long Term USD Cycles (7-10yrs Long)



-LT Average - USD REER (CPI Deflated)



-10y DXY Rate Differentials (7y Changes), lhs
-DXY Currency (7y %), rhs



— United States Real Effective Exchange Rate Broad [mean]
— BIS USD REER
— 3y Rolling Average
— ± 1 Std Dev

Equal Weighted Indices vs. USD:
G10, Asia, CEEMEA, Latam



.DXY103F U Index (G10 FX Equally Weighted Oct14) em q10 fx Daily 31DEC2019-043A Copyright© 2021 Bloomberg Finance L.P. 04-Jan-2021 16:54:08

Source: Citi Research and Macrobond

Citi's Medium-Term Asset Allocation*

	Spot	Citi Forecast End-2021	Implied Total Return to End-2021	Implied Total Return to End-2021 (USD)	Implied Total Return to End- 2021 (USD Hedged)
Equities²					
MSCI AC World	726	750	5.3%	5.8%	5.3%
S&P 500	3692	3800	4.6%	4.6%	4.6%
DJ Stoxx 600	393	410	7.2%	9.2%	8.2%
Topix	1759	1800	4.5%	1.7%	5.1%
MSCI EM	1253	1300	4.0%	5.9%	2.7%
Rates³					
US	0.94	1.25	-0.1%	-0.1%	-0.1%
EMU	-0.13	0.16	-2.9%	-1.0%	-2.0%
DE	-0.59	-0.25	-5.2%	-3.2%	-4.2%
JP	0.02	0.05	0.1%	-2.7%	0.7%
UK	0.29	0.25	1.2%	4.8%	1.4%
EM Local	n/a	n/a	5.1%	5.0%	2.5%
Credit⁴					
Citi US BIG Corp	106	100	1.6%	1.6%	1.6%
Citi US HY*	415	400	0.7%	0.7%	0.7%
iBoxx EUR Corp	71	50	0.3%	2.2%	1.2%
iBoxx EUR HY	325	240	2.1%	4.0%	3.0%
Citi ESBI EM \$	340	310	4.3%	4.3%	4.3%
Commodities⁵					
ICE Brent	48	56	15.7%	15.7%	15.7%
LME Copper	7695	7900	2.7%	2.7%	2.7%
Gold	1864	1808	-4.1%	-4.1%	-4.1%
BCOM Index	74	79	6.5%	6.5%	6.5%
Foreign Exchange⁶					
Global USD	n/a	n/a	-1.8%	-1.8%	-1.8%
USD vs. DM	n/a	n/a	-0.5%	-0.5%	-0.5%
USD vs. EM	n/a	n/a	-3.8%	-3.8%	-3.8%
Cash⁷					
3m USD Libor	0.23	0.25	0.3%	0.3%	0.3%

* For US HY default rates, we typically use Moody's default rate forecast. From now, we will be using our strategists forecast.

As of 08 December 2020

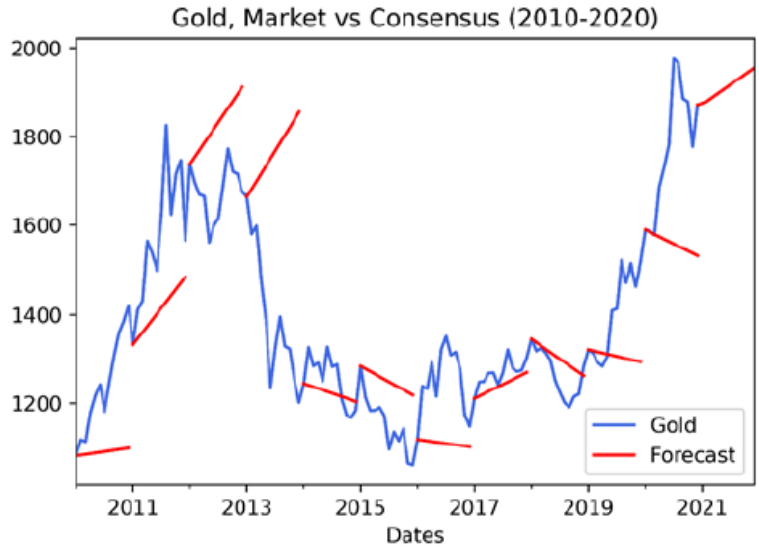
*Allocation measured in units of under/overweight: -4 = Max Underweight; -3 = Very Underweight; -2 = Underweight; -1 = Slightly Underweight; 0 = Neutral; +1 = Slightly Overweight; +2 = Overweight; +3 = Very Overweight; +4 = Max Overweight

These measures do not formally take into account market capitalisation or liquidity. They do not necessarily sum to zero across the allocation. Assumes a roughly 12m horizon.

	Medium Term*									
	-4	-3	-2	-1	0	+1	+2	+3	+4	
EQUITIES										
DM										
US										
Europe										
Japan										
EM										
Asia ex-Japan										
CEEMEA										
LatAm										
CREDIT										
US IG										
US HY										
Europe IG										
Europe HY										
EM External										
GOVERNMENTS										
US										
Europe										
Germany										
UK										
Japan										
EM Local										
COMMODITIES										
Energy										
Base										
Precious										
CASH										

Can The Consensus Be Wrong? Risks To the View...

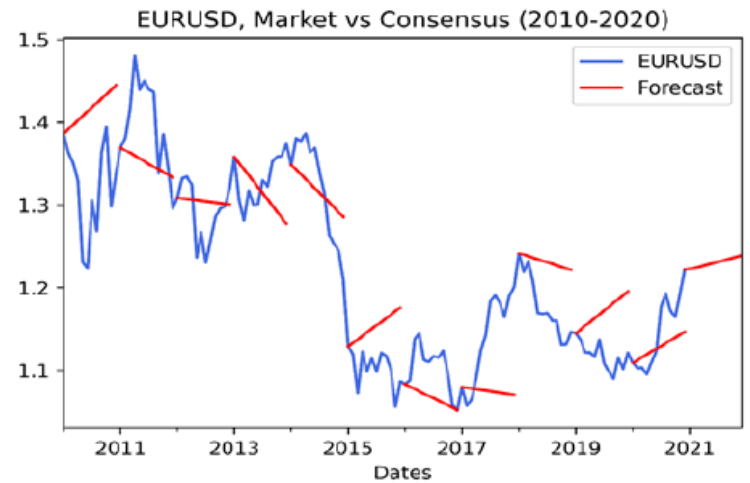
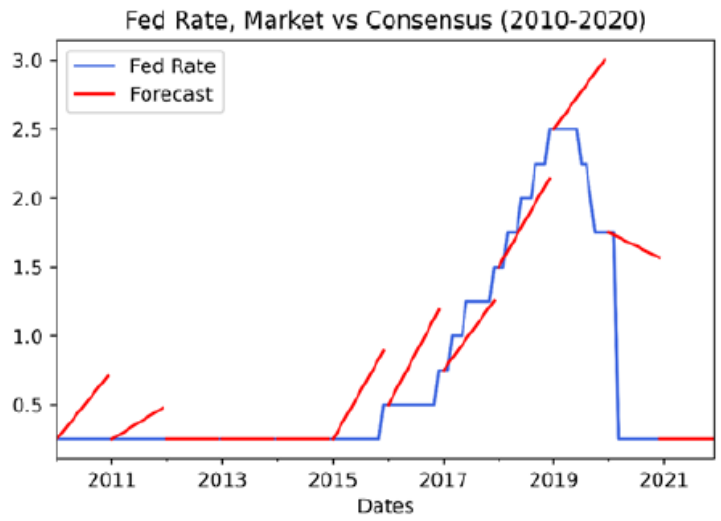
1) Vaccine Failure Will Lead To More MMT...



2) Stagflation Would Be Negative For Risk Assets

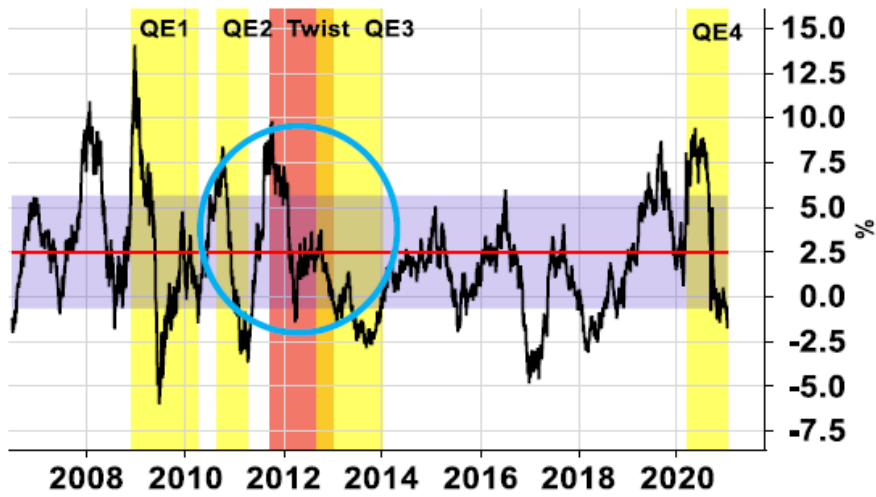


3) If The Fed Turns Hawkish...The USD Will Turn...and EM etc.

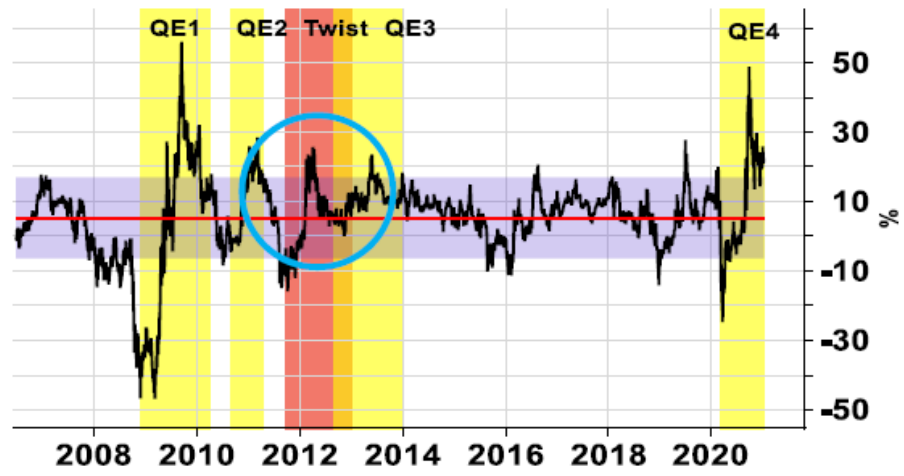


What If The Fed Twists?

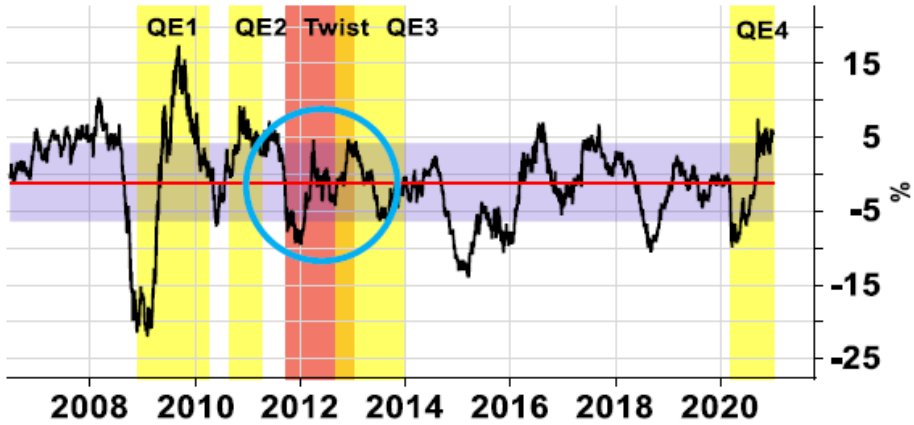
We've Been There Before – X Market Implications



— Mean — UST TR 6m % Change — +/- 1 Std Deviation



— Mean — SPX TR 6m % Change — +/- 1 Std Deviation



— Mean
 — Equally Weighted World FX vs. USD 6m % Change
 — +/- 1 Std Deviation

Source: Citi Research, Macrobond and Bloomberg

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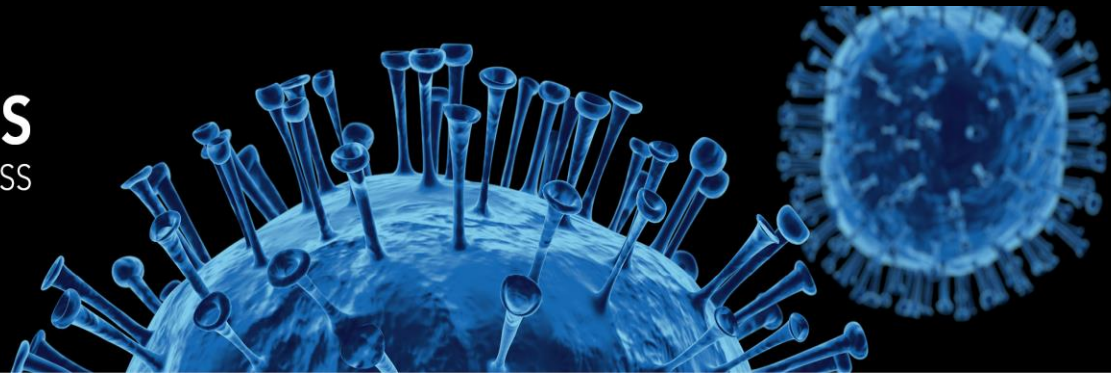
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