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Investment strategies for a shifting world

June 2024

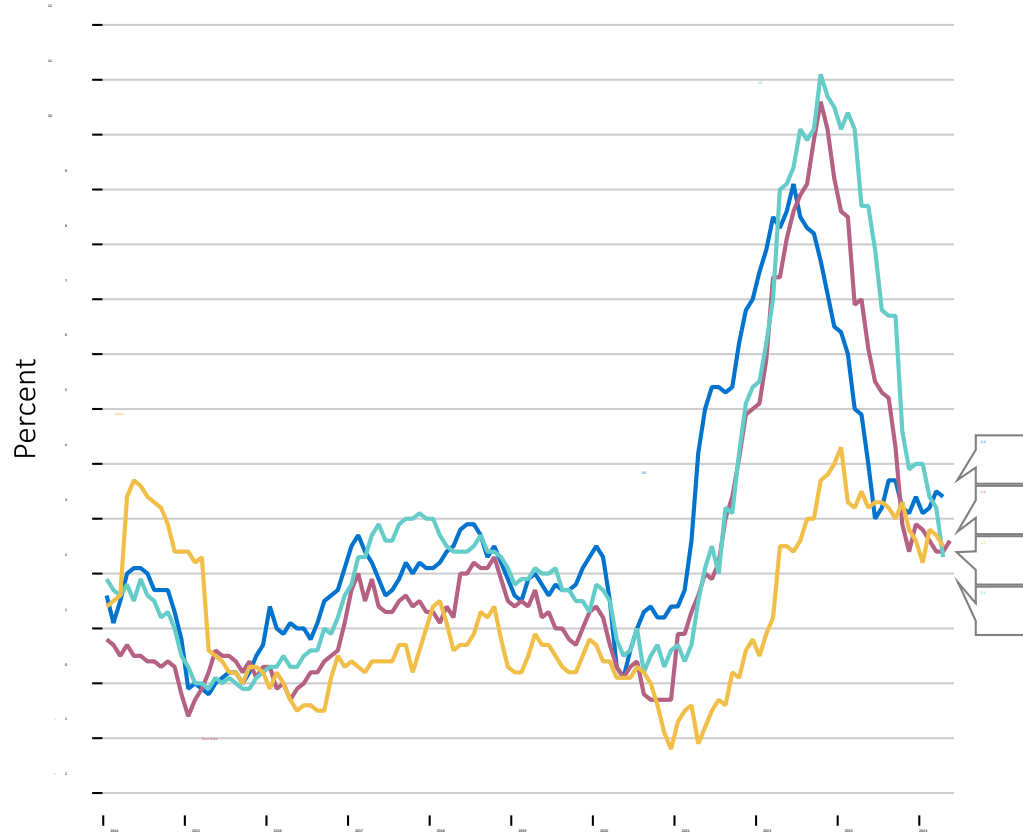
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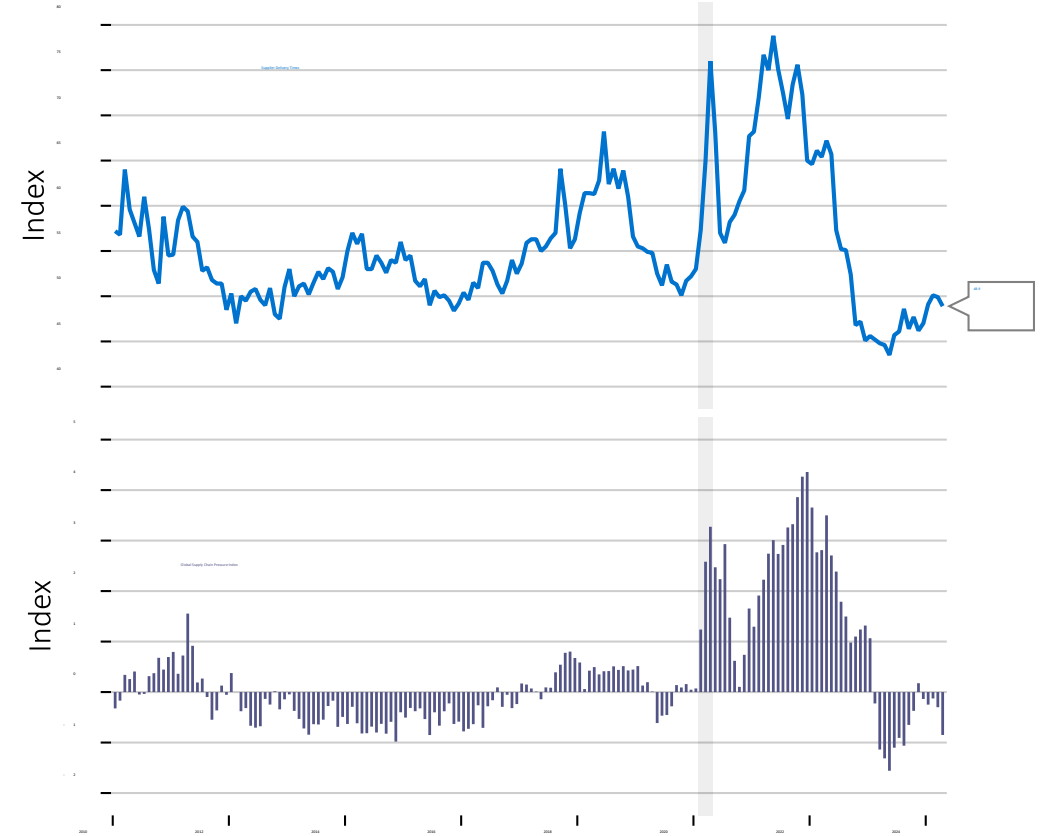
Global inflation has eased as supply chains have normalised



Advance economy CPI inflation



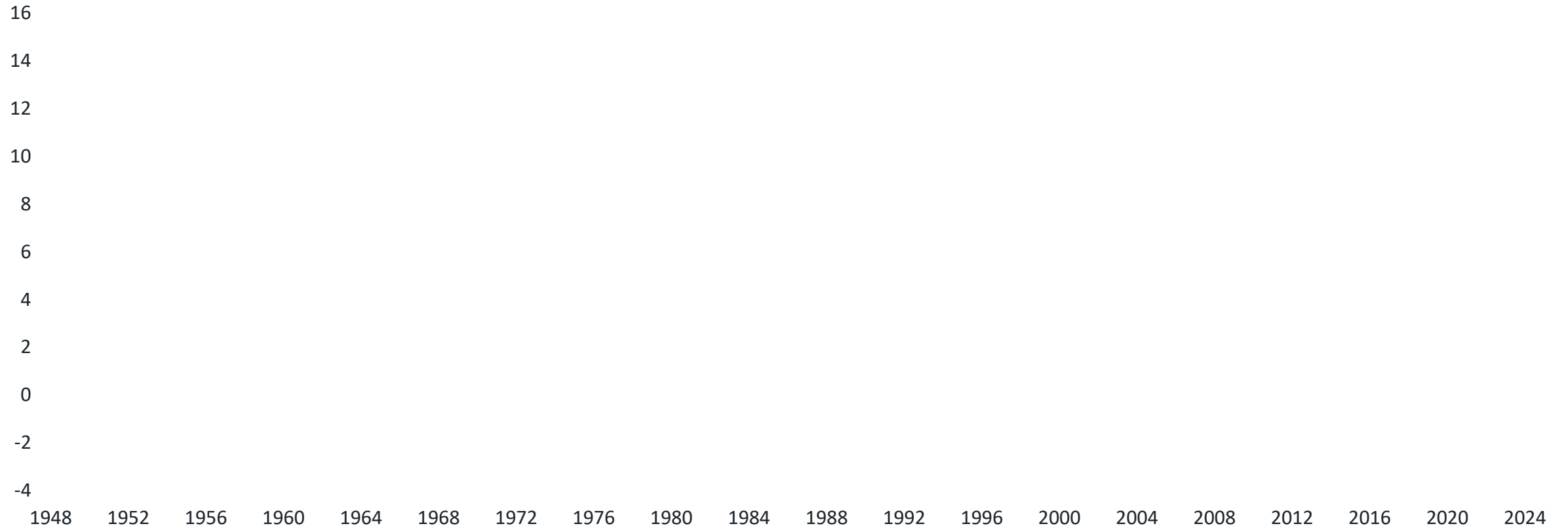
US ISM manufacturing & global supply chain pressure index



Where will inflation settle?



US headline CPI



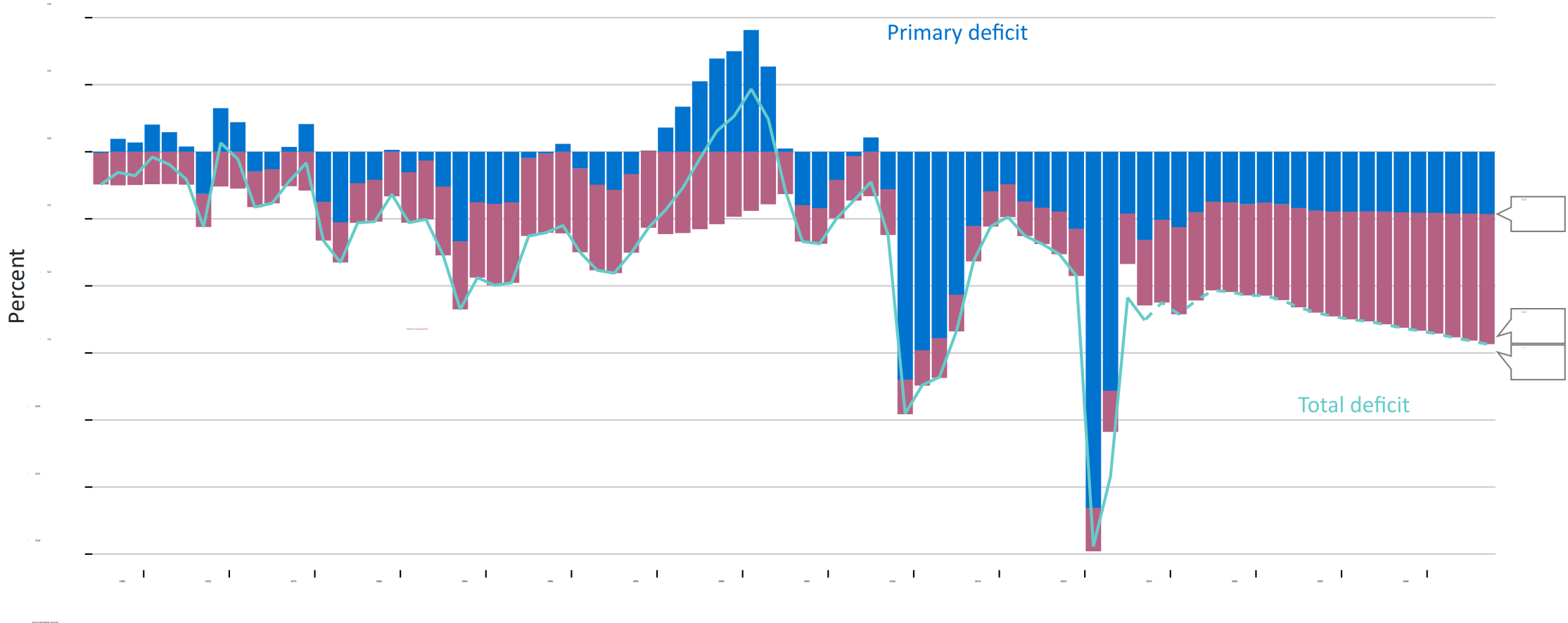
Source: Macrobond, February 2024

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Debt, demographics and de-globalisation

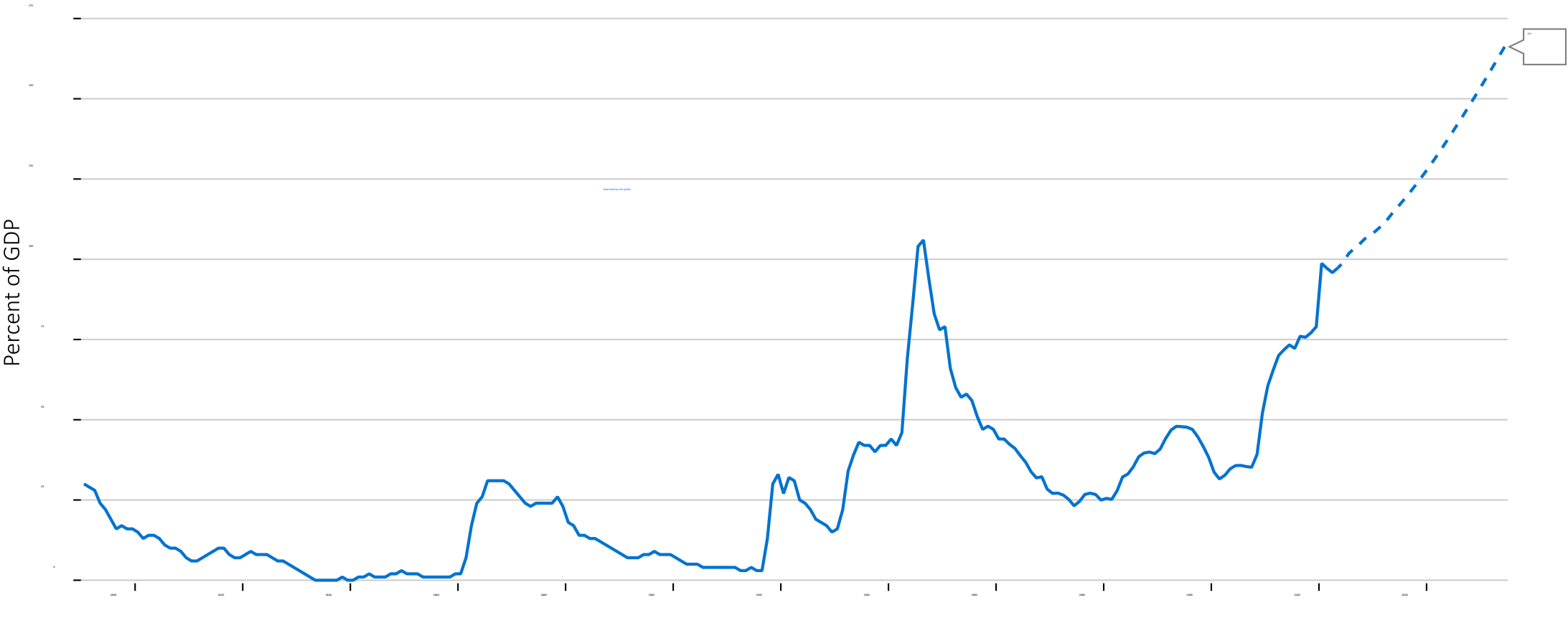
Fiscal deficits are projected to remain unchecked

 Interest burdens are likely to add significantly to deficits



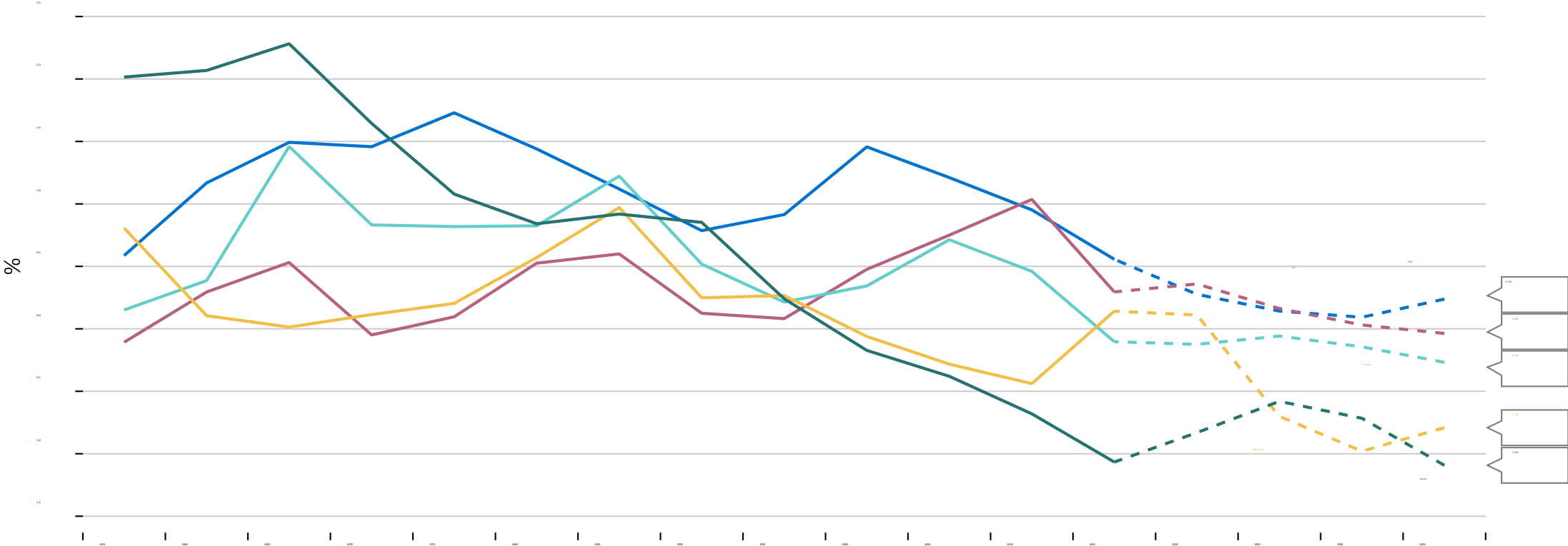
Debt levels heading higher

 US federal debt



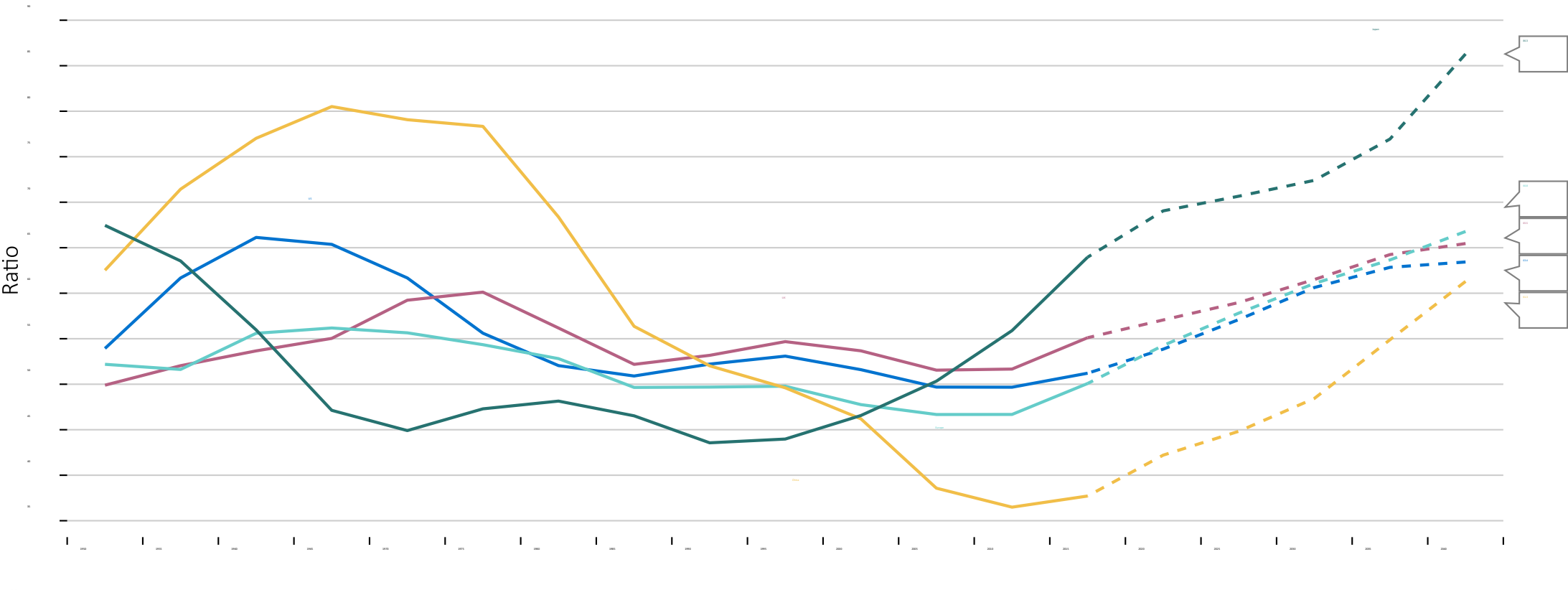
Demographic tailwinds are set to reverse


 Working age population (16-64) annual increase



Dependency ratios are rising across the developed world

Ratio of population aged 0-14 and 65+ per 100 population 15-64





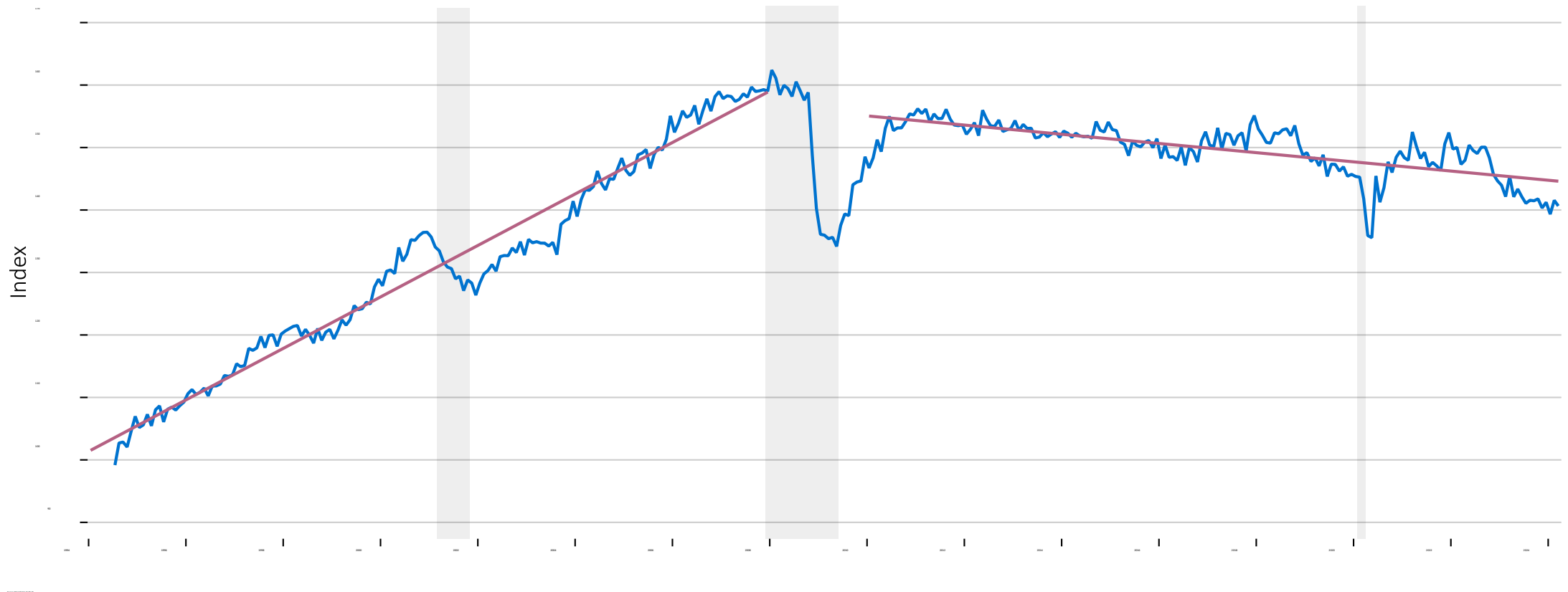
Trade wars are good and easy to win... I am a Tariff Man. When people or countries come in to raid the great wealth of our Nation, I want them to pay for the privilege of doing so.

—Donald J. Trump
(@realDonaldTrump)
4 December 2018

World economy is becoming less trade intensive

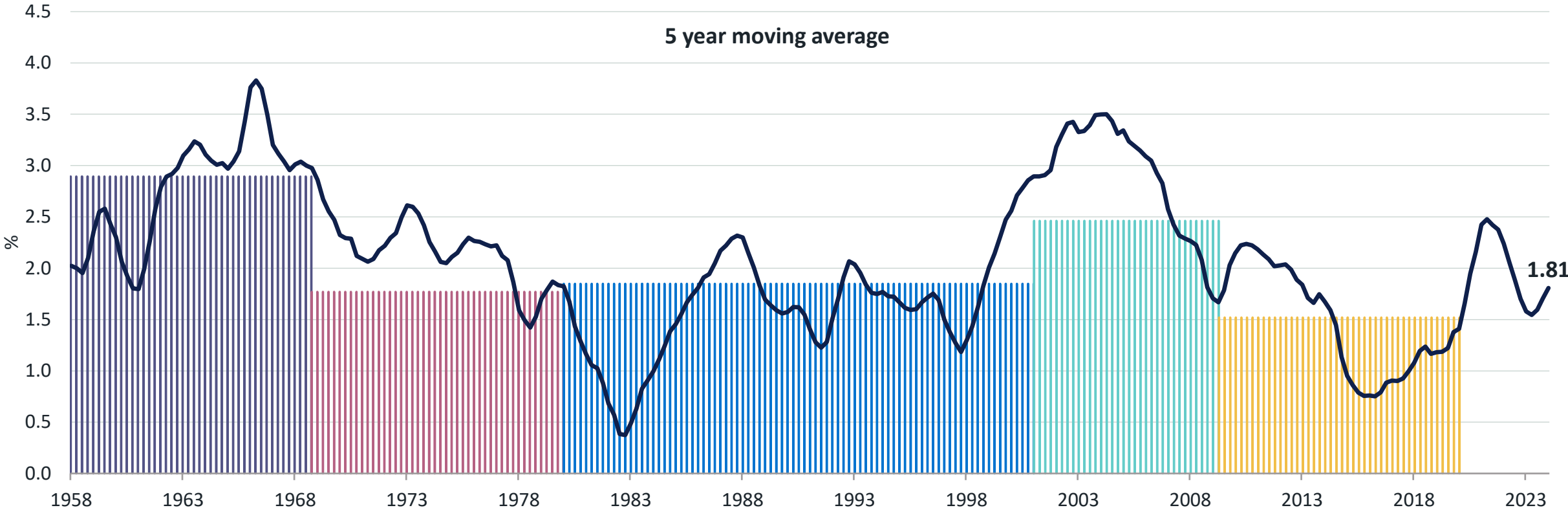


World trade volume index / world GDP index



Productivity remains a ray of hope

US non-farm business productivity



Source: Macrobond, 31.05.24

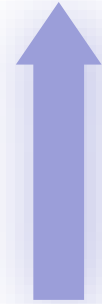
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Conclusions

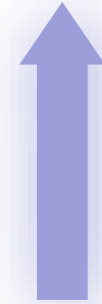
**Ageing &
dependency**

Productivity

Temperatures



**HIGHER
REGIME**



Deficits

**Government
spending**

**Walls: tariffs,
sanctions**

Summary

- Inflation: 2.5%
- Policy rate: From 2.5% to 3.5%
- Headwind for longer duration assets
- Weaker balance sheets underperform

Investment implications:

- Harvest structural risk premia
- Increase risk budgets and lengthen time horizons
- Diversify

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