



**Manuel Balmaseda**  
Chief Economist

# Neverending Story?

**Neverending Story**

**Easy Money**



**A Few Good Men**

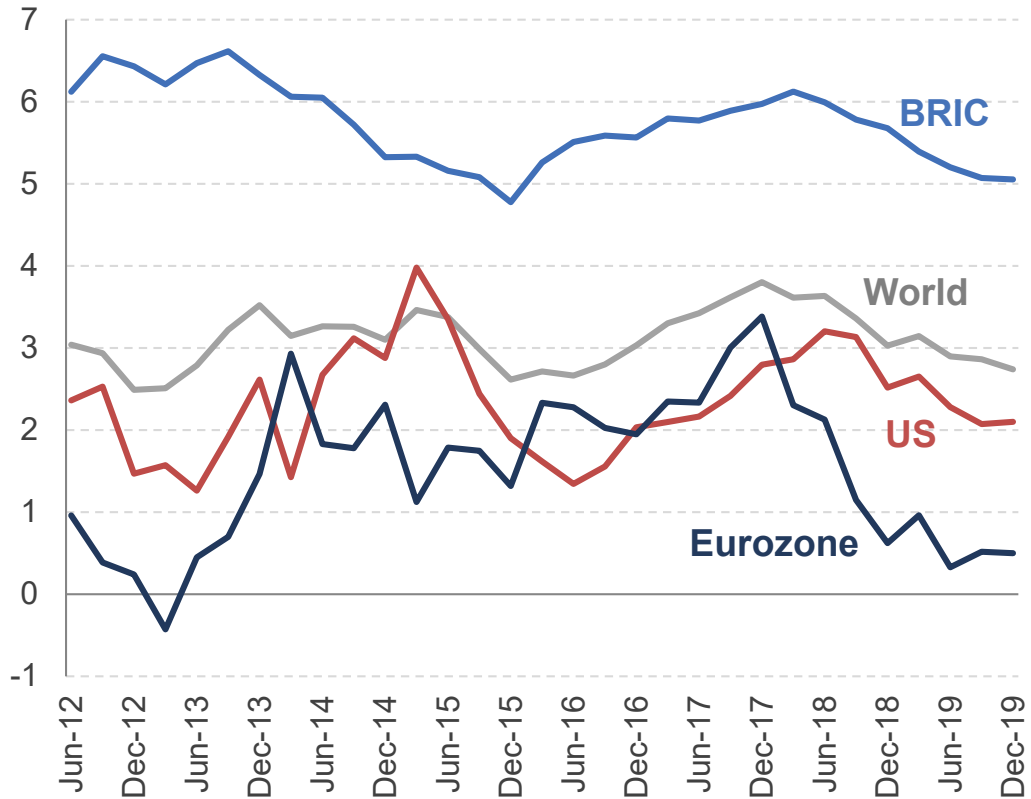
**Risky Business**



# Growth normalization continues



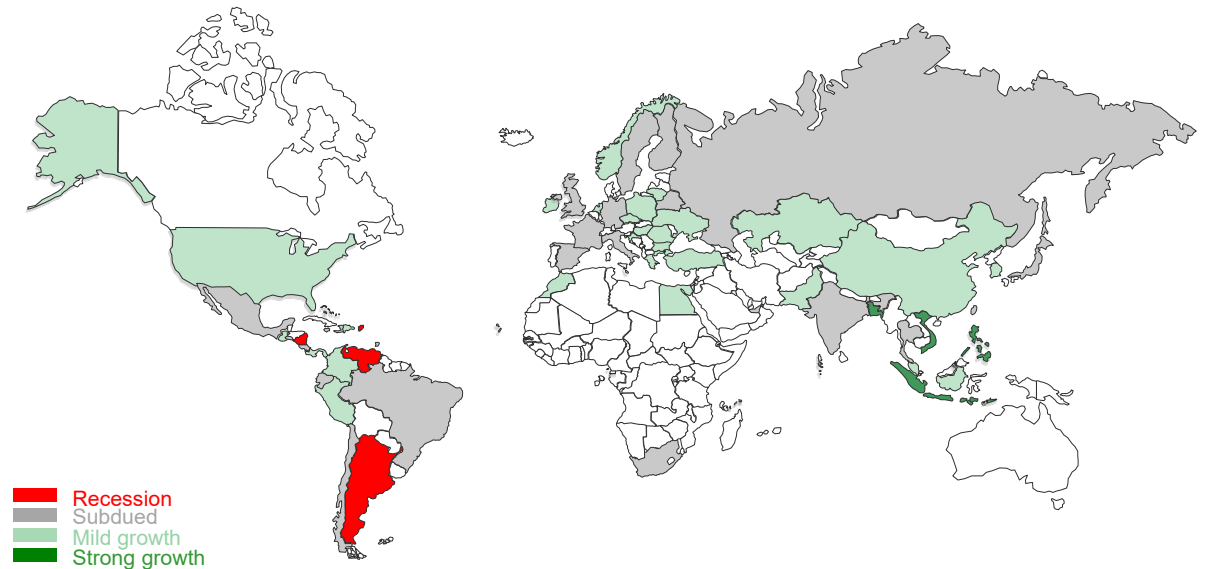
### SYNCHRONIZED SLOWDOWN (GDP % YoY)



Global economy began to decelerate in 2018

2019: Largest negative surprises in Europe, LatAm and India

### MOSTLY BELOW POTENTIAL ECONOMIC GROWTH (% GDP Growth 2020)

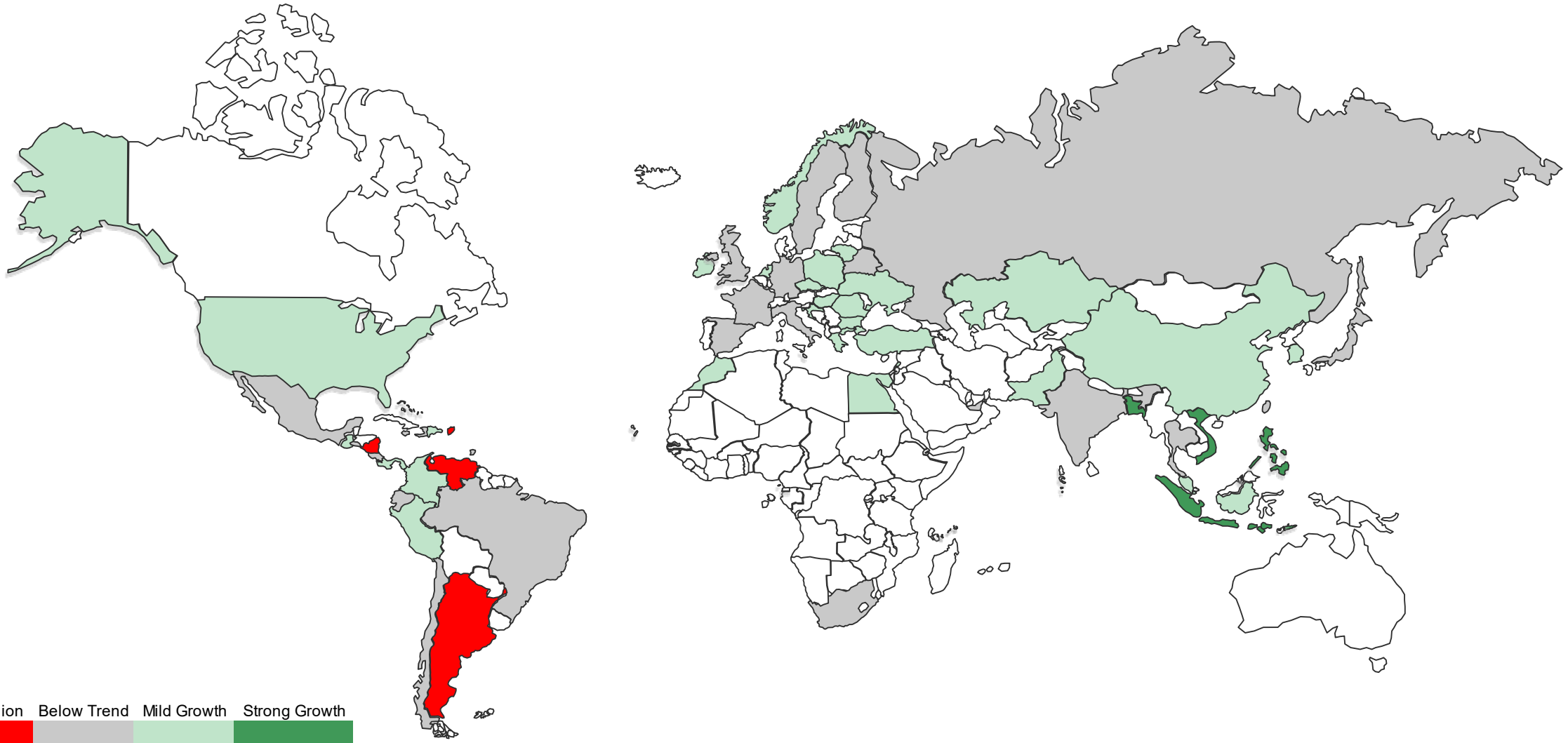




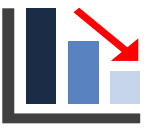
# Growth normalization continues



**MOSTLY BELOW POTENTIAL ECONOMIC GROWTH**  
(% GDP Growth 2020)



Recession Below Trend Mild Growth Strong Growth

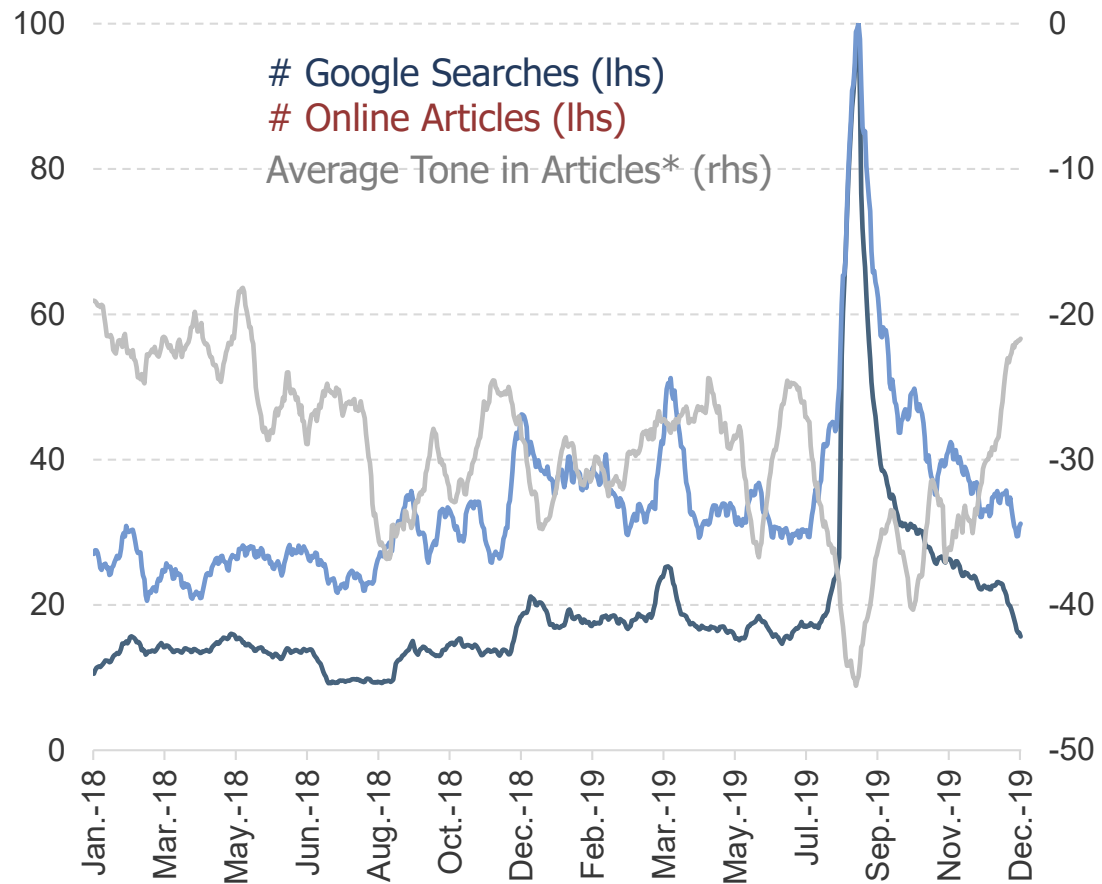


# Continued threat of “looming” recession



## RECESSION FEARS SUBSIDING

(Index 15-day m.a., Google and articles max level = 100)



(Index Numbers show the interest over time. 100 means the highest degree of interest on the issue)

Source: Google Trends

**The Economist**  
Dirty capital: the City of London  
The fate of Jamal Khashoggi  
Medicare for all  
Vegans on the rampage

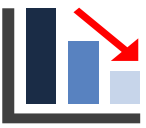
**The next recession**  
How bad will it be?

**Signs show economy averted**  
Most equity and bond prices have risen, and industrial production is easing

**Why Ever Worrying Recession**  
By JORDAN WEISSMANN

**Crash Averted**

### Recession? Eventually, but no crisis

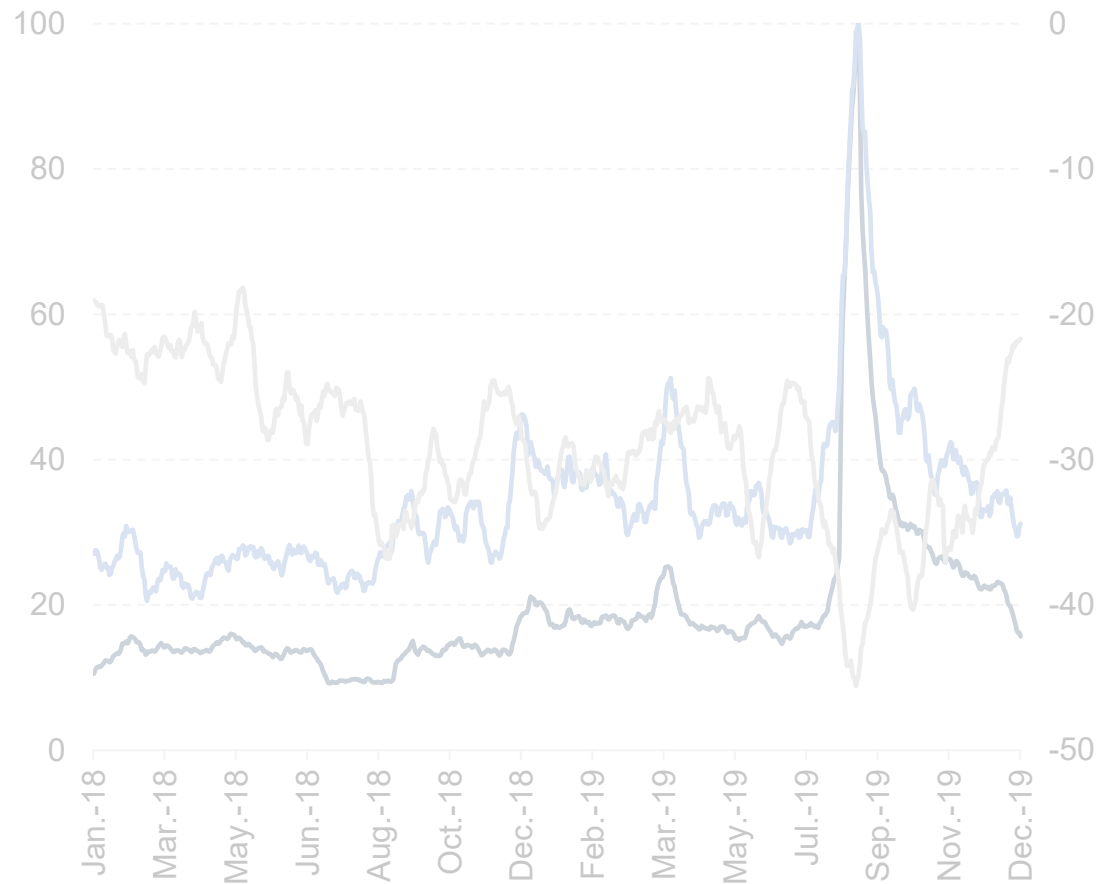


# Growth normalization continues



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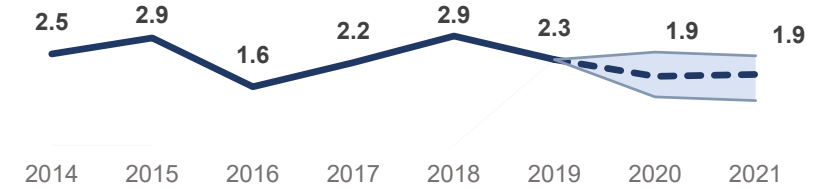
Source: Google Trends

## FORECAST GDP GROWTH

(% YoY)



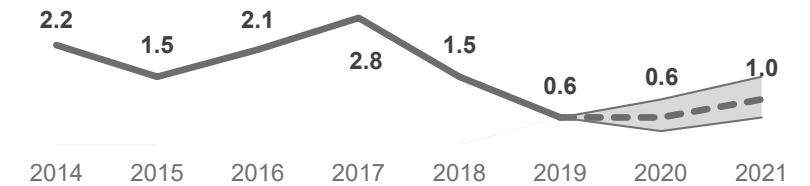
USA



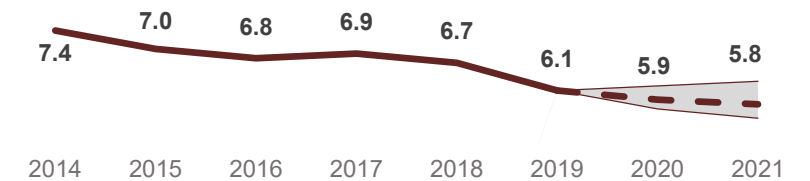
MEXICO



GERMANY



CHINA



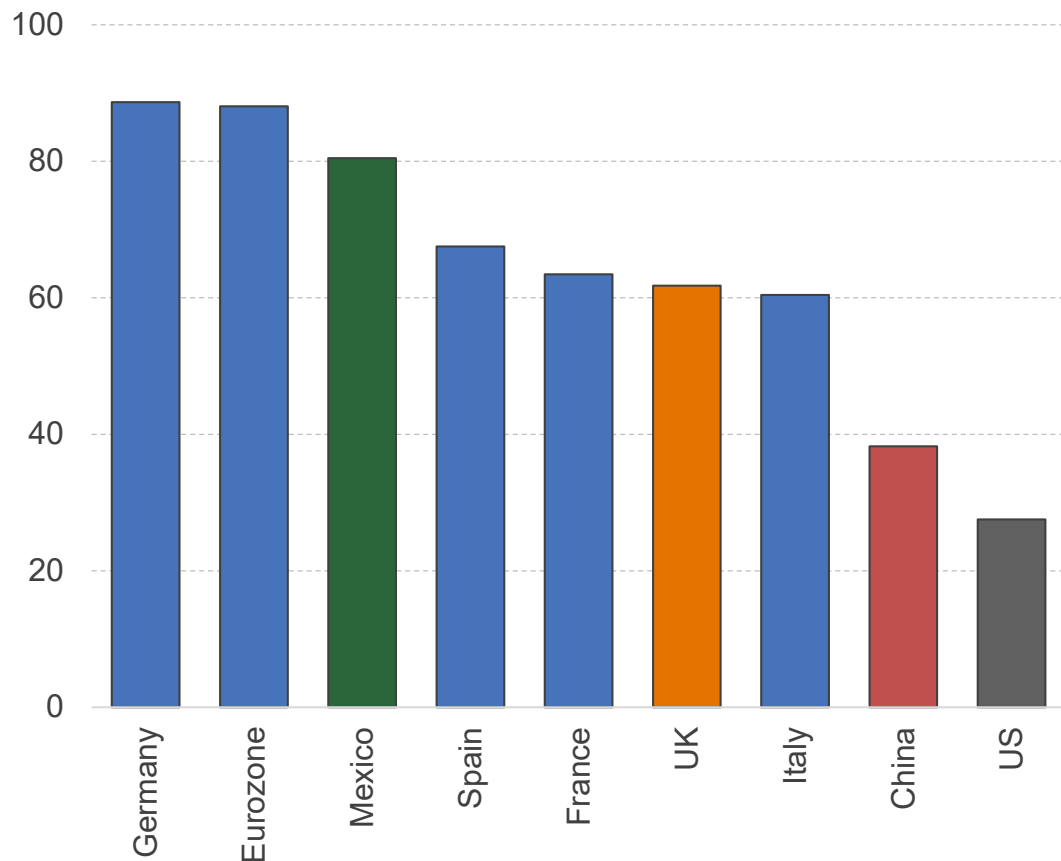
Source: Bloomberg



# Trade, collateral damage

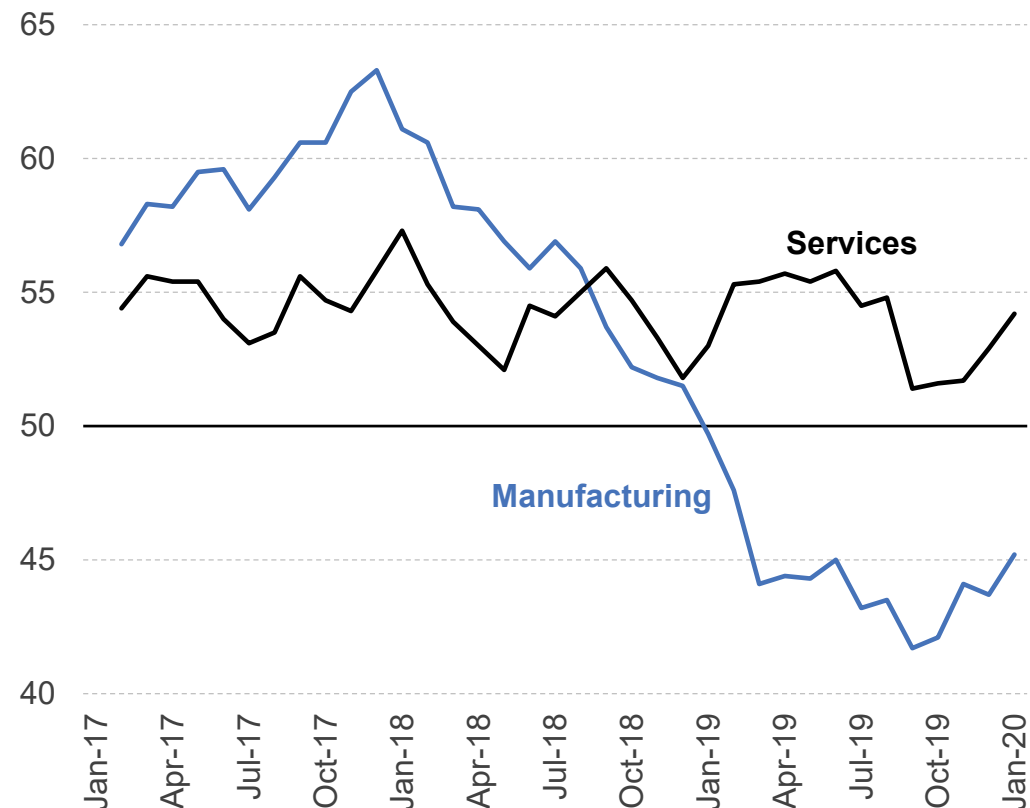


### GLOBAL TRADE BY COUNTRY ( $(X+M)/Y$ , % of GDP, 2018)



Trade war having a global impact

### MANUFACTURING RECESSION vs. SERVICE EXPANSION (Germany PMI, Breakeven = 50)



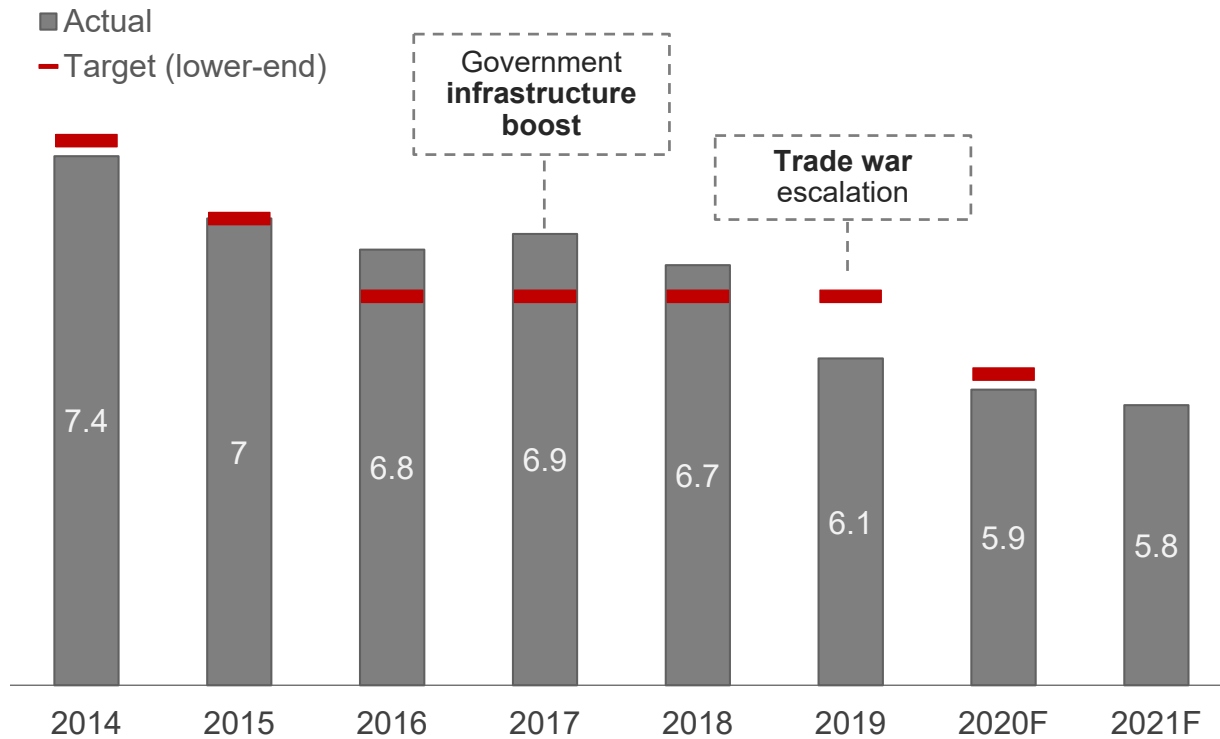
Manufacturing recession. Can services sustain the economy?



# Growth normalization continues



## FURTHER MODERATION AHEAD (% YoY)




Government infrastructure boost

Trade war escalation


Growing pains: industrial sector winding down after shift from exports to domestic consumption

New environment policies further impact industry


## 2020: FOUNDATIONS STILL SHAKY



CONSUMPTION TO REMAIN LACKLUSTRE

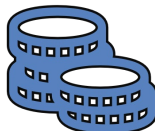


WEAKNESS IN CAPEX PERSISTS

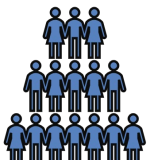


THOUGH INFRASTRUCTURE MAY RECOVER


## AND MAJOR CONCERNS REMAIN



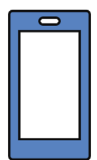
Debt




Demographics




Trade War



Technology tensions



Political concerns (HK, Taiwan)



Economic disruptions



## Neverending Story

Growth normalization

Trade, collateral damage



## Easy Money

## A Few Good Men

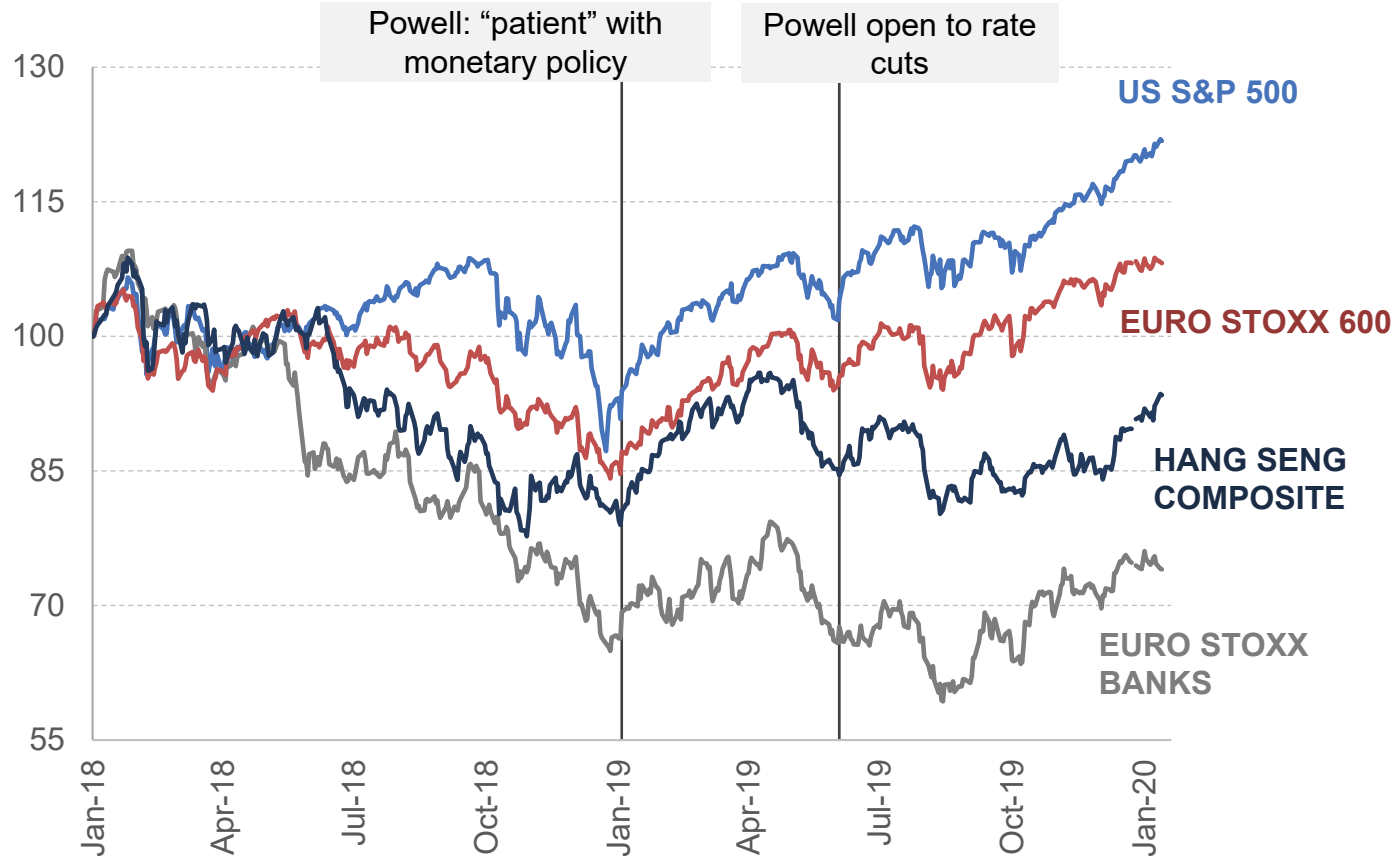
## Risky Business



# Monetary Policy: The new “snake” oil



## SOME MARKETS DOING BETTER THAN OTHERS (Jan 18 =100)



Fed reacting to markets?

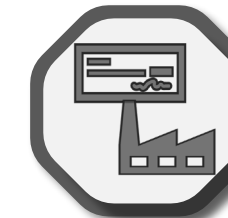
## How high is too high?



Excess liquidity



Buybacks



Physical versus financial investments



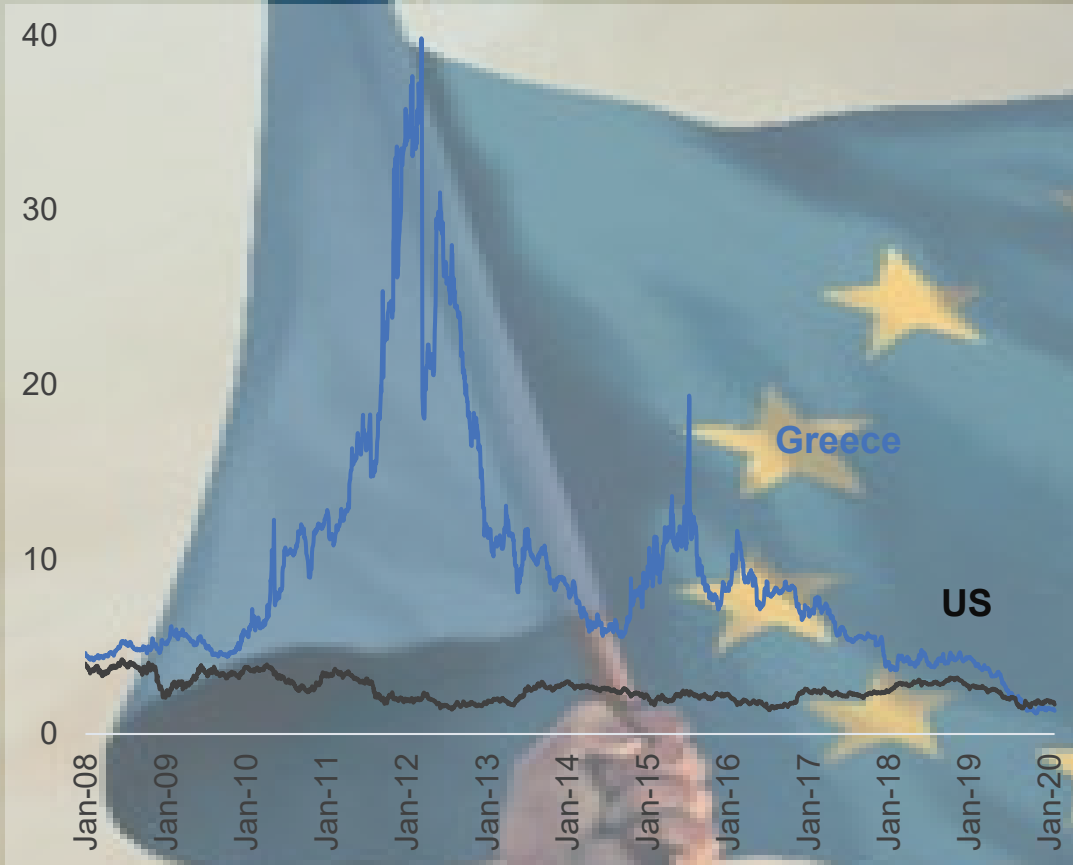
“New” versus “Old economy”



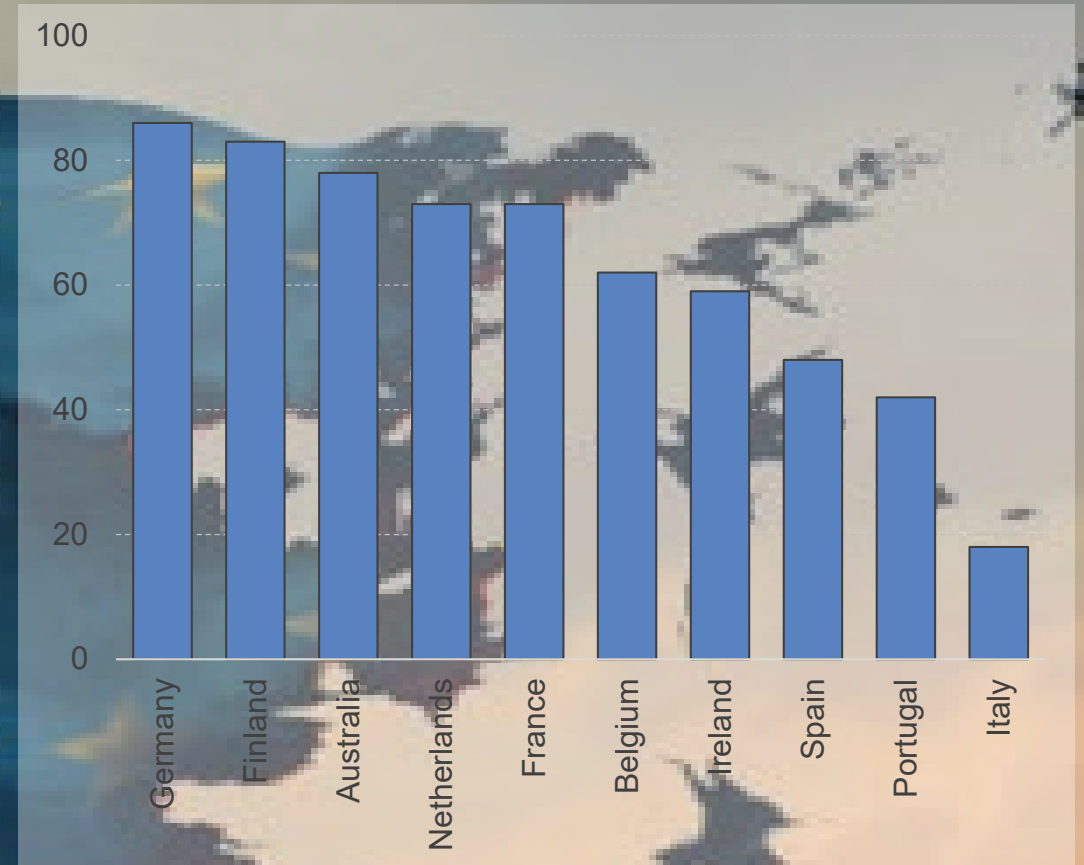
# ECB's aggressive policy-making going even further



### 10-YEAR RATES (%)



### PERCENTAGE OF BONDS TRADING AT NEGATIVE YIELDS (%)



Source: DS

Source: DB

How low is too low?

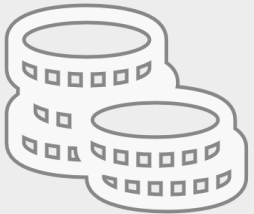


Low growth

Low rates

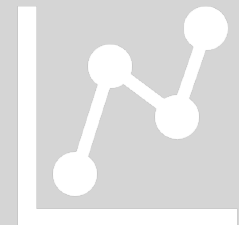


As long as inflation does not pick up



Consumption  
vs. Investment

Record  
stocks



## Neverending Story

Growth normalization

Trade, collateral damage



## Easy Money

Return to dovishland

The new “snake” oil

## A Few Good Men

## Risky Business



# A Few Good Men...



## Neverending Story

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Trade, collateral damage



## Easy Money

Return to dovishland

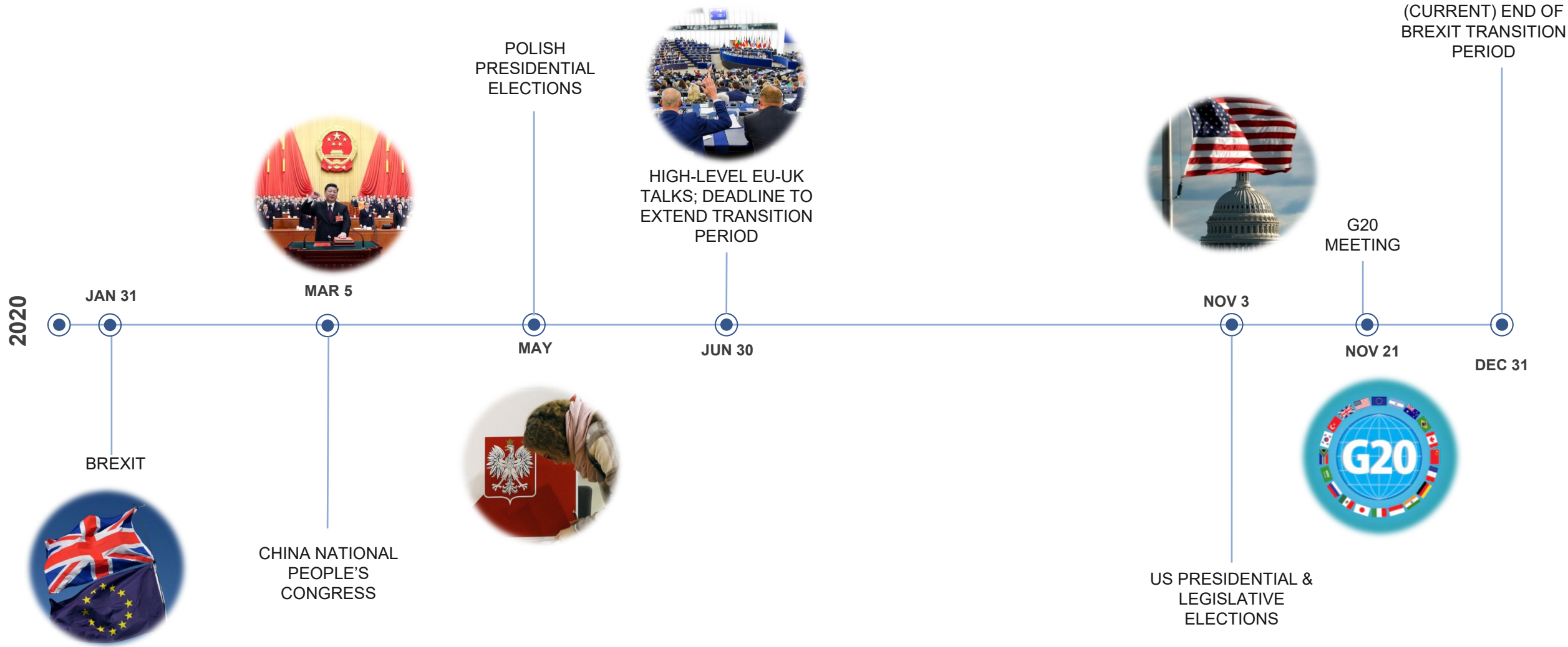
The new “snake” oil

## A Few Good Men

## Risky Business



# Other clouds in the horizon



**Geopolitics dominates economic policy, casts shadow on investments**





# Other clouds in the horizon



JAN 31

BREXIT



MAR 5

CHINA NATIONAL PEOPLE'S CONGRESS



POLISH PRESIDENTIAL ELECTIONS

JUN 30



NOV 3

US PRESIDENTIAL & LEGISLATIVE ELECTIONS



MEETING



(CURRENT) END OF BREXIT TRANSITION PERIOD

NOV 21

DEC 31

With global links, no unexpected event is isolated. These may affect productivity, trade, prices.



**Economy continues to grow  
(no excesses in Main St.)**

**Market addicted to Easy Money  
(mispriced assets)**

**Strong unpredictable leaderships**



# Manuel Balmaseda

Chief Economist





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*Thank you*

