

US Dollar on the wane?

USD down 10% since Trump took office

10%

US administration would prefer USD to fall further to boost exports and trade

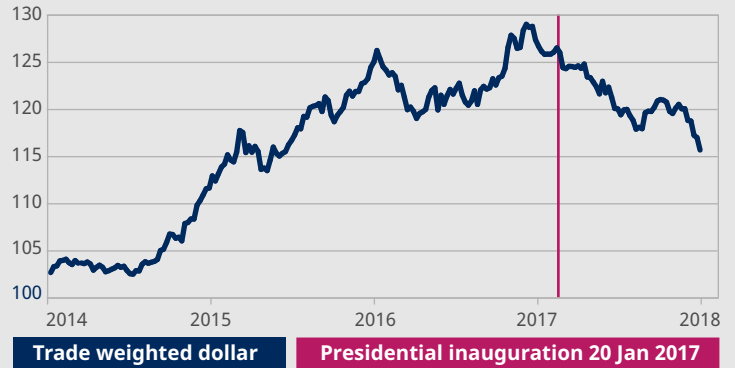
- USD still not cheap in historical terms
- Market may have already priced in further US interest rate hikes
- Further dollar weakness seems likely and would be welcomed by markets

Policy impact:

- US tax cuts and interest hikes have been insufficient for a stronger USD
- Expectations of rate hikes elsewhere brought forward - monetary policy predicted to tighten in Europe, then Japan

USD in retreat post Trump

Index, March 73 = 100



Source: Thomson Reuters Datastream, Schroders Economics Group, 31 January 2018

Is the global recovery peaking?

Global recovery on track

with healthy trade volumes, but could be peaking

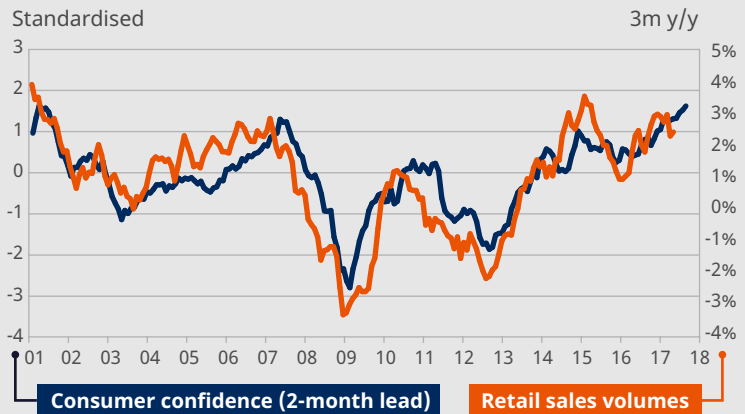
US tax cuts should help maintain global momentum in 2018

Eurozone growth continues to beat expectations; consumer confidence highest since 2001 – could boost retail sales

Stronger € and improving domestic demand likely to keep inflation under control

Watch out for: Rise in global protectionism caused by US policy, leading to stagnation (weaker growth, higher inflation)

Eurozone: strong consumer confidence helps drive higher retail sales



Source: Thomson Reuters Datastream, Schroders Economics Group, 30 January 2018

Political risk returns to emerging markets (EM)?

Emerging markets

EM continue good run into 2018, but politics threaten to derail

Major elections in:



Election outcomes are uncertain leading to volatility and, in turn, investment opportunities

However, EM could face a rollercoaster year as major central banks withdraw financial support

Source: Schroders as at February 2018

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