

Forecast update

5 key themes shaping the macro economic landscape and supporting equities throughout 2015

Lower oil prices have fed through into **lower inflation** in the **UK, US + Eurozone**

Stronger growth still expected, but evidence so far has been mixed

Currency moves are **rebalancing** the **world economy**

Growth in 2015

We expect the **FED** to ↑ rates

2016 prediction **2.5%** interest rates

Emerging markets: pockets of strength

Asia

- Energy importers
- Manufacturing oriented
- Strong balance sheets

India

- Improved current account
- Strong capital inflows

Liquidity: the search for yield continues

Quantitative easing

Eurozone recovery

Marco economy data for EZ is promising

Contributing factors

End of asset quality review

Banks resume normal lending activity

Lower oil prices = ↑ disposable income + ↑ spending

Room for improvement

| | |
|------------------------------|--|
| Weaker € | Corporate confidence in sustainable recovery |
| Exports ↓ Imports | Rebuild inventories |
| Growth over long term | +0.25-0.5% GDP in 2yrs |

Greece

Greece is facing pressures

↑ %

Rising interest rates

🔓

Individuals + corporations removing savings

What does the future hold?

GREXIT

Greece is **nowhere** nearer to **agreeing** the **terms of bailout** =

↑ **likelihood** of **forced exit** from **EZ**

GLUE

Ultimately, however, we see an **agreement** being made

Corporates at risk

Emerging market sovereigns in a much **healthier position** to **withstand Fed hike**

However

↑

Private sector debt increasing

↑

Increase in corporate debt

Particular concerns

| | |
|----|---|
| 🇹🇷 | Turkey = high debt, balance sheet problems + low currency reserves |
| 🇺🇸 | China = continued fear of financial instability |
| 🇵🇷 | Latin America = increased risk since crisis |

Source of data: Schroders, at at May 2015

Important Information: The views and opinions contained herein are those of Schroders Economics team, and may not necessarily represent views expressed or reflected in other Schroders communications, strategies or funds. This document is intended to be for information purposes only and it is not intended as promotional material in any respect. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations. Information herein is believed to be reliable but Schroders does not warrant its completeness or accuracy. Reliance should not be placed on the views and information in the document when taking individual investment and/or strategic decisions. Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get back the amount originally invested. The opinions included in this document include some forecasted views. We believe that we are basing our expectations and believes on reasonable assumptions within the bounds of what we currently know. However, there is no guarantee that any forecasts or opinions will be realised. **UK:** No responsibility can be accepted for errors of fact or opinion obtained from third parties. This does not exclude any duty or liability that Schroders has to its customers under the UK Financial Services and Markets Act 2000 (as amended from time to time) or any other regulatory system. Schroder Investment Management Limited, 31 Gresham Street, London, EC2V 7QA, is authorised and regulated by the Financial Conduct Authority. For your security, communications may be taped or monitored. Further information about Schroders can be found at www.schroders.com. **USA:** Schroder Investment Management North America Inc. is an indirect wholly owned subsidiary of Schroders plc and is a SEC registered investment adviser and registered in Canada in the capacity of Portfolio Manager with the Securities Commission in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Quebec, and Saskatchewan providing asset management products and services to clients in Canada. 875 Third Avenue, New York, NY, 10022, (212) 641-3800. www.schroders.com/us. w47878