

SARASIN
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Six minute strategy

Where to for global inflation?

18 September 2020



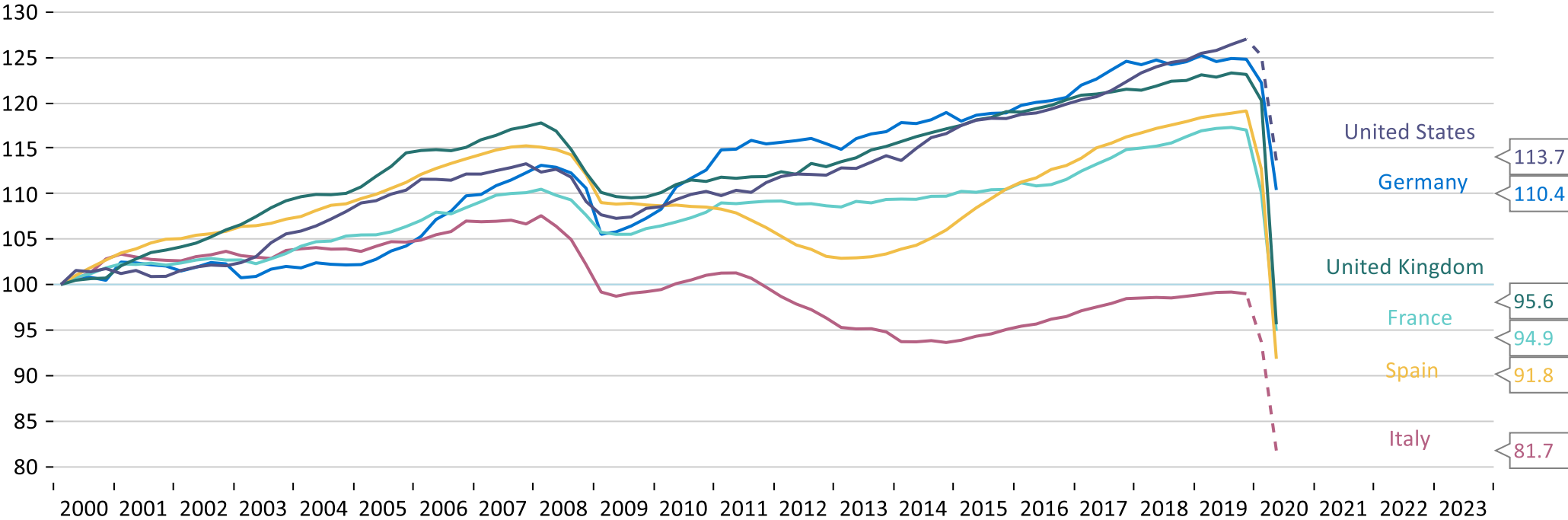
Global growth will rebound in the short-term but there will be longer-term scarring?



An already flat investment landscape

Real Per Capita GDP (after inflation)

Start of Q1 2000: 100

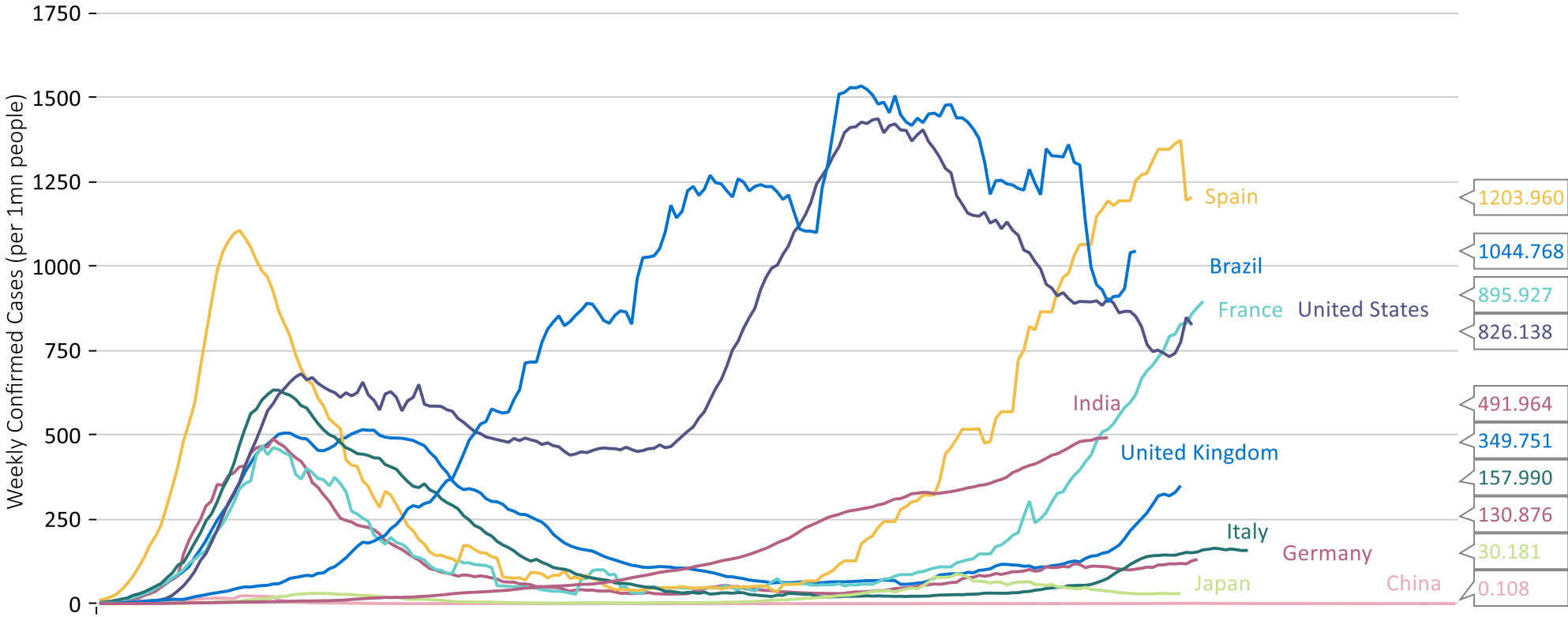


Source: Macrobond

Risk of second round infections growing...



Rolling weekly confirmed COVID-19 Cases (since 200 cases confirmed in one week) (per 1mn people)



Source: Macrobond, 18.09.20

Can China lead global recovery on the same scale as 2009?

- It has export challenges, bad debts & US/China trade tensions

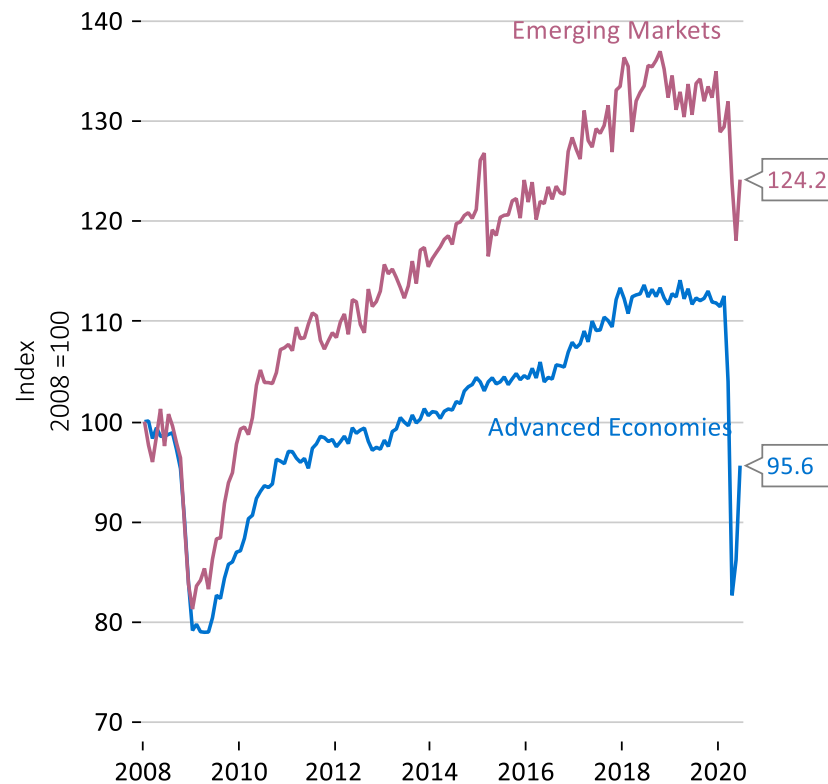


Decline in world exports hurts China



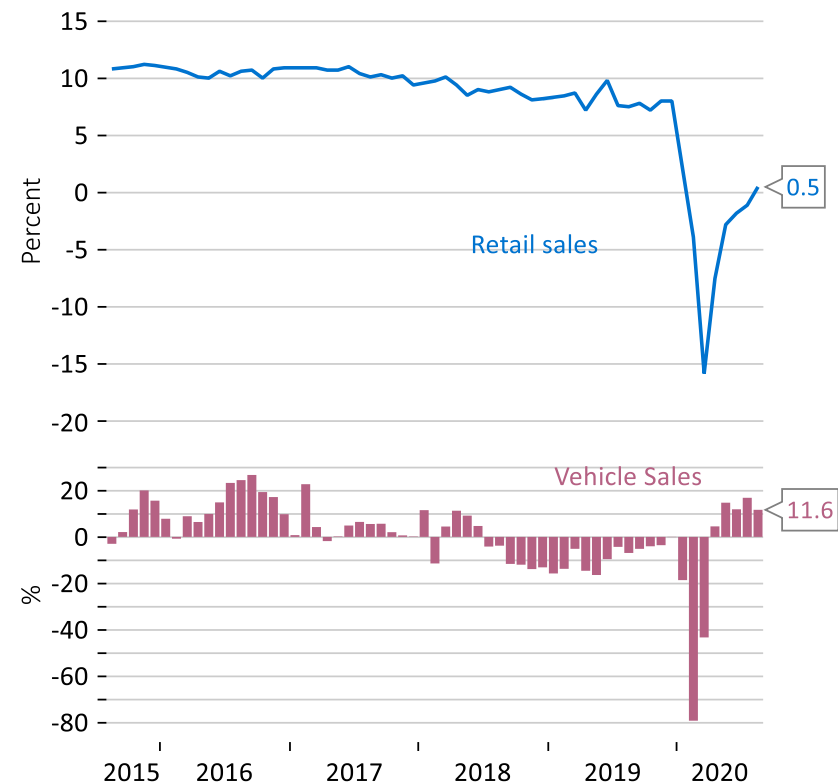
Domestic demand still challenged

Global Export Volumes



Source: Macrobond

China Retail and Auto Sales



Source: Macrobond

Some upturn in food and petrol prices – is there a long-term structural threat from weather or carbon taxes?

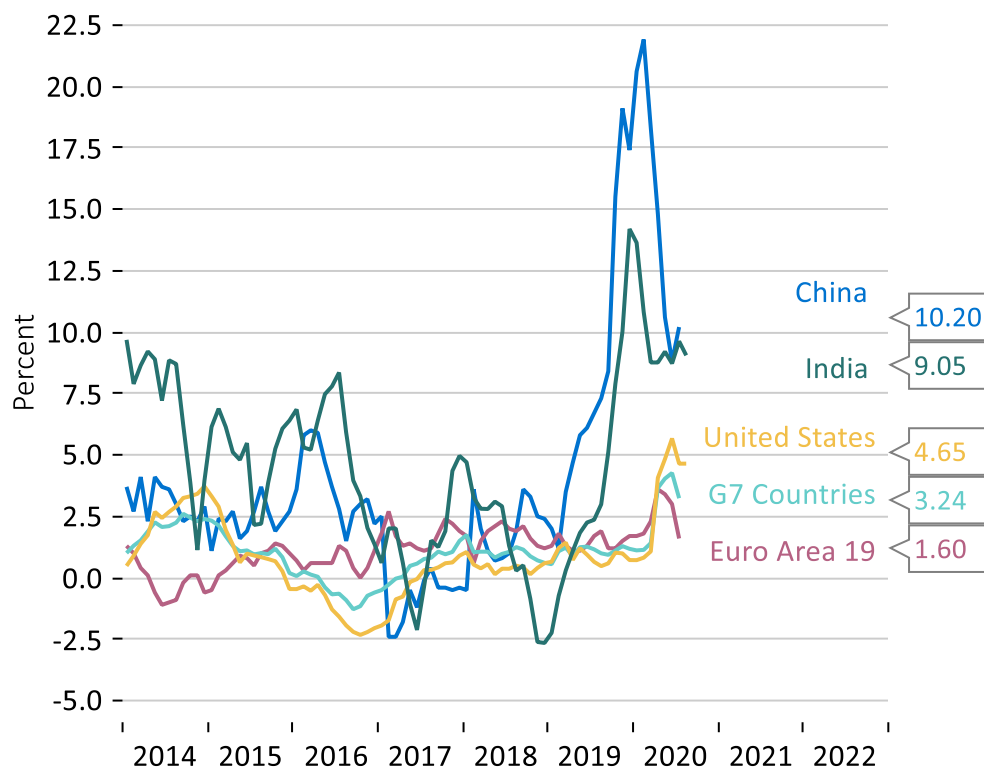


China affected by swine flu and India by poor weather



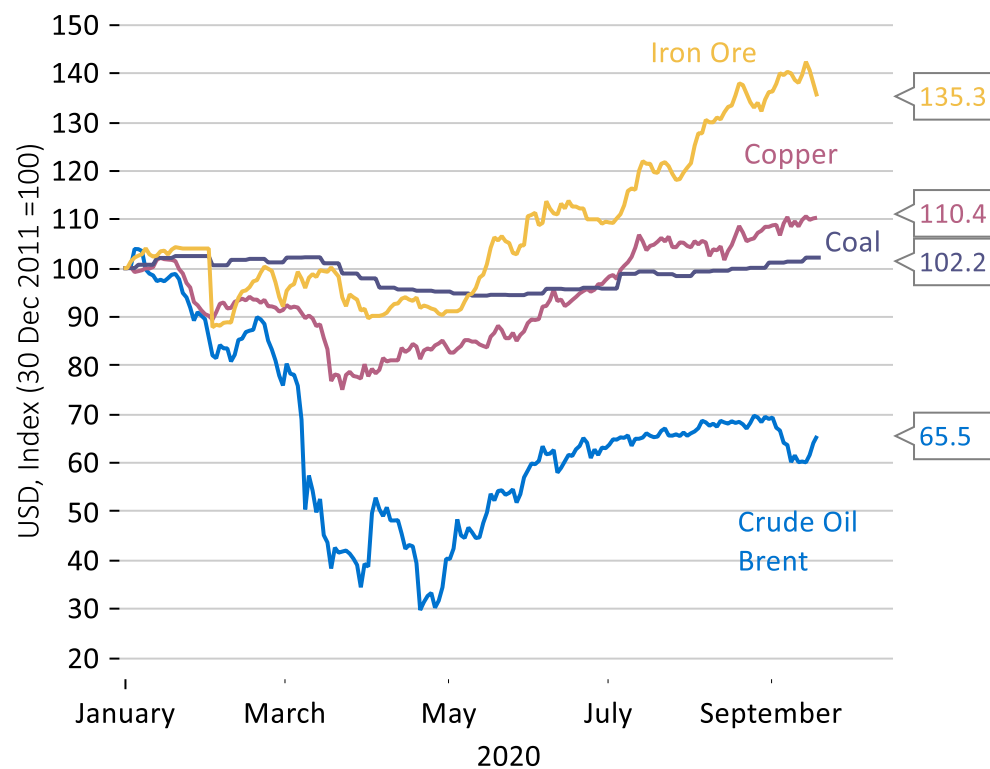
Commodity prices rise in a year of economic crisis

Food & Non-Alcoholic Beverage price Inflation Y/Y



Source: Macrobond, 18.09.20

Change in Commodity Prices



Source: Macrobond, 18.09.20

Federal Reserve – a quiet revolution that could go global...



Policy now targets > 2% inflation for ‘some time.’

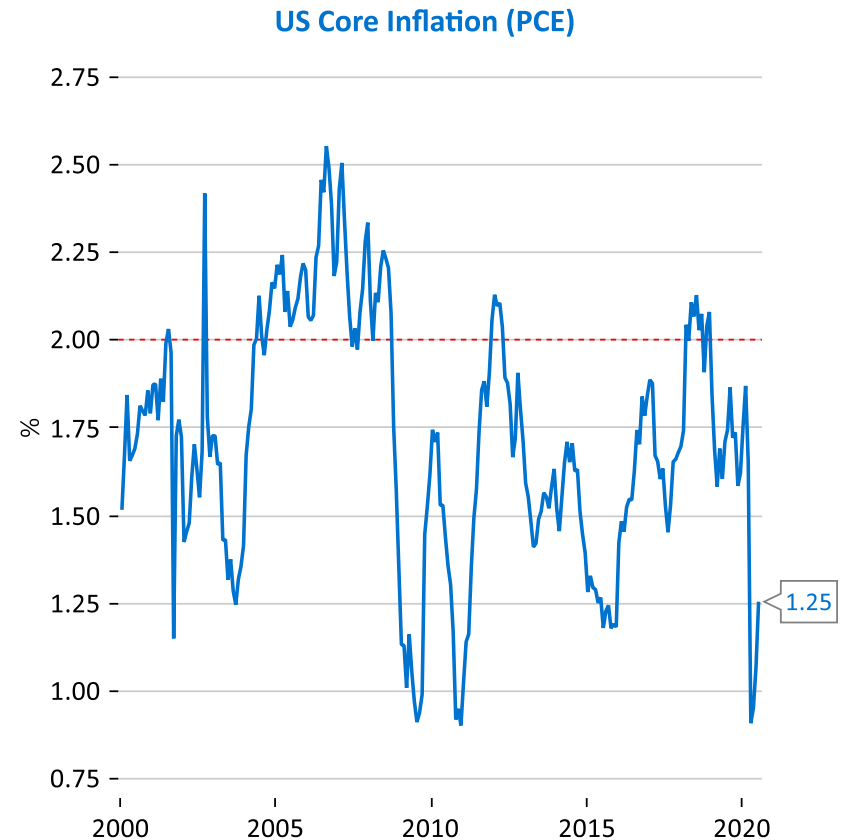
Policy now targets > 2% inflation for ‘some time.’

“With inflation running persistently below this longer-run goal...we will aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent. The Committee expects to maintain an accommodative stance of monetary policy until these outcomes are achieved”

US Federal Reserve: FOMC Minutes 16.09.2020



Fed has consistently missed its 2% target for a Decade



Source: Macrobond, 18.09.20

Our expectation is for 1.5% global inflation over next 5 years – lower in Asia & Europe – higher in UK and US

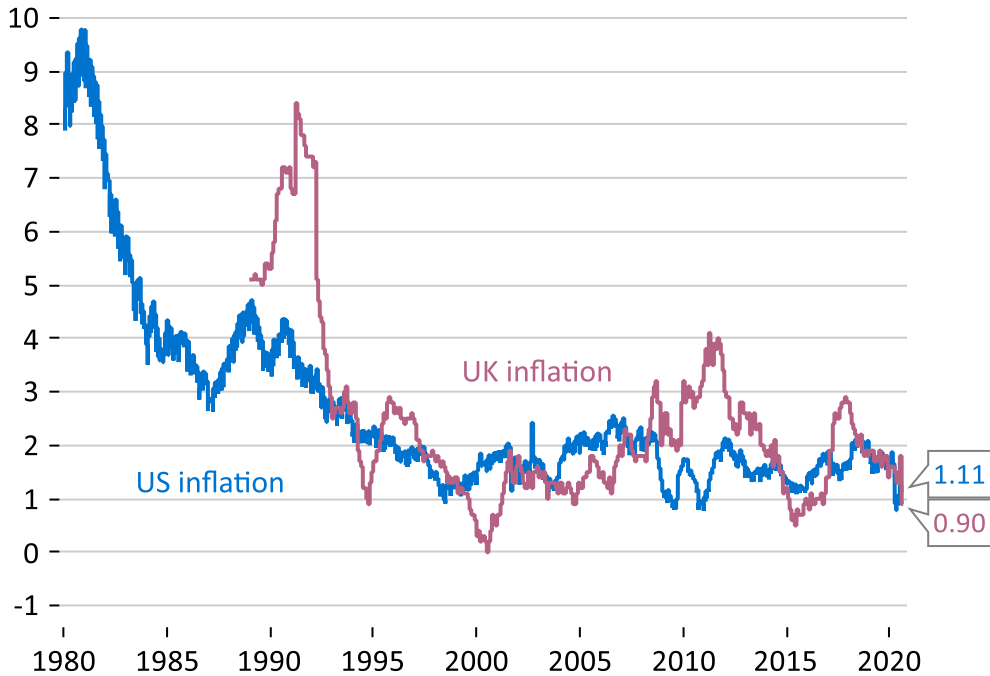


US inflation between 1% & 2% for last 25 years



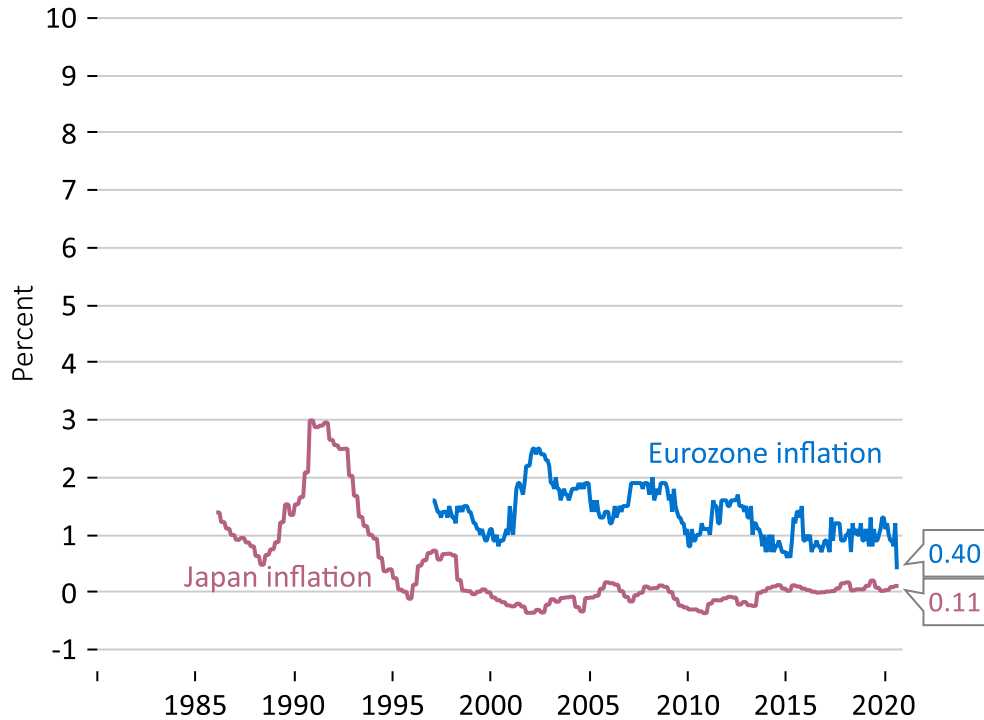
Japan 0% for 25 years. Eurozone trending down below 1%

US & UK Core Inflation (US PCE ex Food & Energy, UK CPI ex Energy & Seasonal Food)



Source: Macrobond, 18.09.20

Underlying Inflation Japan (median) & Euro Area (HICP Excluding Energy, Food, Alcohol & Tobacco)



Source: Macrobond, 18.09.20

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