

## Global Macro Outlook Q3 | 2021

As we look forward into the second half of 2021, our view is that we have reached peak macro. The macro factors that supported the very positive reopening reflation trades and drove those very high returns over the last year or so, well, they'll still be there, or they'll still be at very high levels, but their impulse will start to fade.

That's true for peak reflation, the view that growth and inflation would accelerate in a healthy manner. Inflation data has now probably peaked, but we're likely to see pockets of ongoing price pressure as the supply chain disruptions take a while to unwind.

That's why looking for pricing power is going to be particularly important. We've seen peak monetary policy easiness. We're now seeing every major central bank across the world taking their foot off the pedals we enter more normalized conditions. Now, again, still very high levels of monetary policy support, but less than where we've been over the last year.

The same is true for U.S. fiscal policy: We've likely seen peak U.S. fiscal impulse, those stimulus checks— well, we're not likely to get more of those— and while there is an infrastructure package ahead, the decline in fiscal spending is going to start to weigh on growth in 2022 and 2023. We've seen peak China credit impulse. Now, while that's relevant to China specifically, it's also relevant to the rest of the world. That's going to start to weigh on global growth to a certain extent, particularly trade and industrial activity.

Last but not least, we've likely seen the peak in a variety of U.S. data points, particularly housing, cars, retail sales. Those grew at extraordinarily high levels. Again, will still be very high, but those impulses are going to start to decline as we see mean reversion. Now, this might sound very nefarious and ominous and cause for concern— not necessarily. Within any regime, there is opportunity. It just requires a bit of a different strategy.

As we look forward, we're probably going to see more range-bound markets, more muted returns than we've seen over the past year. It'll be really critical to get best-in-class stock, credit, sector selection, and, as always, we do maintain a country-by-country focus.

Check out our Q3 Global Macro Outlook.

It goes through 15 major economies and regions and gives you a two-pager on everything you need to know about those economies and their markets.

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